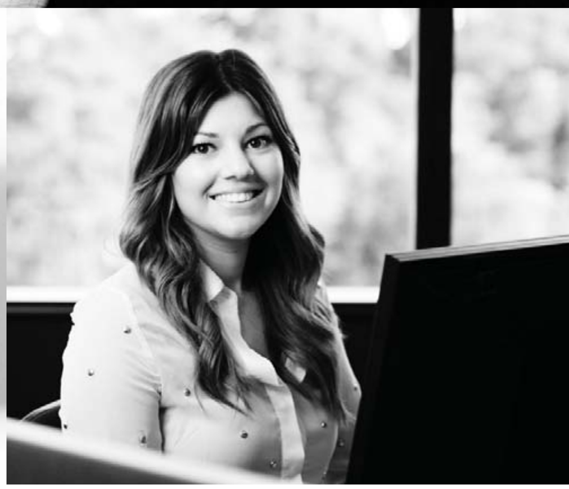
ANNUAL REPORT 2013



FLEXIGROUP

ANNUAL REPORT

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DIRECTORS' REPORT

Your Directors present their report on the consolidated entity (referred to hereafter as the Group) consisting of FlexiGroup Limited ("the company") and the entities it controlled at the end of, or during, the year ended 30 June 2013.

Directors

The following persons were Directors of FlexiGroup Limited during the year and up to the date of this report except otherwise stated:

Margaret Jackson

Tarek Robbiati (appointed as a director on 28 January 2013)

Andrew Abercrombie

Rajeev Dhawan

R John Skippen

Anne Ward (appointed as a director on 1 January 2013)

John Delano (resigned on 25 January 2013)

Company Secretary

David Stevens

Principal activities

The principal activities during the year continued to be the provision of:

- Lease and rental financing services
- Interest free loans
- Interest free cards

Following the acquisition of Lombard Finance and Once Credit, the group interest free card business is now a principal activity. No other significant change in the nature of these activities occurred during the year. Also refer below on Key Developments section of the Operating and Financial Review.

OPERATING AND FINANCIAL REVIEW

The Board presents its 2013 Operating and Financial Review, which is designed to provide shareholders with a clear and concise overview of FlexiGroup's operations, financial position, business strategies and prospects for future financial years. The review compliments the financial report.

FLEXIGROUP'S OPERATIONS

Business Model

FlexiGroup is a diversified financial services group providing no interest ever, leasing, vendor finance programs, interest free and visa cards, mobile broadband, lay-by and other payment solutions to consumers and businesses.

Through our network of over 11,000 merchant, vendor and retail partners the Group has extensive access to four key markets, Business to Consumer, Business to Business, Retail to Consumers (and small business customers) and online. Our success as a business is linked to the success of our merchant, vendor and retail partners. FlexiGroup leverages its cores strengths which include a highly developed marketing and sales function, a highly efficient call centre and strong funding sources to increase our volumes and drive value for the business.

FlexiGroup primarily operates through four core business areas, which span:

- The Interest free (No interest ever and take home lay by plans) and cheque guarantee services offered through diverse merchants by Certegy.
- Consumer and SME (Leases) which offers leasing products to consumers through key partners including major Australian Retailers. The Consumer and SME (Leases) business also includes Blink which offers mobile broadband services and Paymate, which offers online and mobile credit card payments without an expensive merchant facility issued by a bank, a secure website or gateway processor service.
- Enterprise offers leases (typically commercial and larger sized transactions) through Vendor Programs and direct to medium and large businesses.
- The Interest free cards business has been complimented by the acquisition of Once Credit Pty Limited as explained in the Key Developments (Incorporating Significant Changes in the State of Affairs) section below on page 4. The business aims to offer personal finance products which include in store finance or a Visa card tailored to suit the needs of the Australian market.

FlexiGroup operates predominantly within the Australia and New Zealand markets.

Receivables origination volumes are a key driver of profitability as new receivables create profits that are recognised in future years as customers pay down their debt. FlexiGroup targets receivables growth through its internal sales structures and also through its vendor and retail partnerships. Profitability is also driven by the level of impairments, controlling cost of funds and operating expenses.

2013 Operating Results

The table below shows the key operational metrics for the 2013 financial year for FlexiGroup and its segments:

Summary of Results	Consumer and SME (Leases) 2013 $'m	Consumer and SME (Leases) 2012 $'m	No Interest Ever 2013 $'m	No Interest Ever 2012 $'m	Enterprise 2013 $'m	Enterprise 2012 $'m	Interest free cards 2013 $'m	Interest free cards 2012 $'m	Group 2013 $'m	Group 2012 $'m
Net Portfolio Income	**107.1**	111.7	**75.6**	59.9	**21.6**	14.4	**12.8**	0.7	**217.1**	186.7
Impairment losses on loans & receivables	**(13.5)**	(11.9)	**(11.5)**	(10.1)	**(1.1)**	(1.4)	**(1.0)**	(0.1)	**(27.1)**	(23.5)
Operating expenses	**(52.4)**	(54.1)	**(24.8)**	(18.6)	**(7.9)**	(6.0)	**(7.9)**	(0.5)	**(93.0)**	(79.2)
Amortisation of acquired intangible assets	**(0.3)**	(0.3)	**(0.9)**	(1.1)	**-**	–	**(0.7)**	–	**(1.9)**	(1.4)
Profit before tax	**40.9**	45.4	**38.4**	30.1	**12.6**	7.0	**3.2**	0.1	**95.1**	82.6
Income tax expense	**(12.6)**	(12.2)	**(11.8)**	(9.3)	**(3.8)**	(2.1)	**(1.0)**	–	**(29.2)**	(23.6)
Profit after tax	**28.3**	33.2	**26.6**	20.8	**8.8**	4.9	**2.2**	0.1	**65.9**	59.0
Adjustments for underlying profit (i)	**4.8**	1.2	**0.9**	1.1	**-**	–	**0.5**	–	**6.2**	2.3
Cash NPAT (ii)	**33.1**	34.4	**27.5**	21.9	**8.8**	4.9	**2.7**	0.1	**72.1**	61.3
Basic earnings per share (EPS)	**-**	–	**-**	–	**-**	–	**-**	–	**22.9**	21.5
Cash earnings per share (Cash EPS)	**-**	–	**-**	–	**-**	–	**-**	–	**25.1**	22.3
Volume ($)	**216**	238	**490**	434	**113**	102	**88**	5	**907**	779
Closing Net Receivables	**358**	365	**422**	357	**197**	155	**186**	50	**1,163**	927

(i) Adjustments reflect the after tax effect of material one off items that the Chief Executive Officer and the Board believe do not reflect ongoing operations of FlexiGroup and amortisation of acquired intangible assets.

(ii) Cash NPAT reflects the reported net profit after tax adjusted for items reflected in note (i) above. The analysis of results below is primarily based on Cash NPAT so as to align the information that is given to users of financial reports to the way the Directors view the business and to assist better understanding of the Group's performance. The Directors believe that Cash NPAT is the most appropriate measure of maintainable earnings of the Group and therefore best reflects the core drivers and ongoing influences upon those earnings. Cash NPAT is used by the Directors for purposes of providing market guidance to shareholders and the market and is calculated on a consistent basis each year. The Directors also link the CEO and Senior Executives' short and long term incentives to Cash NPAT as detailed in the remuneration report.

FlexiGroup recorded a strong financial performance with a statutory profit of $65.8m, an increase of 12% year on year. Cash NPAT was $72.1m, an increase of 18% year on year. The Group continues to deliver a solid and consistent return to its shareholders, despite the Australian retail sector remaining subdued and the employment market remaining tight.

A strong Cash NPAT growth is driven by sustainable receivables growth through diversification into the No Interest Ever; Interest free cards consumer market and building strategic partnerships in commercial leasing. The Group has also benefited from improved credit quality and loss performance and access to diversified funding resulting in lower funding costs.

Cash EPS increased by 12% to 25.1 cents per share on the prior comparative period. The percentage increase in Cash EPS is lower than the increase in profits as a result of the effect of 21m shares issued during the financial year. The share issues comprised of vesting of previously awarded long term incentives and equity issued to fund the acquisition of Once Credit. The Once Credit acquisition is expected to be EPS accretive in the future as the business is grown through capital deployment.

DIRECTORS' REPORT (CONTINUED)

The key drivers of the Statutory Profit and Cash NPAT increase were:

- Net Portfolio Income increased by 16.3% to $217.1m, underpinned by a 25.5% increase in Receivables due to the acquisition of Once Credit ($109.8m) and strong growth in No Interest Ever, Enterprise and Interest free cards and lower funding costs. The increase is partly offset by margin compression, which declined due to pricing competition.
- Impairment losses increased by 15.3% to $27.1m, largely attributable to the growth in receivables. Net impairment losses as a % of Receivables were 2.3% lower than the prior year (2.7%), underpinned by business diversification, which reduced credit risk and growth in lower risk commercial receivables.
- Operating expenses increased by 17.4% to $93.0m, mainly due to costs associated with Lombard acquisition and transition of call centre shared services platform to Manila and costs associated with growing the Group's receivables portfolio. Operating expenses include one off acquisition costs and redundancy costs of $4.5m (2012: $2.8m).
- Sales volume increased by 16.4% to $907m. The growth is due to the acquisition of Interest free cards businesses, (accounting for 78% of the total growth) and increases in No Interest Ever and the Enterprise sectors. These increases were partly offset by declining volumes in the Consumer and SME (Leases) business driven by falling asset prices, consumer demand and increased competition resulting from banks and commercial finance companies re-entering the market post GFC.
- Further details on operating results are provided in the segmental analysis below.

Key Developments (Incorporating Significant Changes in the State of Affairs)

The acquisition of Once Credit on 31 May 2013 provides the Group with the necessary scale required to accelerate growth in the interest free card market. Once Credit has a similar business profile to the Group's existing interest free card business, Lombard. The Group's ability to provide deeper and wider access to funding markets, combined with our established customer base, will help drive interest free volumes. Strategically, the Once Credit and Lombard businesses will be combined to create a single best in class organisation that will drive continuous innovation for retailers and consumers alike.

The acquisition was fully funded through a $45m equity placement. In addition to the placement, the Group also raised $10m through a share purchase plan. Details of the equity raising are contained in note 21 of the financial statements.

Segment Results Analysis

Consumer and SME (Leases)
Cash NPAT was $33.1m, a reduction of 3.8% on the prior comparative period. This is driven by:

- Net Portfolio Income decreased by 4.1% to $107.1m. Increased competition in the SME sector continues to impact new business yields and high investment in cost of sales. Asset price deflation in the Consumer (Retail) sector has also resulted in net interest margin compression.
- Impairment losses increased by 13.5% to $13.5m, reflecting the high risk inherent in the small ticket leasing space.
- Operating expenses decreased by 3.2% to $52.4m, largely driven by cost saving initiatives undertaken by the Company during the year. The initiatives, however, also resulted in one off costs associated with the transition of the call centre platform to Manila. Cost efficiencies from changes in operations are expected to be fully realised in FY2014.
- Sales volume at $216m decreased by 9.2% from prior comparative period.
- Closing Receivables were $358m. Small ticket volumes have continued to fall over the last 5 years as a result of falling asset prices and emergence of the tablet market. Challenging retail trading conditions and higher unemployment have also implied subdued demand.

No Interest ever (Certegy)

Certegy's Cash NPAT is $27.5m, an increase of 25.7% on the prior comparative period, driven by:

- Net Portfolio Income increased by 26.2% to $75.6m driven by 12.9% growth in volume and 18.2% growth in Receivables.
- Impairment losses increased by 13.9% to $11.5m and given a 12.9% growth in volume, the losses increase is proportionally lower reflecting the quality of receivables and collection efforts. Impairment losses as a % of Receivables decreased by 32 basis points to 2.7%.
- Operating expenses increased by 33.1% to $24.8m reflecting additional costs to support volume growth and increased marketing efforts for merchants and direct consumers.
- Sales volume increased by 12.9% to $490m. Certegy achieved a solid growth in volumes by shifting sales focus to the cash and carry merchants, whilst successfully mitigating risks associated with its dependency on solar industry.
- Closing Receivables increased by 18.2% to $422m achieved through new established relationships and industry diversification.

Enterprise

Enterprise's Cash NPAT of $8.8m represents a 79% increase on the prior comparative period. This was driven by:

- Net Portfolio Income increased by 50.0% to $21.6m, largely driven by 27.1% growth in Receivables. Re-emergence of competition from the banks and larger commercial companies has provided price pressure resulting in net interest margin compression compared to prior year.
- Impairment losses decreased by 21.4% to $1.1m. Lower credit losses were driven by continued focus on assets with higher credit quality. Impairment losses as a % of Receivables reduced by 40 basis points to 0.6%.
- Operating expenses increased by 31.7% to $7.9m, reflecting the increased costs associated with the growth of receivables.
- Sales volume increased by 10.8% to $113m largely as a result of consistent volumes through new strategic partnerships. Enterprise continues to leverage from existing distributions by delivering high service levels.
- Closing Receivables increased by 27.1% to $197m, supported by volume growth and new distribution channels.

Interest free cards

FlexiGroup acquired Lombard in May 2012 and Once Credit in May 2013. Due to the timing of the Once Credit acquisition, its contribution to Group profitability was $0.23m in consolidated FY13 earnings and it is expected to be EPS accretive in 2014.

Interest free cards' Cash NPAT was $2.7m driven by:

- Net Portfolio Income of $12.8m underpinned by growth in volume. The growth was largely driven by launch of two new products, 180 Visa Card & 55 Visa Card, new volumes through IKEA and increase in applications attributable to a cross sell campaign to the Group's existing customer base. Increase in portfolio income was partly offset by higher funding costs due to increase in facility limit from $55m to $100m.
- Impairment losses were $1.0m, representing 0.5% of Receivables.
- Operating expenses were $7.9m driven by new contract changes required for new product launches and associated costs related to changes to IT infrastructure and processes.
- Sales volume of $88m and Closing Receivables of $186m was accredited to growth in portfolio balance, with 541 new distribution relationships established in 2013 and the acquisition of Once Credit. Cards spend also doubled following the launch of the 180 Visa Card in October 2012.

DIRECTORS' REPORT (CONTINUED)

Financial Position and Cash Flows

Set out below is a summary of the financial position of the group, separating assets which are held in funding (non-recourse to the Group) SPVs and remaining assets and liabilities.

	Group Excl. SPVs		Group Incl. SPVs	
	2013 $'m	2012 $'m	2013 $'m	2012 $'m
Summary Financial Position				
Cash at bank (unrestricted)	**50.5**	18.5	**50.5**	18.5
Cash at bank (restricted)	**72.3**	44.7	**72.3**	44.7
Receivables (i)	**86.0**	65.5	**1144.7**	909.4
Investment in unrated notes in securitisation vehicles	**93.4**	95.6	**-**	-
Other assets	**65.1**	60.6	**65.1**	60.6
Goodwill and intangibles	**122.5**	108.9	**122.5**	108.9
Total assets	**489.8**	393.8	**1455.1**	1,142.1
Borrowings	**25.0**	23.9	**1033.4**	792.1
Cash loss reserve available to funders	**-**	-	**(43.1)**	(19.9)
Other liabilities	**100.2**	99.1	**100.2**	99.1
Total liabilities	**125.2**	123.0	**1090.5**	871.3
Equity	**364.6**	270.8	**364.6**	270.8
Gearing (ii)	**10%**	15%		
RoE (iii)	**24%**	24%		
Cash inflows from operating activities ($m)	**96.8**	110.7		

(i) Lease and interest free receivables are funded by non-recourse borrowings from Banks and securitisation vehicles. Receivables reflected under "Group Excl. SPVs" reflect that portion that is not funded through the Banks and securitisation vehicles.

(ii) Gearing is recourse borrowings as a percentage of equity.

(iii) Calculated based on Cash NPAT as detailed on page 3 as a percentage of average equity.

Receivables

Closing Receivables increased by 25.4% to $1,163m (before provision for doubtful debts). This is attributable to effective growth strategy through acquisition of Interest free card businesses, focus in building strategic partnerships in Enterprise and new distribution relationships established in Certegy and Lombard. Past due unimpaired receivables increased by $15.8m, with amounts past due 30 days or more amounting to $22.7m (2012: $14.8m). The increases include the impact of the Once Credit acquisition.

Return on Equity ("RoE")

The Company has continued to achieve consistently high returns underpinned by growth in profitability. Increases in equity have been complimented by earnings accretive acquisitions, and the Company has achieved an average of 25% ROE over the last 4 years.

Gearing

FlexiGroup continues to maintain an adequate capital structure with corporate gearing of 10% (2012: 15%). The Company continues to fund value accretive acquisitions through equity and its own cash resources. Non-recourse borrowings are secured against the Company's receivables and the contract terms are matched, with future interest cash flows generally fixed through use of interest rate swaps.

Cash Flows

Cash flow generated by normal trading, including tax and interest payments, before movements in working capital increased by 14% to $107.3m. After taking into account the net investment in working capital, driven by increases in prepayments and other debtors, and a quick turnaround in paying suppliers, cash from operating activities decreased by 13% to $96.8m.

The decrease in cash inflow from operating activities also reflects the higher tax payments in current year of $25.3m (2012: $17.3m) and higher interest expense of $66.6m (2012: $59.1m) primarily due to increased profit and funding respectively.

Cash outflow from investing activities reduced by 11% to $188.1m due to a reduction in net investment in receivables, negated by outflows on acquisition of Once Credit.

Cash inflows from financing activities increased by 39% to $150.2m primarily as a result of a net $53.5m raised to fund the Once Credit acquisition. Net borrowings reduced by $21.3m reflecting the increased loss reserves required to support increases in funding facilities.

Funding

FlexiGroup maintains a conservative funding strategy; to retain multiple committed funding facilities for all scale businesses, combined with an active debt capital markets presence. The Group currently has revolving funding facilities in place with five Australian trading banks and a major institutional entity, plus numerous institutional investors in its Asset Backed Securities (ABS) program.

During the 2013 financial year the Group implemented an additional $265m of new or increased revolving facilities and completed two ABS issuance, the $255m Flexi ABS Trust 2012-1 in August 2012 and the $210m Flexi ABS Trust 2013-1 in June 2013. In addition, the Group successfully negotiated the transfer of existing $100m funding lines on the purchase of Once Credit.

At balance date the Group had $1,447m of wholesale debt facilities, with $414m undrawn with no indications that facilities will not be extended. Wholesale facilities have no bullet repayment on maturity, with outstanding balances paying down in line with receivables if availability periods were not to be extended. These facilities are secured against underlying pools of receivables with no credit recourse back to FlexiGroup.

The Group also has access to $50m of corporate debt facilities, which were drawn to $25m at balance date. These facilities are secured by the assets of the Group, and have maturities ranging from February 2014 to February 2015.

BUSINESS STRATEGIES AND PROSPECTS

FlexiGroup will continue with its growth strategy that is aimed at maximising and creating shareholder returns and value.

FlexiGroup continues to be focused on growing receivables and profitability through targeting low risk receivables in the No Interest Ever segment and also expanding its footprint in large ticket leases in the Enterprise segment. The Company will accelerate growth in the Interest free cards segment through utilising its available scale as a result of the Once Credit acquisition.

Volumes

The Company will continue to grow volumes by leveraging existing merchant relationships and opening new sales channels in the coming years. The increased capacity through the acquisition of Once Credit will allow the Company to expand within the Interest free cards segment.

The Company is also looking at accelerating the growth of its online payments business to provide additional services to retailers and deepen the relationship with end customers, whilst lowering the cost to originate and service.

Additionally, the consolidation and alignment of sales force across the Consumer and SME and Interest free cards is progressing well and is expected to drive growth in distribution network through leveraging full product range and best practices. The Company will drive cost savings through rationalisation of IT and operational platforms in the Interest free cards business and remove duplication.

Acquisitions

As part of the Company's growth strategy, FlexiGroup continues to look at potential acquisition targets that suit its diversification strategy and only considers targets that are value accretive.

Innovation

The Company continues to identify underserviced markets as part of its overall growth strategy and will look at innovating new products to service those markets.

Prospects for future financial years

The business strategies put in place will ensure that the Company continues on its growth trajectory in the foreseeable future. FlexiGroup is primed to continue generating significant value to its shareholders in future years, subject to macro-economic conditions remaining stable. The Group will continue to selectively acquire Consumer and Commercial finance businesses that provide additional scale in existing segments or a highly scalable platform in a new segment of the market.

The Company faces a number of risks including inability to achieve volume growth targets, availability and cost of funds and deterioration of credit quality/impairments which may impact on its ability to achieve its targets.

DIRECTORS' REPORT (CONTINUED)

Shareholder returns

	Years ended 30 June				
	2013	2012	2011	2010	2009
TSR	**92%**	18%	76%	73%	207%
Dividends per share (cents)	**14.5**	12.5	11.5	7.5	9.0
Cash EPS (cents)	**25.1**	22.4	20.0	17.5	14.8
Share price – high	**$4.74**	$2.65	$2.39	$1.78	$0.88
Share price – low	**$2.55**	$1.60	$1.17	$0.66	$0.22
Share price – close	**$4.36**	$2.60	$2.07	$1.38	$0.77

Earnings per share

	2013 cents	2012 cents
Basic earnings per share	**22.9**	21.5
Diluted earnings per share	**22.7**	21.3

Dividends on ordinary shares

	2013		2012	
	Cents	$'m	Cents	$'m
Final dividend for the year – payable October	**7.5**	**22.6**	6.5	18.6
Dividends paid during the year				
Interim dividend for the year – paid in April	**7.0**	**20.2**	6.0	16.8
Final dividend for 2012 (PY: 2011) paid in October	**6.5**	**18.6**	5.5	15.2
Total dividends paid during the year	**13.5**	**38.8**	11.5	32.0
Total dividends declared for the financial year	**14.5**	**42.8**	12.5	35.4

The final dividend for 2013 has a record date of 13 September 2013 and is expected to be paid on 18 October 2013.

Matters subsequent to end of the financial year

No matter or circumstance has arisen since 30 June 2013 that has significantly affected, or may significantly affect:

a) the company's operations in future financial years, or
b) the results of those operations in future financial years, or
c) the company's state of affairs in future financial years.

Environmental regulation

The Group's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

Information on Directors

MARGARET JACKSON, AC
(Age 60)

Chairman, Independent, Non-Executive

BEc, MBA, Hon LLD (Monash), FCA

Experience
Margaret was appointed a Director of the Company in November 2006.

Margaret is also President of Australian Volunteers International and Margaret has extensive experience as a director of listed public companies including BHP, ANZ, Pacific Dunlop, Fairfax, Southcorp and Qantas. She is the former chairman of Qantas and the Advisory Board for the Salvation Army and numerous not for profit organisations.

Before beginning her career as a full time company Director in 1992, Margaret was a Partner of KPMG Peat Marwick's Management Consulting Division.

Other current directorships
None

Former directorships in last three years
Billabong International Limited

Special responsibilities
Member of Remuneration Committee, Nomination Committee and Audit & Risk Committee

Interests in shares and options
1,926,012 ordinary shares in FlexiGroup Limited

TAREK ROBBIATI
(Age 48)

Non-Independent, Executive, Chief Executive Officer

Experience
Tarek was appointed CEO of FlexiGroup on 1 November 2012 and commenced work at FlexiGroup on 21 January 2013. He was appointed a Director of the Company on 28 January 2013. Prior to joining FlexiGroup, from 2009-2012 Tarek was Group Managing Director of Telstra International Group and Chairman of CSL Ltd, the mobile service provider of Telstra International Group based in Hong Kong. From 2007-2009, Tarek was CEO of CSL Ltd in Hong Kong, and prior to that between 2005-2007 he was Deputy Chief Financial Officer of Telstra Corporation Ltd in Melbourne.

Other current directorships
None

Former directorships in last three years
None

Special responsibilities
Chief Executive Officer

Interests in shares and options
2,790,000 performance options in FlexiGroup Limited (detailed description on page 18)

600,000 performance rights in FlexiGroup Limited (detailed description on page 18)

ANDREW ABERCROMBIE
(Age 57)

Founding Director Non-Independent, Non-Executive

BEc, LLB, MBA

Experience
Andrew became a Director and CEO of the original Flexirent business in 1991. He was appointed a Director of the public Company for the IPO in November 2006. Andrew is an experienced commercial and tax lawyer and was a founding partner in a legal firm operating in Sydney and Melbourne. Following several years in property investment and tax consulting, he co-founded the Flexirent business in 1991 and was Chief Executive Officer until 2003.

Other current directorships
None

Former directorships in last three years
None

Special responsibilities
Chair of Nomination Committee and Member of Remuneration Committee

Interests in shares and options
76,765,251 ordinary shares in FlexiGroup Limited

DIRECTORS' REPORT (CONTINUED)

RAJEEV DHAWAN
(Age 47)

Independent, Non-Executive

BCom, ACA, MBA

Experience
Rajeev represented Colonial First State Private Equity managed funds ("CFSPE") on the Board of Flexirent Holdings Pty Limited from February 2003 to December 2004. Upon CFSPE's exit from Flexirent Holdings in December 2004, Rajeev continued in an advisory capacity to the Flexirent business. Currently a partner of Equity Partners, Rajeev has 20 years' venture capital and private equity experience and has been a Director of a number of listed and unlisted portfolio companies.

Other current directorships
None

Former directorships in last three years
None

Special responsibilities
Chair of Remuneration Committee, Member of Audit & Risk Committee and Nomination Committee

Interests in shares and options
392,997 ordinary shares in FlexiGroup Limited

R JOHN SKIPPEN
(Age 65)

Independent, Non-Executive, ACA

Experience
John was appointed a Director of the Company in November 2006. John was the Finance Director and Chief Financial Officer of Harvey Norman Holdings Limited for 12 years. John was involved in the establishment of the original agreement between Flexirent Holdings Pty Limited and Harvey Norman in 1995. John has over 32 years' experience as a chartered accountant.

Other current directorships
Emerging Leaders Investment Limited

Super Retail Group Limited

Slater & Gordon Limited

Former directorships in last three years
Briscoe Group Limited (New Zealand)

Special responsibilities
Chair of Audit & Risk Committee, Member of Remuneration Committee and Nomination Committee

Interests in shares and options
115,000 ordinary shares in FlexiGroup Limited

ANNE WARD
(Age 53)

Independent, Non-Executive

B.A., LLB (Melb), FAICD

Experience
Anne was appointed a Director of the Company in January 2013. Anne is presently Chairman of Colonial First State Investments Ltd, Avanteos Investments Ltd, the Qantas Superannuation Plan, Zoos Victoria and the Centre for Investor Education.

Prior to becoming a professional director, Anne was a commercial lawyer for 28 years advising major corporations on strategic transactions, mergers and acquisitions, capital markets, contract law and regulation and corporate governance. She was General Counsel for National Australia Bank for Australia and Asia and was a partner at national law firms Minter Ellison and Herbert Geer.

Other current directorships
None

Former directorships in last three years
None

Special responsibilities
Member of Remuneration Committee, Nomination Committee and Audit & Risk Committee

Interests in shares and options
None

Meetings of Directors

	FlexiGroup Limited									
	Scheduled Board meetings		Unscheduled Board meetings		Audit & Risk Committee		Nomination Committee		Remuneration Committee	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended
M Jackson	10	10	6	6	4	4	2	2	4	4
T Robbiati	5	5	6	6	+	+	+	+	+	+
J DeLano	5	5	–	–	+	+	+	+	+	+
A Abercrombie	10	10	6	6	+	+	2	2	4	4
R Dhawan	10	9	6	4	4	3	2	2	4	4
R J Skippen	10	10	6	6	4	4	2	2	4	4
A Ward	5	5	6	6	2	2	2	2	2	2

+ Not a member of the relevant committee

Company Secretary

The Company Secretary is David Stevens. David was appointed to the position of Company Secretary in August 2008. David has over 14 years' experience in financial services and professional services.

Remuneration Report

The directors are pleased to present the company's 2013 remuneration report which sets out remuneration information for FlexiGroup Limited's non-executive directors, executive directors and other key management personnel.

Directors and key management personnel disclosed in this report

Name	Position
Non-executive and executive directors – see pages 9 to 10 above	
Other key management personnel ("KMP")	
Garry McLennan	Chief Financial Officer
David Stevens	Head of Finance & Planning & Company Secretary
Rob May	General Manager – Certegy
Jeff McLean	Head of Group Shared Services
Anthony Roberts	Head of Vendor and Commercial Finance
Nicholle Lindner	General Manager, Consumer & SME (from 17 June 2013)
Jane Scotcher	Head of Retail Sales (until 17 June 2013)

Doc Klotz, Pearl Laughton and Neil Roberts are disclosed as KMP in the prior year comparative period. They all ceased employment with the Company during the 2012 financial year.

Role of the remuneration committee

The remuneration committee is a committee of the board. It is primarily responsible for making recommendations to the board on:

- non-executive director fees
- remuneration levels of executive directors and other key management personnel
- the over-arching executive remuneration framework and operation of the incentive plan, and
- key performance indicators and performance hurdles for the executive team.

Its objective is to ensure that remuneration policies and structures are fair and competitive and aligned with the long term interests of the company.

The remuneration report is set out under the following main headings:

A. Principles used to determine the nature and amount of remuneration
B. Details of remuneration
C. Service agreements
D. Share-based compensation – FlexiGroup Limited arrangements
E. Additional information

The information provided in this remuneration report has been audited as required by section 308(3C) of the *Corporations Act 2001*.

A. Principles used to determine the nature and amount of remuneration

The objective of the Group's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive rewards with achievement of strategic objectives and the creation of value for shareholders and conforms to market best practice for delivery of reward. The Board ensures that executive remuneration satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness
- acceptability to shareholders
- performance linkage/alignment of executive compensation
- transparency
- capital management

Alignment to shareholders' interests:

- has economic profit as a core component of plan design
- focuses on sustained growth in shareholder wealth as measured by growth in earnings per share and other financial and non-financial performance indicators
- attracts and retains high calibre executives

Alignment to program participants' interests:

- rewards capability and experience
- reflects competitive reward for contribution to growth in shareholder wealth
- provides a clear structure for earning rewards
- provides recognition for contribution

The framework provides a mix of fixed and variable pay, and a blend of short and long-term incentives. As executives gain seniority with the Group, the balance of this mix shifts to a higher proportion of "at risk" rewards.

Independent remuneration consultant
In consultation with external remuneration consultants, the Group has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the organisation. During the year, FlexiGroup Limited's Remuneration Committee employed the services of Egan Associates to provide specialist information on executive remuneration and other Group remuneration matters. Work undertaken by Egan Associates included performing research and providing comparable market analysis in respect to the positions of Chief Financial Officer and Managing Director and Chief Executive Officer. They also conducted various analysis and modelling long term incentive structures for the Remuneration Committee. Egan Associates was paid $24,570 for these services.

Egan Associates has confirmed that the recommendations have been made free from undue influence by members of the group's key management personnel. The following arrangements were made to ensure that the remuneration recommendations were free from undue influence:

- Egan Associates was engaged by, and reported directly to, the chair of the remuneration committee. The agreement for the provision of remuneration consulting services was executed by the chair of the remuneration committee and the chair of the company.
- The report containing the remuneration recommendations was provided by Egan Associates directly to the chair of the remuneration committee.

As a consequence, the board is satisfied that the recommendations were made free from undue influence from any members of the key management personnel.

Non-Executive Directors
Fees and payments to Non-Executive Directors reflect the demands that are made on and the responsibilities of the Non-Executive Directors. Non-Executive Directors' fees and payments are reviewed annually and benchmarked where appropriate by the Board. Non-Executive Directors do not receive share options. Non-Executive Directors may opt each year to receive a percentage of their remuneration in FlexiGroup Limited shares which would be acquired on–market. Shareholders approved this arrangement on 20 November 2006 but no Directors have as yet elected to participate in the arrangement.

Non-Executive Directors' fees
The current base remuneration was approved on 20 July 2011. Non-Executive Directors' fees are determined within an aggregate Directors' fee pool limit of $1.2 million.

The following fee structure was applicable for the current financial year:

Base fees (per annum)

M Jackson (Chairman)	$250,000
A Abercrombie	$160,000
Other Non-Executive Directors	$120,000

Additional fees (per annum)

Audit & Risk Committee – Chairman	$25,000
Remuneration Committee – Chairman	$25,000

In addition to the above fees, Directors also receive superannuation contributions required under government legislation.

Directors are entitled to reimbursement for reasonable travelling, accommodation and other expenses in attending meetings and carrying out their duties.

Under clause 10.11 of the Company's constitution, subject to the Listing Rules and Corporations Act, the Company may pay a former Director, or the personal representatives of a Director who dies in office, a retirement benefit in recognition of past services of an amount determined by the Directors. The Company may also enter into a contract with a Director providing for payment of the retiring benefit. No such contracts have been entered into to date. Despite having this clause in the Company's constitution, the Company does not intend to pay such benefits to Directors.

Voting and comments made at the company's 2012 Annual General Meeting
FlexiGroup received more than 84% of "yes" votes on its remuneration report for the 2012 financial year. The company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

Our Remuneration Strategy and Principles (Executive Rewards Program)
The FlexiGroup remuneration programs are designed to drive the achievement of our business and financial objectives. Our principles for our Executive Reward programs aim to:

- Drive a culture where our executives' financial rewards are directly linked to the achievements of the company and shareholder interests;
- Attract and retain high performing executives;
- Motivate our executives to strong performance against our strategic priorities; and
- Appropriately manage risk within our operations.

Our Executive Rewards Programs have three main components:

Fixed remuneration – which includes cash salary and employer superannuation components. This amount takes into consideration a number of factors including the size and complexity of the role; the requirements of the role; the skills and experience the individual brings to the role; as well as the market relativity for like roles in the financial services industry.

Short-Term Incentive (STI) – this payment is a percentage of the fixed remuneration amount and is set against risk-adjusted financial targets and non-financial targets that support the company's strategy. These targets are usually a mix of group and individual performance objectives for the year.

Long-Term Incentive (LTI) – which is comprised of performance share rights and options which vest over a fixed period if performance hurdles are achieved.

Executive Remuneration
Executive remuneration (fixed remuneration) is reviewed annually. Executive Remuneration was reviewed in line with market relativities, with consideration given to any change in role requirements in the 2014 financial year. These changes became effective from 1 July 2013.

Short-term performance incentives
Short-term performance incentives ("STI's") vary according to individual contracts; however for the Chief Executive Officer ("CEO") and Senior Executives they are broadly based as follows:

- A component of the STI is linked to the financial performance of the business or measured against budgets determined at the beginning of each financial year;
- A component of the STI is linked to the individual performance of the executive (this is based on a number of factors, including performance against budgets, achievement of Key Performance Indicators ("KPI's") and other personal objectives).

DIRECTORS' REPORT (CONTINUED)

All STI payments to the CEO and Senior Executives are set by the Remuneration Committee and approved by the Board at the beginning of each performance year. In the 2012–2013 year, the allocation for the CEO and Senior Executives were as follows:

Goal Type	Percentage Allocated (Range)	Example of the types of metrics included
Group	35% – 55%	Receivables
		Group NPAT and Cash Flow
		Employee Engagement
Individual	45% – 65%	NPAT (area specific)
		Volume (area specific)
		Development of new products and Innovation
		Credit performance including receivables in arrears
		Cross sell of products

Using various profit performance targets and personal performance objectives assessed against KPIs, the Company ensures variable reward is only paid when the CEO and Senior Executives have met or exceeded their agreed individual work plan objectives and value has been created for shareholders.

The STI opportunity for the CEO is fixed at 100% of Fixed Remuneration and Senior Executives range between 30% and 50% of Fixed Remuneration depending on role type. The Board has set the maximum opportunity available to the CEO and Senior Executives to 150% of target. In 2013, the maximum STI achieved against their target by any of the KMP was 92.5%.

The STI target annual payment is reviewed annually. The Board reserves the right to exercise ultimate discretion in the assessment of STIs.

Other Employees Remuneration

The remuneration strategy for all other employees aligns very closely with that of the Executive Team. Specifically:

- Fixed remuneration is reviewed annually;
- Superannuation is provided for our Australian based employees;
- Some employees have the opportunity to participate in an STI scheme which is aimed at supporting the objectives of their area's business plan; and
- Some employees will have the opportunity to participate in bonus schemes that are paid based on company performance or key financial indicators.

For middle and lower level management, total STIs are linked to individual performance measures and also to the financial performance of the Group.

Long-term incentives

Long-term incentives to the CEO and Senior Employees are provided via the FlexiGroup Long Term Incentive Plan. Information on the plan is detailed in Section D of this report. The FlexiGroup Long-Term Incentive Plan ("LTIP") is part of FlexiGroup's remuneration strategy and is designed to align the interests of FlexiGroup management and shareholders and assist FlexiGroup in the attraction, motivation and retention of executives. In particular, the LTIP is designed to provide relevant executives with an incentive for future performance, with conditions for the vesting and exercise of options and performance rights under the LTIP encouraging those executives to remain with FlexiGroup and contribute to the future performance of the Group. The Company's founding shareholders approved the terms, the implementation and the operation of the LTIP on 20 November 2006.

Under the LTIP, eligible persons participating in the LTIP may be granted options and/or performance rights on terms and conditions determined by the Board from time to time. An option and a performance right are both rights to acquire a share, subject to the satisfaction of applicable vesting and/or exercise conditions. The main difference between an option and a performance right is that an exercise price as determined by the Board is required to be paid to exercise a vested option, whereas a performance right has nil exercise price unless otherwise determined by the Board. Options and performance rights granted under the plan carry no dividend or voting rights.

The Board is responsible for administering the LTIP in accordance with the LTIP Rules and the terms and conditions of specific grants of options and/or performance rights to participants in the LTIP. 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.

B. Details of remuneration

Amounts of remuneration

Details of the remuneration of the Directors and the Key Management Personnel (as defined in Australian Accounting Standards Board ("AASB") 124 *Related Party Disclosures*) of FlexiGroup Limited and its subsidiaries are set out in the following tables. The cash bonuses are dependent on the satisfaction of performance conditions as set out in the section headed *Short-term performance incentives* above.

The Key Management Personnel of FlexiGroup Limited are the Directors and certain executives that report directly to the CEO.

2013	Short-term employee benefits			Post-employment benefits	Long-term benefits	Share-based payments	
Name	Cash salary and fees $	STI cash payment $	Other benefits*****	Superannuation $	Long service leave $	Options, performance rights and deferred shares* $	Total $
Non-Executive Directors							
M Jackson (Chairman)	250,000	–	–	22,500	–	–	272,500
A Abercrombie	160,000	–	–	14,400	–	–	174,400
R Dhawan	145,000	–	–	13,050	–	–	158,050
R J Skippen	145,000	–	–	13,050	–	–	158,050
A Ward	60,000	–	–	5,400	–	–	65,400
Subtotal non-executive directors	760,000	–	–	68,400	–	–	828,400
Executive Directors							
T Robbiati**	381,886	524,167	100,000	–	–	63,766	1,069,819
J DeLano	312,916	–	–	14,839	(43,744)	1,179,827	1,463,838
Subtotal Executive Directors	694,802	524,167	100,000	14,839	(43,744)	1,243,593	2,533,657
Other key management personnel (refer to page 11 for positions)							
G McLennan	479,358	178,750	–	20,642	–	252,349	931,099
D Stevens***	256,530	73,710	–	16,470	23,334	74,926	444,970
R May	223,860	99,425	18,162	34,412	5,659	161,339	542,857
J McLean	242,280	71,835	–	16,470	20,778	318,564	669,927
A Roberts	262,508	86,873	–	23,856	–	88,865	462,102
N Lindner***	41,086	–	–	998	–	1,334	43,418
J Scotcher****	188,075	39,685	15,000	17,647	5,422	83,191	349,020
Subtotal other key management personnel	1,693,697	550,278	33,162	130,495	55,193	980,568	3,443,393
Total key management personnel compensation (group)	**3,148,499**	**1,074,445**	**133,162**	**213,734**	**11,449**	**2,224,161**	**6,805,450**

* Remuneration for share-based payments represents amounts expensed during the year for accounting purposes and includes negative amounts for performance rights and options forfeited during the year. Included in this amount is an expense arising from early vesting of John DeLano's performance rights as detailed on page 17.

** Effective 21 January 2013, the date Mr T Robbiati commenced work as Chief Executive Officer. Mr T Robbiati was appointed director of the Company on 28 January 2013.

*** Mr D Stevens was identified as a KMP effective 28 January 2013 following the realignment of Executive roles within the Company. Amounts shown above include Mr Stevens' remuneration during the reporting period. Amounts received in his position as a KMP amounted to $228,402 made up of cash salary and fees of $106,888, STI cash payment of 73,710, LTI of $31,219, superannuation of $6,863 and long service leave of $9,722. Ms N Lindner was appointed as General Manager, Consumer & SME on 17 June 2013. Amounts shown above are effective from date of appointment. Ms Lindner's cash salary and fees include a $30,000 sign on bonus.

**** Ms J Scotcher ceased to be a KMP on 17 June 2013 upon the appointment of Ms N Linder as General Manager, Consumer and SME. Ms Scotcher now reports to Ms N Lindner. Amounts shown above include all Ms Scotcher's remuneration during the reporting period, whether as a KMP or as a direct report to Ms Lindner. Amounts received in her position as a KMP amounted to $297,438, made up of cash salary and fees of $180,841, LTI of $79,991, car allowance of $14,423, superannuation of $16,968 and long service leave of $5,213.

***** Includes relocation allowance for Mr T Robbiati. Mr R May's other benefits include car, health and life insurances which are paid by the Company. Ms J Scotcher receives a car allowance.

DIRECTORS' REPORT (CONTINUED)

The following amounts were paid to the Key Management Personnel during the 2012 year as part of their ongoing remuneration:

2012	Short-term employee benefits		Post-employment benefits	Long-term benefits	Share-based payments	
Name	Cash salary and fees $	STI cash payment $	Superannuation $	Long service leave $	Options, performance rights and deferred shares* $	Total $
Non-Executive Directors						
M Jackson (Chairman)	250,000	–	22,500	–	–	272,500
A Abercrombie	160,000	–	14,400	–	–	174,400
R Dhawan	145,000	–	13,050	–	–	158,050
R J Skippen	145,000	–	13,050	–	–	158,050
Subtotal non-executive directors	700,000	–	63,000	–	–	763,000
Executive Director						
J Delano	504,587	687,500	45,413	8,034	731,413	1,976,947
Other key management personnel (group)						
G McLennan	372,110	250,000	33,490	–	328,409	984,009
D Klotz (from 1/7/2011 to 14/12/2011 – resignation)	228,779	–	9,332	–	46,899	285,010
P Laughton (from 1/7/2011 to 31/03/2012 – resignation)	194,993	–	15,990	–	42,277	253,260
N Roberts (from 1/7/2011 to 29/02/2012 – resignation)	250,733	–	18,694	–	65,359	334,786
R May**	223,409	158,500	18,900	5,250	181,350	587,409
J McLean**	212,934	69,750	19,164	6,700	143,548	452,096
A Roberts**	257,339	112,200	23,161	4,302	293,585	690,587
J Scotcher**	151,334	51,502	12,270	13,635	30,802	259,543
Subtotal other key management personnel	1,891,631	641,952	151,001	29,887	1,132,229	3,846,700
Total key management personnel compensation (group)	**3,096,218**	**1,329,452**	**259,414**	**37,921**	**1,863,642**	**6,586,647**

* Remuneration for share-based payments includes negative amounts for performance rights and options forfeited during the year.

** Identified as KMPs with effect from 1 July 2011.

The relative proportions of ongoing remuneration that are linked to performance and those that are fixed are as follows:

	Fixed remuneration		At Risk – STI		At Risk – LTI			
Name	2013 %	2012 %	2013 %	2012 %	2013 Rights %	2013 Options %	2012 Rights %	2012 Options %
Executives of FlexiGroup								
T Robbiati	**45**	n/a	**49**	n/a	**2**	**4**	n/a	n/a
J DeLano	**19**	28	**–**	35	**81**	**–**	72	(35)
G McLennan	**54**	42	**19**	25	**34**	**(7)**	7	6
D Stevens	**67**	n/a	**17**	n/a	**16**	**–**	n/a	n/a
R May	**52**	42	**18**	27	**28**	**2**	30	1
J McLean	**42**	54	**11**	15	**46**	**1**	29	2
A Roberts	**62**	42	**19**	16	**18**	**1**	42	–
N Lindner	**97**	n/a	**–**	n/a	**–**	**3**	n/a	n/a
J Scotcher	**65**	68	**11**	20	**11**	**13**	11	1

Resignation of Mr J DeLano

Mr J DeLano resigned as CEO of the Group with effect from 31 December 2012. Following his retirement, on 25 January 2013, the Board of FlexiGroup Limited agreed to accelerate the vesting of 400,000 unvested Performance Rights which were granted to Mr Delano under tranche 2 of his 2011 grant of performance rights (this equated to 50% of the unvested performance rights which were granted to Mr DeLano under tranche 2 of his 2011 grant of performance rights) pursuant to rule 4.4(b) of Schedule 2 of the FlexiGroup Limited Long Term Incentive Plan.

As a consequence:

- All vested (but unexercised) performance rights lapsed 3 months after Mr DeLano ceased to be employed by FlexiGroup Limited. All of these performance rights were exercised prior to their lapse date.
- All remaining unvested performance rights lapsed 30 days after Mr DeLano ceased to be employed by FlexiGroup Limited.

In addition, Mr DeLano agreed to waive any entitlement he may have had under his short term incentive arrangements on resignation.

Mr DeLano agreed to make himself available to provide assistance to the Board of Directors of FlexiGroup Limited from time to time on an ad hoc and informal basis until 30 June 2014. Mr DeLano received no additional compensation for these services.

DIRECTORS' REPORT (CONTINUED)

C. Service agreements

Remuneration and other terms of employment for the Chief Executive Officer and the other Key Management Personnel are formalised in service agreements. Each of these agreements can provide for the provision of short term performance incentives, eligibility for the FlexiGroup Long Term Incentive Plan ("LTIP"), other benefits including the use of a Company motor vehicle, tax advisory fees, payment of benefits forgone at a previous employer, relocation, living, tax equalisation, travel and accommodation expenses while an executive is required to live away from their normal place of residence.

All employment agreements are unlimited in term but capable of termination at six months' notice by either the Company or the executive. The Company can make a payment in lieu of notice.

In the event of retrenchment, the executives listed in the table on page 11 are entitled to the payment provided for in the service agreement. The employment of the executives may be terminated by the Company without notice by payment in lieu of notice. Upon termination of employment, the Board exercises its discretion on payment of a pro-rata STI entitlement and early vesting of any unvested LTIs held by the above KMP.

The service agreements also contain confidentiality and restraint of trade clauses.

D. Share-based compensation – FlexiGroup Limited arrangements

The terms and conditions of the existing options and the performance rights plans to the CEO and Executive KMP are summarised below.

Details of the performance rights and options

The following tables set out the key features of the LTI awards to the CEO and approved at the Company's 2012 AGM.

Instrument	Each performance right and option represents an entitlement to one ordinary share.
Performance hurdles/ Vesting Conditions	The CEO receives value from their LTI awards when the vesting conditions attached to their awards are achieved. The vesting conditions for the 2013 grants are FlexiGroup's FY13 Cash EPS (for performance rights and options with a performance period ending 30 June 2013) (Tranche 1) and the Compound Annual Growth in Cash EPS (Cash EPS CAGR) for Tranche 2 Performance rights and Performance Options with a performance period ending 30 June 2016. In addition a FlexiGroup relative Total Shareholder Return (TSR) when compared to the peer group of companies in the S&P/ASX 300 Index (excluding resources companies) performance vesting condition needs to be met before LTI awards vest. The Performance Rights and Options for the CEO are to be allocated in 2 equal 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. For each tranche, 50% is applicable to the Cash EPS & CAGR Cash EPS hurdle and the remaining 50% is applicable to the TSR hurdle. The table below shows the allocation of performance rights and options by tranche and the respective strike price.

Instrument type	Allocation by tranche	Performance period	Strike price
Performance rights Tranche 1	150,000	1/7/12 – 30/6/13	nil
Performance rights Tranche 2	450,000	1/7/13 – 30/6/16	nil
Performance options Tranche 1	100,000	1/7/12 – 30/6/13	$3.57
Performance options Tranche 2	2,690,000	1/7/13 – 30/6/16	$3.57

Cash EPS performance target	• The first performance-based Vesting Condition is based on growth on 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 acquired 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. The performance condition tests the growth in Cash EPS for the relevant Performance Period financial year above the Cash EPS for the immediately preceding financial year, measured as a percentage, ("**Cash EPS Growth**"). The Cash EPS Growth condition will be satisfied for a tranche 1 Performance Period (FY13) in accordance with the following: **Nil** – if the Company's Cash EPS growth is less than 12%. **25%** – if the Company's Cash EPS growth equals 12%. **Pro rata between 25% and 100%** – if the Company's Cash EPS growth is between 12% and 18%. **100%** – if Cash EPS is more than 18%. 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 (30 June 2013), 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: **Nil** – if the Company's CAGR Cash EPS growth is less than 13.5%. **25%** – if the Company's Cash EPS growth equals 13.5%. **Pro rata between 25% and 50%** – if the Company's Cash EPS growth is between 13.5% and 17.5%. **Pro rata between 50% and 100%** – if Cash EPS is between 17.5% and 22%. **100%** – if Cash EPS is more than 22%. 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%.

DIRECTORS' REPORT (CONTINUED)

TSR Performance target	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: **Nil** – if the Company's TSR ranked in the 4th or 3rd quartiles (i.e. 51st to 100th ranking) of companies in S&P/ASX 300 Index (excluding resources companies). **50%** – if the Company's TSR equals performance of the 50th ranking company in S&P/ASX 300 Index (excluding resource companies). **Pro rata between 50% and 100%** – if the Company's TSR ranked in the 2nd quartile (i.e. 26th to 50th ranking) of companies in S&P/ASX 300 Index (excluding resources companies). **100%** – if the Company's TSR ranked in the 1st quartile (i.e. 1st to 25th ranking) of companies in S&P/ASX 300 Index (excluding resources companies).
Why vesting conditions were chosen	The vesting conditions were chosen as performance conditions as they reflect, at the date they were granted, the generation of significant shareholder value.
Vesting date	Tranche 1 and 2 – 1 December 2016
Exercise period	Vesting date to expiry date
Expiry date	Tranche 1 & 2 (Performance rights) – 31 March 2017 Tranche 1 & 2 (Performance options) – 31 December 2020
Disposal restriction	No disposal restriction imposed at the time of this grant.
Retesting	There will be no re-testing of Performance Rights or Options for either of the performance based vesting conditions.

Loan to the CEO

As part of the CEO's remuneration package, the Board approved a loan to the CEO to compensate the CEO for the loss of benefits in leaving his previous employment. 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 on cessation of employment), 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 the CEO ("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, the CEO will not be required to pay the shortfall;

At 30 June 2013, the CEO had not exercised his right to commence the Loan. The CEO subsequently drew the Loan on 10 July 2013.

Details of the performance rights and deferred shares and performance options awarded between September 2010 and August 2012 to Senior Executives

The following tables set out the key features of the awards to Senior Executives.

Instrument	Each performance right, deferred share and option ("award") represents an entitlement to one ordinary share.
Performance hurdles/ Vesting conditions	Awards will vest on, and become exercisable on or after, the Vesting Date to the extent that certain performance conditions that are based on the financial performance of FlexiGroup are met. The measures used to determine FlexiGroup's financial performance is Earnings Per Share growth targets ("**Cash EPS hurdle**") and Total Shareholder Return ("**TSR hurdle**"). Each tranche is broken down into Cash EPS and TSR hurdles as set out in the table below. Each award has tranches varying between 1 and 3 and each tranche consists of 50% Cash EPS performance hurdle and 50% TSR hurdle, with the exception of the September 2010 award which consists of 66.66% Cash EPS and 33.34% TSR.
Cash EPS performance target	The first performance-based Vesting Condition is based on 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 acquired 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. Performance testing ("**testing date**") against the Cash EPS hurdle will take place on the date of announcement of the relevant annual financial results of FlexiGroup. The Board has the discretion to vary at any time the Cash EPS hurdle applicable to all or part of the performance rights, options and deferred shares.

The Cash EPS hurdles for the various awards between September 2010 and August 2012 are summarised in the table below.

					Vesting scale			
Award date	Tranche	% Cash EPS	Relevant performance period	Cash EPS hurdle (cents)	Below threshold	At threshold	Maximum threshold	Retesting
Sept 10	1	66.66%	2011	20.0	0%	100%	100%	No
	2	66.66%	2012	22.4	0%	100%	100%	No
Jun 11, Aug 11 & Apr 12	1	50%	2012	21.5	0%	100%	100%	Yes
	2	50%	2013	24.8	0%	100%	100%	Yes
	3	50%	2014	28.5	0%	100%	100%	No
Jun 11	1	50%	2014	28.5	0%	100%	100%	No
Aug 12	1	50%	2013	(a) 25.1	0%	66%	refer (b)	Yes
				(b) 25.8	66%–100%	100%	100%	
	2	50%	2014	(a) 28.9	0%	66%	refer (b)	Yes
				(b) 30.4	66%–100%	100%	100%	

DIRECTORS' REPORT (CONTINUED)

TSR performance target	The second performance hurdle set by the Board in relation to each Tranche is based on TSR growth of the Company measured against other companies in the S&P/ASX 300 Index (not including resources companies). The TSR for FlexiGroup 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 30 June at the end of the relevant Performance Period; and • the dividends paid on a FlexiGroup Share during the relevant performance period, exceeds the 30 day VWAP for FlexiGroup 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: **Nil** – if the Company's TSR ranked in the 4th quartile (i.e. 76th to 100th ranking) of companies in S&P/ASX 300 Index (excluding resources companies). **25%** – if the Company's TSR equals performance of the 75th ranking company in S&P/ASX 300 Index (excluding resources companies). **Pro rata between 25% and 50%** – if the Company's TSR ranked in the 3rd quartile (i.e. 51st to 75th ranking) of companies in S&P/ASX 300 Index (excluding resources companies). **Pro rata between 50% and 100%** – if the Company's TSR ranked in the 2nd quartile (i.e. 26th to 50th ranking) of companies in S&P/ASX 300 Index (excluding resources companies). **100%** – if the Company's TSR ranked in the 1st quartile (i.e. 1st to 25th ranking) of companies in S&P/ASX 300 Index (excluding resources companies).
Why vesting conditions were chosen	The vesting conditions were chosen as performance conditions as they reflect, at the date they were granted, the generation of significant shareholder value.
Vesting & Exercise date	See table below

Award Date	Tranche	Vesting date	Expiry date
Sept 2010	1	1 Sept 2012	31 Dec 2014
	2	1 Sept 2013	31 Dec 2014
Jun 2011, Aug 2011 & Apr 2012	1	1 Dec 2012	31 Dec 2014
	2	1 Dec 2013	31 Dec 2015
	3	1 Dec 2014	31 Dec 2016
Jun 2011	1	1 Dec 2014	31 Dec 2014
Aug 2012	1	1 Dec 2014	31 Mar 2016
	2	1 Dec 2014	31 Mar 2016

Exercise period	From vesting date to expiry date
Disposal restriction	No disposal restriction imposed at the time of this grant.

From time to time, the Board exercises its discretion on revising vesting conditions, where necessary, as allowed by the FlexiGroup LTIP.

Retesting – Cash EPS

Where applicable re-testing of the Cash EPS hurdle for any of the Tranches that do not satisfy the Cash EPS performance condition will take place on the Testing Date for the next financial year only. Re-testing will be against the Cash EPS target for that next financial year. Awards that do not satisfy the Cash EPS Growth hurdle on re-testing will be taken to have lapsed under the LTIP Rules.

Where unvested awards are carried forward for re-testing:

- The Cash EPS vesting % appropriate at the re-test date will be applied to 100% of the original number of awards associated with that Tranche subject to the Cash EPS Vesting Condition.
- The total number of awards which would vest as a result of the re-test vesting outcome will then be determined.

The actual number of awards to vest at the re-test date will then be the outcome of the second dot point above minus the number of awards associated with that Tranche which have previously vested as a consequence of the Cash EPS Vesting Condition.

Retesting – TSR
Schedule of retesting for TSR hurdle for all awards

Award Date	Tranche	TSR Retesting
Sept 2010	1	Yes
	2	Yes
Jun 2011, Aug 2011 & Apr 2012	1	Yes
	2	Yes
	3	No
Jun 2011	1	No
Aug 2012	1	Yes
	2	Yes

Where applicable, awards that are subject to the relative TSR Vesting Condition for all tranches will be re-tested once on the next Performance Period Testing Date if the relative TSR performance condition is not met when first measured. The re-testing will be on terms that the relevant TSR hurdle will be measured over a two year Performance Period ending at the end of the next Performance Period.

Where unvested awards are carried forward for re-testing:

- The TSR ranking and vesting % appropriate at the re-test date will be applied to 100% of the original number of awards associated with that Tranche subject to the TSR Vesting Condition.
- The total number of awards which would vest as a result of the re-test vesting outcome will then be determined.

The actual number of awards to vest at the re-test date will then be the outcome of the second dot point above minus the number of awards associated with that Tranche which have previously vested as a consequence of the TSR Vesting Condition.

Options awarded to a Senior Executive in June 2013
In June 2013, Ms N Lindner was awarded options upon her commencement as General Manager, Consumer & SME. The options awarded to Ms Lindner were in 1 Tranche and have the same key features as Tranche 2 of the CEO's options as disclosed on page 18.

DIRECTORS' REPORT (CONTINUED)

LTI performance outcomes

The Vesting conditions attached to LTI awards at grant date are chosen so as to align rewards to the CEO and Senior Executives with the generation of shareholder value. The following table provides the Group's TSR, dividend, share price and Cash earnings per share over the last 5 years.

	Years ended 30 June				
	2013	2012	2011	2010	2009
TSR	**92%**	18%	76%	73%	207%
Dividends per share (cents)	**14.5**	12.5	11.5	7.5	9.0
Cash EPS (cents)	**25.1**	22.4	20.0	17.5	14.8
Share price – high	**$4.74**	$2.65	$2.39	$1.78	$0.88
Share price – low	**$2.55**	$1.60	$1.17	$0.66	$0.22
Share price – close	**$4.36**	$2.60	$2.07	$1.38	$0.77

The vesting outcomes for awards made to the CEO and Senior Executives under FlexiGroup LTI Plan that reached vesting date during the reporting period are set out below.

Type of Instrument	Commencement Date	Test date	TSR Quartile in Ranking Group	Vested %	Lapsed %	Remain in Plan
Deferred shares	25 Jun 2009	1 Sept 2012	1st quartile	100%	–	–
Performance rights	31 Oct 2010	1 Sept 2012	1st quartile	100%	–	–
Performance rights	14 Sept 2010	1 Sept 2012	1st quartile	100%	–	–
Performance rights	4 June 2011	1 Dec 2012	1st quartile	100%	–	–
Performance rights	30 Nov 2011	1 Sept 2012	1st quartile	100%	–	–

All tranches that are performance tested based on the Cash EPS vesting condition also vested in full with the exception of the 30 November 2011 instrument which vested to the extent of 89% with the remaining 11% lapsing.

Options issued to top five remunerated Non-KMP officers

Details of options granted to key management personnel are disclosed on pages 11 to 24 above. In financial year 2013, no options were granted to officers who are among the five highest remunerated officers of the company and the group, but are not key management persons and hence not disclosed in the remuneration report. In prior year, Andrew Pipolo was awarded 600,000 options that have since lapsed on his departure in financial year 2013.

The terms and conditions of each grant of options, performance rights and deferred shares affecting remuneration in the previous, this or future reporting periods are as follows:

Grant date	Tranche number	Date vested and exercisable	Expiry date	Exercise price* $	Value per option, performance right, deferred share at grant date
8 Dec 2006**	1	1 Sep 2010	31 Dec 2011	1.98	$0.40
	2	1 Sep 2010	31 Dec 2011	1.98	$0.40
	3	1 Sep 2010	31 Dec 2011	1.98	$0.40
	4	1 Jun 2011	31 Dec 2012	1.98	$0.41
25 June 2009	1	1 Sep 2012	1 Sep 2022	Nil	$0.60
	2	1 Sep 2012	1 Sep 2022	Nil	$0.60
	3	1 Sep 2012	1 Sep 2022	Nil	$0.60
31 Oct 2009	1	1 Sep 2012	1 Dec 2014	Nil	$1.01
	2	1 Sep 2012	1 Dec 2014	Nil	$1.01
	3	1 Sep 2012	1 Dec 2014	Nil	$1.01

Grant date	Tranche number	Date vested and exercisable	Expiry date	Exercise price* $	Value per option, performance right, deferred share at grant date
15 Sep 2010	1	1 Sep 2012	31 Dec 2014	Nil	$1.06
	2	1 Sep 2013	31 Dec 2014	Nil	$0.95
3 June 2011	1	1 Dec 2012	31 Dec 2014	Nil	$1.74
	2	1 Dec 2013	31 Dec 2015	Nil	$1.645
	3	1 Dec 2014	31 Dec 2016	Nil	$1.455
3 June 2011	1	1 Dec 2014	31 Dec 2016	$2.11	$0.51
5 Aug 2011	1	1 Dec 2012	31 Dec 2014	Nil	$1.74
	1	1 Dec 2012	31 Dec 2014	Nil	$1.26
	2	1 Dec 2013	31 Dec 2015	Nil	$1.66
	2	1 Dec 2013	31 Dec 2015	Nil	$1.25
	3	1 Dec 2014	31 Dec 2016	Nil	$1.57
	3	1 Dec 2014	31 Dec 2016	Nil	$0.98
5 Aug 2011	1	1 Dec 2014	31 Dec 2016	$2.29	$0.48
	1	1 Dec 2014	31 Dec 2016	$2.29	$0.36
30 Nov 2011	1	1 Sep 2012	31 Dec 2013	Nil	$2.14
	1	1 Sep 2012	31 Dec 2013	Nil	$1.80
	2	1 Sep 2013	31 Dec 2014	Nil	$2.03
	2	1 Sep 2013	31 Dec 2014	Nil	$1.42
	3	1 Sep 2014	31 Dec 2015	Nil	$1.93
	3	1 Sep 2014	31 Dec 2015	Nil	$1.08
23 April 2012	1	1 Dec 2013	31 Dec 2015	Nil	$2.14
	1	1 Dec 2013	31 Dec 2015	Nil	$1.80
23 April 2012	1	1 Dec 2014	31 Dec 2016	$2.27	$0.48
	1	1 Dec 2014	31 Dec 2016	$2.27	$0.36
10 August 2012	1	1 Dec 2014	31 Dec 2016	$3.05	$0.58
	1	1 Dec 2014	31 Dec 2016	$3.05	$0.55
	2	1 Dec 2014	31 Dec 2016	$3.05	$0.58
	2	1 Dec 2014	31 Dec 2016	$3.05	$0.50
26 November 2012	1	1 Dec 2016	31 Mar 2017	Nil	$3.17
	1	1 Dec 2016	31 Mar 2017	Nil	$2.98
	2	1 Dec 2016	31 Mar 2017	Nil	$3.17
	2	1 Dec 2016	31 Mar 2017	Nil	$2.91
26 November 2012	1	1 Dec 2016	31 Dec 2020	$3.57	$1.02
	2	1 Dec 2016	31 Dec 2020	$3.57	$0.99
	1	1 Dec 2016	31 Dec 2020	$3.57	$1.02
	2	1 Dec 2016	31 Dec 2020	$3.57	$0.87
17 June 2013	1	1 Dec 2016	31 Dec 2020	$4.29	$1.02
	1	1 Dec 2016	31 Dec 2020	$4.29	$0.99

* The exercise price must be paid by the option holder to exercise the option when it vests.

** Includes expired options not exercised by options holders, but retained in share option reserve as required by accounting standards.

DIRECTORS' REPORT (CONTINUED)

Details of options over ordinary shares in the company provided as remuneration to each Director of FlexiGroup Limited and each of the key management personnel of the parent entity and the group are set out below. When exercisable, each option and performance right is convertible into one ordinary share of FlexiGroup Limited. Further information on the options and performance rights is set out in note 33 to the financial statements.

Name	Number of options and performance rights granted during the year	Value of options and performance rights granted during the year $	Number of options and performance rights vested during the year	Number of options and performance rights lapsed during the year	Value at lapse date ($)
Directors of FlexiGroup Limited					
M Jackson	–	–	–	–	–
T Robbiati	3,390,000	4,269,300	–	–	–
J DeLano	–	–	7,965,394	1,285,944	2,063,310
A Abercrombie	–	–	–	–	–
R Dhawan	–	–	–	–	–
R J Skippen	–	–	–	–	–
Executives of FlexiGroup Limited					
G McLennan	250,000	138,125	300,000	–	–
D Stevens	60,000	33,150	100,000	–	–
R May	175,000	96,688	200,000	–	–
J McLean	–	–	295,000	–	–
A Roberts	60,000	33,150	433,333	–	–
N Lindner	1,000,000	1,005,000	–	–	–
J Scotcher	100,000	55,250	48,188	–	–

The assessed fair value at grant date of options, performance rights and deferred shares granted to the individuals is allocated equally over the period from grant date to vesting date, and the amount is included in the remuneration table on page 15. Fair values at grant date are independently determined using a binomial tree option pricing methodology that takes into account the exercise price, the term of the options and performance rights, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the options and performance rights.

The model inputs for performance rights and options granted during the year ended 30 June 2013 included:

a) Exercise price: various per performance rights and options granted, refer table on page 24
b) Grant date: various per performance rights and options granted, refer table on page 24
c) Expiry date: various per performance rights and options granted, refer table on page 24
d) Share price at grant date: various per performance rights and options granted
e) Expected price volatility of the Company's shares: 35% (2012: 35% – 40%)
f) Expected dividend yield: 3.7% – 4.2% (2012: 5% – 5.2%)
g) Risk-free interest rate: 2.72% – 2.91% (2012: 3.22% – 3.9%)

Shares provided on exercise of remuneration options, performance rights and deferred shares
In current year, 5,755,877 ordinary shares in the Company were issued as a result of the exercise of remuneration options and performance rights.

E. Additional information

Details of remuneration: STI Cash payments and options, performance rights and deferred shares
For each STI cash payment and grant of options, performance rights and deferred shares, the percentage of the available bonus or grant that was paid, or that vested, in the financial year, and the percentage that was forfeited because the person did not meet the service and performance criteria is set out below. The options, performance rights and deferred shares vest in accordance with the vesting schedules detailed below. No options and/or performance rights and/or deferred shares will vest if the conditions are not satisfied, hence the minimum value of the rights yet to vest is nil. The maximum value of the rights yet to vest has been determined as the amount of the fair value at grant date of the rights that are yet to be expensed.

Name	2013 STI Cash payment $	STI Outcome as % of target %	STI % of target forfeited %	LTI Year granted	Prior year equity awards Vested during 2013 %	Prior year equity awards Forfeited during 2013 %	Financial years in which options, performance rights and deferred shares may vest	Maximum total value of grant yet to vest $
Executive Directors of FlexiGroup Limited								
T Robbiati (Chief Executive Officer)	524,167	92.5	7.5	2013	–	–	30/6/2017	4,205,534
J DeLano (Chief Executive Officer – up to 31 Dec 2012)	n/a	n/a	100	2012	–	100	30/6/2015	–
				2012	50*	50	30/6/2014	–
				2012	89	11	30/6/2013	–
Executives of FlexiGroup								
G McLennan	178,750	71.5	28.5	2013	–	–	30/6/2015	127,215
				2011	–	–	30/6/2015	417,573
				2011	–	–	30/6/2015	63,686
				2011	–	–	30/6/2014	38,861
D Stevens	73,710	90	10	2013	–	–	30/6/2015	30,531
				2011	–	–	30/6/2015	86,075
				2011	–	–	30/6/2014	13,882
R May	99,425	87.5	12.5	2013	–	–	30/6/2015	89,050
				2011	–	–	30/6/2015	92,720
				2011	–	–	30/6/2014	30,019
				2011	–	–	30/6/2014	6,908
J McLean	71,835	90	10	2012	–	–	30/6/2015	27,945
				2012	–	–	30/6/2014	19,794
				2011	–	–	30/6/2015	123,859
				2011	–	–	30/6/2014	20,812
A Roberts	86,873	60	40	2013	–	–	30/6/2015	30,532
				2012	–	–	30/6/2015	46,734
				2012	–	–	30/6/2014	2,200
				2011	–	–	30/6/2014	1,382
N Lindner	n/a	n/a	n/a	2013	–	–	30/6/2017	1,003,666
J Scotcher	39,685	60	40	2013	–	–	30/6/2015	50,886
				2012	–	–	30/6/2015	7,647
				2012	–	–	30/6/2014	13,954
				2011	–	–	30/6/2015	13,394
				2011	–	–	30/6/2014	3,739

* Includes 400,000 performance rights held by the former CEO for which the Board exercised its discretion to accelerate the vesting on 25 January 2013.

DIRECTORS' REPORT (CONTINUED)

Shares under options, performance rights and deferred shares

As at the date of this report, there were 11,072,334 unissued ordinary shares of FlexiGroup Limited subject to options or performance rights. Of those unissued ordinary shares, 8,455,000 are subject to option with expiry dates between 31 December 2013 and 31 December 2020 and exercise prices ranging from $2.11 – $4.29, with a weighted average exercise price of $3.12. The remaining 2,617,334 unissued ordinary shares are the subject of performance rights with expiry dates between 31 December 2013 and 31 December 2017.

At the date of this report, there are also 527,703 deferred shares which are held by the FlexiGroup Tax Deferred Employee Share Plan (note 33(b) for further information).

No option holder has any right under the option to participate in any other share issues of the Company or any other entity.

Directors' indemnification

During the year ended 30 June 2013, the Company paid insurance premiums in respect of a Directors' and Officers' Liability insurance contract. Disclosure of the total amount of the premium and the nature of the liabilities in respect of such insurance is prohibited by the policy.

Indemnity of auditors

The Company has indemnified its auditors against any liability (including legal costs) that the auditors incur in connection with any claim by a third party arising from the Company's breach of its agreement with its auditors.

Proceedings on behalf of the Company

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part or those proceedings. The Company was not a party to any such proceedings during the year.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the *Corporations Act 2001*.

Non-audit services

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or the Group are important.

Details of the amounts paid or payable to the auditor (PricewaterhouseCoopers) for audit and non-audit services provided during the year are set out in note 30 of the financial statements.

The Board of Directors has considered the position and, in accordance with advice received from the Audit & Risk Committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the provisions of non-audit services by the auditor, as set out in note 30 of the consolidated financial statements, did not compromise the auditor independence requirement of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the Audit & Risk Committee to ensure they do not impact the impartiality and objectivity of the auditor
- none of the services undermine the general principle relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants.

Declaration of interests

Other than as disclosed in the financial statements, no Director of the Company has received or become entitled to receive a benefit other than remuneration by reason of a contract made by the Company or a related corporation with a Director or with a firm of which he is a member, or with a Company in which he has a substantial financial interest except that Flexirent Capital Pty Limited has rented premises in Melbourne owned by a company associated with Mr A Abercrombie. The lease is on standard market terms.

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. Amounts in the Directors' Report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

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 29 and forms part of this report.

Auditor

PwC continues in office in accordance with section 327 of the *Corporations Act 2001*.

This Report is made in accordance with a resolution of Directors.

Margaret Jackson
Chairman

Sydney
6 August 2013

AUDITOR'S INDEPENDENCE DECLARATION

pwc

Auditor's Independence Declaration

As lead auditor for the audit of FlexiGroup Limited for the year ended 30 June 2013, 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 audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

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

Victor Clarke
Partner
PricewaterhouseCoopers

Sydney
6 August 2013

Liability limited by a scheme approved under Professional Standards Legislation

CORPORATE GOVERNANCE STATEMENT

Composition of the Board

At the date of this statement, the Board comprises five Non-Executive Directors, four of whom are independent and one Executive Director (Chief Executive Officer). The names of the Directors, including details of their qualifications and experience, are set out in the "Information on Directors" section of the 2013 FlexiGroup Limited Annual Report.

Role of the Board

The role of the Board is to provide overall strategic guidance for the Company and effective oversight of management.

The primary responsibilities of the Board include:

- overseeing the development of the Company's corporate strategy including reviewing and approving strategic plans and performance objectives of the Company
- the appointment of the Chief Executive Officer and senior executives, monitoring senior management's performance and approving senior management remuneration policies and practices
- effective communication with shareholders including reporting to shareholders and ensuring that all regulatory requirements are met
- establishing and monitoring policies governing the Company's relationship with other stakeholders and the broader community, including establishing and maintaining environmental, employment, and occupational health and safety policies
- actively promoting ethical and responsible decision-making
- reviewing and approving annual and half yearly financial statements, monitoring financial results on an ongoing basis, overseeing the Company's accounting and financial management systems, approving and monitoring major capital expenditure, capital management, major acquisition, divestitures and restructures, and determining dividend policy
- establishing and overseeing the Company's controls and systems for identifying, assessing, monitoring and reviewing material risks

Independent professional advice

Following consultation with the Chairman, Directors may seek independent professional advice at the Company's expense. Generally, this advice will be available to all Directors.

Performance assessment

The Board undertakes an annual self-assessment of its collective performance, the performance of the Chairman and of its Committees. The Chairman meets privately with each Director to discuss individual and collective performance of Directors.

Re-election of Directors

At each Annual General Meeting of the Company there must be an election of Directors. The Directors who must retire from office (but are eligible to stand for re-election) at the general meeting are as follows:

(a) each Director who has held office without re-election
 i. beyond the third Annual General Meeting following the Director's appointment or last election; or
 ii. for at least three years, whichever is the longer period

(b) each Director who was appointed by the Directors under article 10.7 of the constitution

(c) if none of (a) or (b) is applicable, the Director who has served in office longest without re-election. If there are two or more such Directors who have been in office an equal length of time, then in default of agreement, the Director to retire will be determined by lot.

Conflicts of interest

Directors are required to keep the Board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Company. Where the Board believes that a significant conflict may exist, the Director concerned does not receive the relevant Board papers and is not present at the meeting while the item is considered. Additionally, Directors are required to advise the Board of any Board or executive appointments to other companies and any related party transactions including financial transactions with the Group.

Financial reporting

The Chief Executive Officer and Chief Financial Officer have certified to the Board that the Company's financial statements are complete and present a true and fair view, in all material respects, of the financial condition and operational results of the Company and are in accordance with relevant accounting standards. The Board receives monthly reports from management on the financial and operational performance of the Group.

Board committees

The Board may delegate responsibility to committees to consider certain issues in further detail and then report back to and advise the Board.

Committees established by the Board have adopted charters setting out the authority, responsibilities, membership and operation of the committees.

There are currently three committees:

Audit & Risk Committee, Nomination Committee and Remuneration Committee.

The Board charter is available on the FlexiGroup website.

Audit & Risk Committee

The role of the Committee is to assist the Board in carrying out its accounting, auditing and financial reporting responsibilities, including oversight of:

(a) the integrity of the Company's external financial reporting and financial statements

(b) the appointment, remuneration, independence and competence of the Company's external auditors

(c) the performance of the external audit function and review of its audits

(d) the effectiveness the Company's system of risk management and internal controls and

(e) the Company's systems and procedures for compliance with applicable legal and regulatory requirements

The Audit & Risk Committee provides advice to the Board and reports on the status and management of the risks to the Company. The purpose of the Committee's risk management process is to ensure that risks are identified, assessed and appropriately managed.

The Board has adopted a policy regarding the services that the Company may obtain from its external auditor. It is the policy of the Company that its:

- external auditor firm must be independent of the Company, the Directors and senior executives. To ensure this, the Group will require a formal confirmation for independence from its external auditor on an annual basis, and
- external auditor may not provide services to the Company that are perceived to be materially in conflict with the role of the external auditor. Services which involve the external auditor acting in a managerial or decision-making capacity, or processing or originating transactions, are not appropriate. However, the external auditor may be permitted to provide additional services, which are not perceived to be materially in conflict with the role of the external auditor, if the Board or Audit & Risk Committee has approved those additional services or they fall within the terms of any approved policy. Such additional services may include financial audits, audits or reviews undertaken for regulatory purposes, procedures performed as part of completing funding agreements, completion audits, tax compliance, advice on accounting standards, and due diligence on certain acquisition or sale transactions.

The Committee must comprise at least three Directors, all of whom must be Non-Executive Directors and a majority of whom must be independent. The Chairman of the Committee must be an independent Non-Executive Director who is not the Chairman of the Board.

The Committee will meet as often as is required to undertake its role effectively. The Chief Executive Officer and Chief Financial Officer are expected to attend each scheduled meeting of the Committee and a standing invitation will be issued to the external auditors.

The Committee Chairperson may also invite Directors who are not members of the Committee, other senior managers and external advisors to attend meetings of the Committee. The Committee may request management and/or others to provide such input and advice as is required. The Committee will regularly report to the Board about Committee activities, issues and related recommendations.

The Audit & Risk Committee charter is available on the FlexiGroup website.

The Committee comprises R John Skippen (Chair), Margaret Jackson, Rajeev Dhawan and Anne Ward.

Remuneration Committee

The role of the Remuneration Committee is to review and make recommendations to the Board on remuneration packages and polices related to the Directors, the Chief Executive Officer and senior executives and to ensure that the remuneration policies and practices are consistent with the Company's strategic goals and human resource objectives and comply with relevant legal requirements.

The Committee will consist of at least three members. The Company will endeavour to ensure that a majority of the members are independent, Non-Executive Directors.

The Committee will meet as often as is required to perform its functions.

The Remuneration Committee charter is available on the FlexiGroup website.

The Committee comprises Rajeev Dhawan (Chair), Margaret Jackson, R John Skippen, Andrew Abercrombie and Anne Ward.

Nomination Committee

The Committee assists and advises the Board on:

(a) Director selection and appointment practices

(b) Director performance evaluation processes and criteria

(c) Board composition

(d) Succession planning for the Board and senior management

The Committee also ensures that the Board is of size and composition conducive to making decisions expediently, with the benefit of a variety of perspectives and skills, and in the best interests of the Company as a whole.

The Committee will consist of at least three members. The Company will endeavour to ensure that a majority of the Committee members are independent, Non-Executive Directors.

The Nomination Committee charter is available on the FlexiGroup website.

The Committee comprises Andrew Abercrombie (Chair), Margaret Jackson, R John Skippen, Rajeev Dhawan and Anne Ward.

Code of Conduct

The Company has adopted a Code of Conduct. The Code of Conduct ("Code") sets out the ethical standards and rules of the Company and provides a framework for how the Company will operate its business in a manner that will protect its stakeholders.

The Code applies to all Directors, officers, employees, contractors, consultants and associates of the Company.

The Code specifically covers conflicts of interest, corporate opportunities and other benefits, confidentiality, privacy, fair dealing, discrimination, protection of and use of the Company's assets and property, compliance with laws and regulations, approach to disclosure and financial reporting, insider trading and whistle-blower protection.

The Code of Conduct is available on the FlexiGroup website.

Communications with Shareholders

The Company communicates to shareholders through the Company's annual reports, Annual General Meeting, half–year and full-year results and Company website. All announcements are made available on the website.

During periods of particular sensitivity, the Company's policy is to avoid any discussion with shareholders, media, analysts or other market operators for thirty days prior to the close of the half and full-year accounting periods to the time of the half and full-year profit announcements. This policy is subordinate to the ASX requirements of continuous disclosure.

Continuous disclosure

The Company Secretary has been nominated as the person responsible for communication with the Australian Securities Exchange ("ASX"). This role includes responsibility for ensuring compliance with the continuous disclosure requirements in the ASX Listing Rules and overseeing and co-ordinating information disclosure to the ASX, analysts, brokers, shareholders, the media and the public. When analysts are briefed following half-year and full-year results announcements, the material used in the presentations is released to the ASX prior to the commencement of the briefing. The Company ensures that if any price sensitive information is inadvertently disclosed, this information is also immediately released to the market. The Company is committed to ensuring that all stakeholders and the market are provided with relevant and accurate information regarding its activities in a timely manner.

Directors and senior management dealings in Company securities

The Company's constitution permits Directors to acquire securities in the Company. However, the Board has adopted a Share Trading Policy that prohibits Directors, senior management and staff from dealing in the Company's securities at any time whilst in possession of price sensitive information which is not generally available to the marketplace.

The following approvals must also be obtained before a Director or designated person can deal in the Company's securities:

Person	Approval required from
Chairman	Chairman of the Audit & Risk Committee and Chief Executive Officer
Managing Director or Chief Executive Officer	Chairman
Directors (except Chairman)	Chairman
Chief Financial Officer or Company Secretary	Chief Executive Officer
Direct reports to Chief Executive Officer and other designated persons nominated by the Board	Chief Financial Officer or Company Secretary

The share dealing policy also extends to dealing in a financial product which operates to limit the economic risk of a holding in the Company's securities. Dealing in those types of products is not permitted.

The granting of approval to deal in the Company's securities is co-ordinated by the Company Secretary who is also responsible for reporting to the Board all transactions by Directors, senior managers and designated persons.

In accordance with the provisions of the *Corporations Act 2001* and the ASX Listing Rules, the Company advises the ASX of any transaction conducted by Directors in securities in the Company.

The Share Trading Policy is made available to employees through the Company's internal compliance and governance intranet sites and is also included in the offer of employment to new employees.

The Share Trading Policy is also on the FlexiGroup website.

Diversity at FlexiGroup

FlexiGroup has a strong commitment to equal opportunity and diversity. We recognise the value of developing, recruiting and retaining employees from a diverse range of backgrounds, gender, knowledge, experience and abilities. By focusing on Diversity, FlexiGroup also recognises that employing a diverse range of people in our business supports us in providing great service for our customers. This aligns to our core cultural priorities – helping us to collaborate, innovate and deliver.

Our policies and practices are in line with our Best Employer strategy and aim to exceed the minimum requirements set out in relevant State and Federal workplace and employment legislation. One of our key goals is to make the Company the best place our people have ever worked.

At FlexiGroup diversity is:

- A commitment to the principles of Equal Employment and is free from unlawful discrimination, harassment, victimisation and bullying;
- Supported by an environment that allows you to "bring yourself to work" and allows each person to reach their full potential; and
- Inclusive and respectful of individuality, recognising the different needs of our people.

The Company sees diversity as recognising and valuing the contribution of people from different backgrounds, with different perspectives and experiences. Diversity includes but is not limited to gender, age, sexual orientation, disability, ethnicity, religion and cultural background.

The Company aims to ensure that its employee populations reflect the diversity, and in particular the gender diversity, of communities in which we operate. FlexiGroup had a strong focus on gender diversity during 2012–2013 which will continue into the 2014 financial year. As at 30 June 2013:

- 36% of the Group's employees were women;
- Females represented 35% of the Group's management staff;
- 30% of the executive level and above roles were held by women; and
- The Board currently has two female directors, one of whom performs the role of Chairman.

Measurable objectives for 2012–2013 and progress

The Diversity policy that was communicated to the wider FlexiGroup community through internal structures set three broad measurable gender diversity objectives for the 2012–2013 financial year. The Board is pleased to report on the following progress against these key objectives:

Achieve a diverse environment that drives engagement and inclusion
The Company recognises the value of recruiting, selecting and promoting employees with different backgrounds, knowledge, skills and experience. During the period, the following highlights some of the outcomes emanating from the Company's initiatives:

- The Company recruited 53 personnel, 41% of which were female;
- We continue to operate in an environment with an internal recruitment model and all roles are advertised internally prior to conducting any external search;
- We have seen a steady rate in the number of internal promotions and secondments. 37 people have been successful in gaining a promotion in the last year, of which 41% were women;
- We continue to promote flexible and part time working arrangements. We have 69 part-time employees and 43% of these are women. As a result of these flexible arrangements we have seen 70% of women return to the Company after their maternity leave;
- The Company has continued to offer 6 weeks paid maternity leave to eligible employees in addition to the government paid parental leave scheme.

FlexiGroup will also publish information regarding our diversity initiatives and their results through the Gender Equality report completed annually.

Annual review of trends across various metric measures
The Company measured and reviewed various gender metrics during the year to identify issues that affect gender balance in the workplace. The results show a healthy mix based on industry wide trends. The following gender metrics were compiled across the Company during the year:

- The workplace profile showing the split by gender at various levels up to Board level;
- Human Resources metrics including turnover trends, recruitment & selection, feedback from exit and new starter interviews, engagement survey results and feedback;
- Parental leave statistics;
- Career movement statistics;
- Statistics provided by our Employee Assistance Provider;
- Training and development analysis and statistics;
- Review and analysis from the Hewitt survey and other pulse survey results; and
- Specialist Consultation services (e.g., Occupational Health and Safety, Australian Employer's Federation).

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Performance, career development, talent identification and succession planning
FlexiGroup has various programs in place to assist female employees and ensure the provision of an equal opportunity to develop and progress to senior management positions. All employees are encouraged to develop and grow their performance and career through regular tailored conversations. Each leader is trained and coached on delivering engaging conversations through our Flexi Journey program. We encourage and reward excellence through innovative recognition and remuneration programs that drive high performance.

The Board will continue to review progress in financial year 2013–2014 and will enhance the programs in place to enable the full realisation of our gender balance goals in the long run.

Additional focus areas for 2013–2014
The Company will be undertaking a review of existing policies and practices this year to ensure that we remain focused on driving the diversity agenda within the company.

Corporate Sustainability

In addition to generating value for our shareholders, FlexiGroup's Board and Management view sustainable and responsible business practices as part of our core values. Our sustainability responsibilities extend to our clients, shareholders, employees and the communities in which we operate and encompass our policies on diversity, corporate governance and risk management.

The Board is committed to transparency and fair trading, treating customers and employees responsibly, and having solid links with the community. As part of their induction, all new employees are taken through our 'Guiding Principles' and polices which cover topics such as Equal Employment Opportunity and Code of Conduct. We have Employee Assistance Programs in place which are aimed at ensuring the well-being of our employees. These include benefits such as access to free professional and confidential counselling and the opportunity for every employee to purchase an extra week of annual leave.

FlexiGroup engages with other businesses, such as The Starlight Children Foundation and Fair Business, and offers support and assistance as part of our community engagement program – Flexi Connects. Starlight Children Foundation utilises FlexiGroup's call centre facilities to conduct their day to day operational activities. Additionally, FlexiGroup seconds employees to assist Starlight Children Foundation on a regular basis. The Flexi Connects initiative provides two additional days of paid annual leave to every FlexiGroup employee and our people use these days to contribute their skills to our community partners.

The program focuses on skilled volunteering and by sharing knowledge, skills, resources and systems with our partners, we aim at working towards making sustainable long term change.

As part of our risk management practices, we identify corporate sustainability risks and embed activities aimed at addressing them as part of our normal business practices. The Board encourages all employees to share responsibility in identifying and managing corporate sustainability issues but maintains overall oversight on its enforceability and management.

External auditors

PricewaterhouseCoopers was appointed as the external auditor in 2005. It is PricewaterhouseCoopers' policy to rotate audit engagement partners on listed companies in accordance with the requirements of the *Corporations Act 2001*, which is generally after five years, subject to certain exceptions. The performance of the external auditor is reviewed annually. An analysis of fees paid to the external auditor, including a break-down of fees for the non-audit services, is provided in the notes to the financial statements. It is the policy of the external auditor to provide an annual declaration of independence to the Audit & Risk Committee. The external auditors are required to attend the Annual General Meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the audit report.

Indemnification

The constitution of the Company provides an indemnity (to the maximum extent permitted by law) in favour of current and past Directors, Company Secretaries, and all other past and present executive officers when acting in their capacities in respect of:

(a) all liabilities to another person (other than the Company or related entities) if the relevant officers have acted in good faith; and

(b) the costs and expenses of successfully defending legal proceedings.

Under Deeds of Access and Indemnity, the Company has agreed to indemnify each current Director and each Company Secretary for all liabilities that may arise as a result of the Directors or Company Secretary acting in that capacity to the full extent permitted by law. The deed stipulates that the Company will meet the full amount of any such liabilities including legal costs.

ANNUAL FINANCIAL STATEMENTS

These financial statements are the consolidated financial statements of the consolidated entity consisting of FlexiGroup Limited and its subsidiaries. The financial statements are presented in Australian currency.

FlexiGroup Limited is a Company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Level 8, The Forum
201 Pacific Highway
St Leonards NSW 2065

A description of the nature of the consolidated entity's operations and its principal activities is included in the Operating and Financial Review in the Directors' Report on page 2, which is not part of these financial statements.

The financial statements were authorised for issue by the Directors on 6 August 2013. The directors have the power to amend and reissue these financial statements.

Through the use of the internet, we have ensured that our corporate reporting is timely, complete, and available globally at a minimum cost to the Company. All press releases, financial statements and other information are available at Investor Information on our website: www.flexigroup.com.au

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CONSOLIDATED INCOME STATEMENT

		Consolidated	
	Notes	2013 $'000	2012 $'000
Total Portfolio Income	4	**284,140**	246,222
Interest expense	5	**(67,053)**	(59,507)
Net operating income before operating expenses and impairment charges		**217,087**	186,715
Impairment losses on loans and receivables	6	**(27,131)**	(23,521)
Employee benefits expense		**(57,930)**	(48,153)
Depreciation and amortisation expenses	6	**(9,431)**	(7,747)
Other expenses		**(27,527)**	(24,724)
Profit before income tax		**95,068**	82,570
Income tax expense	7	**(29,232)**	(23,612)
Profit for the year attributable to owners of the Company		**65,836**	58,958

		Cents	Cents
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the Company:			
Basic earnings per share	32	**22.9**	21.5
Diluted earnings per share	32	**22.7**	21.3

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Consolidated	
	2013 $'000	2012 $'000
Profit for the year	**65,836**	58,958
Other comprehensive income		
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	**2,227**	8
Changes in the fair value of cash flow hedges, net of tax	**(754)**	(1,872)
Cash flow hedges reclassified to profit and loss, net of tax	**36**	–
Other comprehensive income for the year, net of tax	**1,509**	(1,864)
Total comprehensive income for the year attributable to owners of the Company	**67,345**	57,094

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

CONSOLIDATED BALANCE SHEET

		Consolidated	
	Notes	2013 $'000	2012 $'000
Assets			
Current assets			
Cash and cash equivalents	8	**122,750**	63,207
Receivables	10	**265,422**	247,979
Customer loans	11	**448,519**	269,061
Inventories	9	**509**	518
Total current assets		**837,200**	580,765
Non-current assets			
Receivables	10	**325,457**	297,715
Customer loans	11	**153,379**	140,172
Plant and equipment	12	**4,314**	5,082
Deferred tax assets	13	**12,318**	9,469
Goodwill	14	**100,936**	88,737
Other intangible assets	15	**21,558**	20,198
Total non-current assets		**617,962**	561,373
Total assets		**1,455,162**	1,142,138
Liabilities			
Current liabilities			
Payables	16	**35,901**	38,187
Borrowings	18	**581,993**	483,131
Current tax liability		**12,166**	13,581
Provisions	17	**3,933**	3,486
Contingent consideration	27	**-**	1,805
Total current liabilities		**633,993**	540,190
Non-current liabilities			
Borrowings	18	**408,252**	289,055
Deferred tax liabilities	19	**43,745**	38,436
Provisions	17	**659**	802
Derivative financial instruments	20	**3,928**	2,902
Total non-current liabilities		**456,584**	331,195
Total liabilities		**1,090,577**	871,385
Net assets		**364,585**	270,753
Equity			
Contributed equity	21	**153,108**	88,143
Reserves	22(a)	**577**	(1,242)
Retained earnings	22(b)	**210,900**	183,852
Total equity		**364,585**	270,753

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Consolidated			
	Contributed Equity $'000	Reserves $'000	Retained Earnings $'000	Total $'000
Balance at 1 July 2011	76,645	(402)	156,933	233,176
Profit for the year	–	–	58,958	58,958
Other comprehensive income	–	(1,864)	–	(1,864)
Total comprehensive income for the year	–	(1,864)	58,958	57,094
Transactions with owners in their capacity as owners				
Share based payments	–	4,065	–	4,065
Transfer from share based payments on issue of shares under Long Term Incentive Plan	3,041	(3,041)	–	–
Issue of shares on vesting of options under Long Term Incentive Plan	2,010	–	–	2,010
Shares Issued as consideration for business acquisitions	6,447	–	–	6,447
Dividends provided for or paid (note 23)	–	–	(32,039)	(32,039)
Balance at 30 June 2012	88,143	(1,242)	183,852	270,753
Balance at 1 July 2012	**88,143**	**(1,242)**	**183,852**	**270,753**
Profit for the year	**–**	**–**	**65,836**	**65,836**
Other comprehensive income	**–**	**1,509**	**–**	**1,509**
Total comprehensive income for the year	**–**	**1,509**	**65,836**	**67,345**
Transactions with owners in their capacity as owners				
Share based payments	**–**	**5,076**	**–**	**5,076**
Transfer from share based payments on issue of shares under Long Term Incentive Plan	**7,359**	**(7,359)**	**–**	**–**
Issue of shares on vesting of options under Long Term Incentive Plan	**3,672**	**–**	**–**	**3,672**
Contributions of equity, net of transaction costs and tax	**53,934**	**–**	**–**	**53,934**
Capital reserve arising on entry into non-compete agreement with former employees	**–**	**2,593**	**–**	**2,593**
Dividends provided for or paid (note 23)	**–**	**–**	**(38,788)**	**(38,788)**
Balance at 30 June 2013	**153,108**	**577**	**210,900**	**364,585**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	Consolidated 2013 $'000	2012 $'000
Cash flows from operating activities			
Net interest received		**184,667**	149,034
Other portfolio income		**99,447**	100,799
Payments to suppliers and employees		**(95,400)**	(62,810)
Interest paid		**(66,605)**	(59,070)
Taxation paid		**(25,308)**	(17,280)
Net cash inflow from operating activities	26	**96,801**	110,673
Cash flows from investing activities			
Net payments for purchase of software and plant and equipment		**(6,300)**	(9,469)
Payment for business acquisitions		**(34,964)**	(4,104)
Net increase in:			
Customer loans		**(99,448)**	(87,413)
Receivables due from customers		**(47,400)**	(110,629)
Net cash outflow from investing activities		**(188,112)**	(211,615)
Cash flows from financing activities			
Dividends paid		**(38,788)**	(32,039)
Proceeds from equity raising		**53,475**	–
Proceeds from issue of shares on vesting of options		**3,672**	2,010
Repayment of vendor note on Certegy acquisition		**–**	(15,000)
Increase in borrowings		**140,209**	137,763
(Increase)/decrease in loss reserves		**(8,416)**	15,367
Net cash inflow from financing activities		**150,152**	108,101
Net increase in cash and cash equivalents		**58,841**	7,159
Cash and cash equivalents at the beginning of the financial year		**63,207**	55,994
Effects of exchange rate changes on cash and cash equivalents		**702**	54
Cash and cash equivalents at the end of the financial year		**122,750**	63,207

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

NOTES TO THE FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the consolidated entity consisting of FlexiGroup Limited and its subsidiaries.

a. Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. FlexiGroup is a for-profit entity for the purpose of preparing financial statements.

(i) Compliance with IFRS

The consolidated financial statements of FlexiGroup Limited also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

(ii) New and amended standards adopted by the group

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2012 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods. However, amendments made to AASB 101 Presentation of Financial Statements effective 1 July 2012 now require the statement of comprehensive income to show the items of comprehensive income grouped into those that are not permitted to be reclassified to profit or loss in a future period and those that may have to be reclassified if certain conditions are met.

(iii) Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and liabilities (including derivative instruments) at fair value through profit or loss, certain classes of property, plant and equipment and investment property.

(iv) Critical accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2.

(v) Presentation of cash flow statement

Certain items in the cash flows from operating activities in the prior year comparative information has been restated to exclude GST to ensure consistency with current year.

(vi) Early adoption of standards

The group has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2012.

b. Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of FlexiGroup Limited ("Company" or "parent entity") as at 30 June 2013 and the results of all the subsidiaries for the year then ended. FlexiGroup Limited and its subsidiaries together are referred to in these financial statements as the Group or the consolidated entity.

Subsidiaries are all those entities (including special purpose entities) over which the Group has the power to govern the financial and operational policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group (refer to note 1(h)).

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Investments in subsidiaries are accounted for at cost in the individual financial statements of FlexiGroup Limited.

(ii) Employee Share Trust

The consolidated entity utilises a trust to administer the consolidated entity's employee share scheme. The trust is consolidated into the consolidated entity.

c. Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer.

d. Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Australian dollars, which is FlexiGroup Limited's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investments in foreign operations.

Foreign exchange gains and losses that relate to borrowings are presented in the income statement, within finance costs. All other foreign exchange gains and losses are presented in the income statement on a net basis within other income or other expenses.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as available-for-sale financial assets are recognised in other comprehensive income.

(iii) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of the balance sheet.
- income and expenses for each income statement and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions) and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, a proportionate share of such exchange difference are recognised in the income statement, as part of the gain or loss on sale where applicable.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entities and translated at the closing rate.

e. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and amounts collected on behalf of third parties.

The group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the group’s activities as described below. The group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is recognised for the major business activities as follows:

(i) Lease finance interest revenue

Lease finance interest revenue is recognised by applying discount rates implicit in the leases to lease balances receivable at the beginning of each payment period.

Secondary lease income, including rental income on extended rental assets is recognised when it is due on an accruals basis. Proceeds from the sale of rental assets are recognised upon disposal of the relevant assets.

(ii) Interest income on customer loans

Interest income on loans is recognised in the income statement using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset and of allocation of the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses.

(iii) Equipment protection plan revenue

The Group operates an equipment protection and debt waiver plan entitled Protect Plan. Protect Plan revenue is recognised in the month it is due on an accruals basis. A provision for outstanding expected claims is recognised in the balance sheet for the cost of Protect Plan claims which have been incurred at year end, but have not yet been notified to the Group, or which have been notified to the Group but not yet paid.

1. Summary of significant accounting policies (continued)

(iv) Mobile broadband revenue
Revenue relating to the sale of modems is recognised when the Group entity has delivered the goods to the dealer. Delivery does not occur until the products have been shipped to the specified location, the risks of obsolescence and loss have transferred to the dealer and the dealer has accepted the products. Revenue relating to the broadband contracts is recognised on an accruals basis over the life of the contract.

(v) Cheque guarantee revenue
Revenue is recognised when the service associated with the guarantee has been provided on an accruals basis. All monthly fees are recognised in revenue in the month to which they relate.

(vi) Interest income – bank accounts/loss reserves
Interest income on bank and loss reserve balances is recognised using an effective interest method.

f. Government grants
Grants from the government are recognised at their fair value where there is reasonable assurance that the grant will be received and the Group will comply with all the attached conditions.

Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in current liabilities as other payables and are credited to the income statement on a straight-line basis over the expected lives of the related assets.

g. Income tax
The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Tax consolidation legislation
FlexiGroup Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation.

The head entity, FlexiGroup Limited, and the controlled entities in the tax consolidated group account for their own current and deferred tax accounts. These tax amounts are measured as if each entity in the tax consolidation was a stand-alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, FlexiGroup Limited also recognises the current tax liabilities (assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidation group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the Group. Details about the tax funding agreement are disclosed in note 7. Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidation entities.

h. Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the group recognises any non-controlling interest in the acquire either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquire and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the group's share of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

i. Lease receivables – Group is lessor

The Group has classified its leases as finance leases for accounting purposes. Under a finance lease, substantially all the risks and benefits incidental to the ownership of the leased asset are transferred by the lessor to the lessees. The Group recognises at the beginning of the lease term an asset at an amount equal to the aggregate of the present value (discounted at the interest rate implicit in the lease) of the minimum lease payments and an estimate of the value of any unguaranteed residual value expected to accrue to the benefit of the Group at the end of the lease term.

(i) Unearned interest

Unearned interest on leases and other receivables is brought to account over the life of the lease contract based on the interest rate implicit in the lease.

(ii) Initial direct transaction costs

Initial direct costs (leases) or transaction costs (loans) incurred in the origination of leases and loans are included as part of receivables in the balance sheet and are amortised in the calculation of lease income and interest income.

j. Loan receivables

Loan receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides loans to customers via products such as interest free personal loans, Certegy Ezi-pay and interest free cards.

k. Allowance for losses

Losses on lease and loan receivables are recognised when they are incurred, which requires the group to identify objective evidence that the receivable is impaired, and make best estimate of incurred losses inherent in the portfolio. The method for calculating the best estimate of incurred losses depends on the size, type and risk characteristics of the related financing receivable. For the majority of the receivables, the assessment is made collectively at a portfolio level, however individually significant receivables (primarily in the Enterprise portfolio) are assessed individually.

The estimate requires consideration of historical loss experience, adjusted for current conditions, and judgements about the probable effects of relevant observable data, including present economic conditions such as delinquency rates, financial health of specific customers and market sectors, and the present and expected future levels of employment. The underlying assumptions, estimates and assessments used to provide for losses are updated periodically to reflect the Group's view of current conditions which can result in changes to assumptions. Changes in such estimates can significantly affect the allowance and provision for losses.

1. Summary of significant accounting policies (continued)

l. Other Debtors

Other debtors are recognised initially at fair value and subsequently measured at amortised cost, using the effective interest rate method, less provision for impairment. Other debtors are generally due for settlement within 30 days. They are presented as current assets unless collection is not expected for more than 12 months after the reporting date.

Collectability of other debtors is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of other debtors) is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the debtors. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 60 days overdue) are considered indicators that the debtor is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is recognised in the income statement. When a debtor for whom an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account.

m. Leases – used by the Group

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property or the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the asset's useful life and the lease term.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

In the event of the Group sub-leasing any of its operating leases, the lease income is recognised on a straight-line basis over the lease term.

n. Cash and cash equivalents

For statement of cash flows presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

o. Investments

The Group classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at the end of each reporting period.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading which are acquired principally for the purpose of selling in the short term with the intention of making a profit. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are expected to be settled within 12 months; otherwise they are classified as non-current.

The Group had no assets in this category at 30 June 2013 (2012: $nil).

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of selling the receivables. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date.

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets quoted in an active market with fixed or determinable payments and fixed maturities that the group's management has the positive intention and ability to hold to maturity. If the group were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the end of the reporting period, which would be classified as current assets.

The Group had no assets in this category at 30 June 2013 (2012: $nil).

(iv) Available-for-sale financial assets

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of the investment within 12 months of the end of the reporting period. Investments are designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long-term.

The Group had no assets in this category at 30 June 2013 (2012: $nil).

p. Derivatives and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

The Group designates all derivatives held as at 30 June 2013 and 30 June 2012 as hedges of a particular risk associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges).

The Group documents at the inception of the hedging transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of various derivative financial instruments used for hedging purposes are disclosed in note 20. Movements in the hedging reserve in shareholders' equity are shown in note 22. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in reserves in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss within other income or other expense.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for instance when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in profit or loss within 'finance costs'. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory or fixed assets) the gains and losses previously deferred in equity are reclassified from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognised in profit or loss as cost of goods sold in the case of inventory, or as depreciation or impairment in the case of fixed assets.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately reclassified to profit or loss.

q. Inventories

(i) Rental equipment

Rental equipment is carried at the lower of cost and net realisable value and comprises returned rental equipment and items remaining on rental after the end of the contractual rental period.

(ii) Mobile broadband stock

Mobile broadband stock is stated at the lower of cost and net realisable value.

r. Plant and equipment

Plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All repairs and maintenance are charged to the income statement during the reporting period in which they are incurred.

Depreciation is calculated using the diminishing value method to allocate their cost or revalue amounts, net of their residual values, over their estimated useful lives, as follows:

Depreciable assets	Depreciation rate
Plant and equipment	20–40%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount of the asset disposed. These are included in the income statement.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. Summary of significant accounting policies (continued)

s. Intangibles

(i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill is not amortised. Instead, goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose, identified according to operating segments.

(ii) Software

Costs incurred on software development projects (relating to the design and testing of new or improved software products) are recognised as intangible assets when it is probable that the project will be a success considering its commercial and technical feasibility and its costs can be measured reliably. The expenditure capitalised comprises all directly attributable costs, including direct labour. Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Capitalised development costs are recorded as an intangible asset and amortised from the point at which the asset is ready for use over its useful life, which is assessed at 2.5 to 7 years.

(iii) Contractual payments for access rights

Payments to dealers or dealer groups that result in the group acquiring a preference to supply services are capitalised as intangible assets, and amortisation commences from the start of the supply service period. The carrying value is tested for indicators of impairment at reporting date. The amount disclosed as the balance of access rights in note 15 is amortised over the period from April 2012 to April 2015.

(iv) Merchant relationships

Merchant relationships acquired as part of a business combination are recognised separately from goodwill. The assets are measured at fair value at the date of acquisition less accumulated amortisation and impairment losses. Amortisation is calculated based on the timing of the projected cash flows of the relationships, generally 5 years.

(v) Credit software

Credit software assets acquired as part of a business combination represent software to assist in the assessment of the credit worthiness of customers. The assets are measured at fair value at the date of acquisition less accumulated amortisation and impairment losses. Amortisation is calculated based on the expected useful life of the software, generally 4 years.

(vi) Non-Compete Agreements

Non-Compete Agreements have a finite useful life and are carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line method to allocate the cost of non-compete agreements over their term from January 2014 to October 2015.

t. Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

u. Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

v. Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities, which are not an incremental cost relating to the actual draw-down of the facility, are recognised as prepayments and amortised on a straight-line basis over the term of the facility.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in other income or other expenses.

Where the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

w. Borrowing costs
Borrowing costs are expensed.

x. Provisions
Provisions for legal claims and service warranties are recognised when the Group has a present legal or constructive obligation as a result of past events if it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance sheet date. The discount rate used to determine the present value reflects current market assessments of the value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

y. Employee benefits

(i) Short-term obligations
Liabilities for wages and salaries, including non-monetary benefits, annual leave expected to be settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

(ii) Other long-term employee benefit obligations
The liability for long service leave and annual leave which is not expected to be settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on government bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows.

The obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting date, regardless of when the actual settlement is expected to occur.

(iii) Profit-sharing and bonus plans
The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(iv) Share-based payments
Share-based compensation benefits are provided to certain employees. Information relating to these schemes is set out in note 33.

The fair value of such instruments is recognised as an expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the relevant party becomes unconditionally entitled to the instruments.

Fair values at grant date are independently determined using a binomial tree option pricing methodology that takes into account the exercise price, the term of the options, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the options.

The fair value of the instruments granted is adjusted to reflect market vesting conditions, but excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number and value of instruments that are expected to become exercisable. The share-based payment expense recognised each period takes into account the most recent estimate.

Upon the exercise of instruments, the balance of the share-based payments reserve relating to those instruments is transferred to share capital and the proceeds received (if any), net of any directly attributable transaction costs, are credited to share capital.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. Summary of significant accounting policies (continued)

z. Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Where any Group company purchases the company's equity instruments, for example as the result of a share buy-back or a share-based payment plan, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the owners of FlexiGroup Limited as treasury shares until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the owners of FlexiGroup Limited.

aa. Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the financial year but not distributed at balance date.

ab. Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

ac. Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from taxation authorities. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

In the balance sheets receivables and payables are stated inclusive of the amount of GST receivable or payable, with the exception of lease receivables, which are shown net of GST on the rentals not yet due. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable, to the taxation authority are presented as operating cash flows.

ad. 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 financial statements. Amounts in the financial statements have been rounded off in accordance with that Class Order to the nearest thousand dollars.

ae. Parent entity financial information

The financial information for the parent entity, FlexiGroup Limited, disclosed in note 37 has been prepared on the same basis as the consolidated financial statements, except as set out below.

(i) Investments in subsidiaries

Investments in subsidiaries are accounted for at cost less allowance for impairment in the financial statements of FlexiGroup Limited.

(ii) Tax consolidation legislation

FlexiGroup Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation.

The head entity, FlexiGroup Limited, and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, FlexiGroup Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

The entities have also entered into a tax funding agreement as detailed in note 7(c).

af. New accounting standards

Certain new accounting standards have been published that are not mandatory for 30 June 2013 reporting periods. The Group's assessment of the impact of these new standards and interpretations is set out below.

(i) AASB 9 Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9, AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) and AASB 2012-6 Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures (effective from 1 January 2015)

AASB 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2015 but is available for early adoption. When adopted, the standard will affect in particular the group's accounting for its available-for-sale financial assets, since AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss.

There will be no impact on the group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the group does not have any such liabilities. The derecognition rules have been transferred from AASB 139 Financial Instruments: Recognition and Measurement and have not been changed. The group has not yet decided when to adopt AASB 9.

(ii) AASB 10 Consolidated Financial Statements, AASB 11 Joint Arrangements, AASB 12 Disclosure of Interests in Other Entities, revised AASB 127 Separate Financial Statements, AASB 128 Investments in Associates and Joint Ventures, AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards and AASB 2012-10 Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments (effective 1 January 2013)

In August 2011, the AASB issued a suite of five new and amended standards which address the accounting for joint arrangements, consolidated financial statements and associated disclosures. AASB 10 replaces all of the guidance on control and consolidation in AASB 127 Consolidated and Separate Financial Statements, and Interpretation 12 Consolidation – Special Purpose Entities. The core principle that a consolidated entity presents a parent and its subsidiaries as if they are a single economic entity remains unchanged, as do the mechanics of consolidation. However, the standard introduces a single definition of control that applies to all entities. It focuses on the need to have both power and rights or exposure to variable returns. Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both. Control exists when the investor can use its power to affect the amount of its returns. There is also new guidance on participating and protective rights and on agent/principal relationships. The group's preliminary view is it does not expect the new standard to have a significant impact on its composition.

AASB 11 introduces a principles based approach to accounting for joint arrangements. The focus is no longer on the legal structure of joint arrangements, but rather on how rights and obligations are shared by the parties to the joint arrangement. Based on the assessment of rights and obligations, a joint arrangement will be classified as either a joint operation or a joint venture. Joint ventures are accounted for using the equity method, and the choice to proportionately consolidate will no longer be permitted. Parties to a joint operation will account for their share of revenues, expenses, assets and liabilities in much the same way as under the previous standard. AASB 11 also provides guidance for parties that participate in joint arrangements but do not share joint control. AASB 11 is not expected to have a material impact on the Group.

(iii) AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13 (effective 1 January 2013)

AASB 13 was released in September 2011. It explains how to measure fair value and aims to enhance fair value disclosures. It is not expected that the new standard will have a material impact on any of the amounts recognised in the financial statements. However, application of the new standard will impact the type of information disclosed in the notes to the financial statements. The group will adopt the new standard from its operative date, which means that it will be applied in the annual reporting period ending 30 June 2014.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Critical accounting estimates

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions
The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below.

(i) Estimation of unguaranteed residuals on leases
The Group estimates the value of unguaranteed lease residuals based on its prior experience for similar contracts. The majority of residual values range between 0% and 20% depending on the nature and the duration of the contract.

(ii) Allowance for losses
The Group estimates losses incurred on its loans and lease receivables in accordance with the policy set out in note 1(k).

(iii) Assessment of impairment of goodwill and investment in subsidiaries
Under the accounting standards, the Group is required to perform an annual assessment as to whether there has been any impairment of its goodwill. In addition, the Group is required to perform an impairment assessment of other assets in the event it identifies an indicator of impairment. Details of the basis of performance of the assessment is set out in note 14.

(iv) Fair value of financial instruments
All derivatives are recognised and measured at fair value. The derivatives are valued using valuation techniques that utilise observable market inputs. The fair value of financial instruments is included within note 34.

(v) Share based payment expense
In determining the share based payments expense for the period, the group makes various assumptions in determining the fair value of the instruments and the probability of non-market vesting conditions being met as set out in note 1(y)iv.

3. Segment information

(a) Description of segments
Management has determined the operating segments based on the reports reviewed by the Chief Executive Officer that are used to make strategic decisions. The Chief Executive Officer and the Board, in addition to statutory profit after tax, assess the business on a Cash NPAT basis. Cash NPAT is defined as statutory profit after tax, adjusted for the after tax effect of material one off items that the Chief Executive Officer and Board believe do not reflect ongoing operations of FlexiGroup Limited and amortisation of acquired intangible assets.

The Chief Executive Officer considers the business from a product perspective and has identified four reportable segments; the Consumer & SME (consisting of Flexirent, Blink and Paymate), (formerly Leases), No interest ever business (Certegy) (formerly Interest free loans), the Interest free card business (Lombard and Once Credit) and Enterprise (formerly Vendor Finance). Lombard Finance, which was combined with Certegy in the No Interest ever segment at 30 June 2012, has been identified as a separate segment at 30 June 2013. Prior year comparatives have been restated as a result of the changes.

The Group operates predominantly in one geographical segment (Australasia).

The segment information provided to the Chief Executive Officer for the reportable segments for the year ended 30 June 2013 is as below:

(b) Segment information provided to the Chief Executive Officer

2013

	Consumer & SME	No Interest ever	Enterprise	Interest free cards	Total
Total Portfolio Income	136,680	100,266	30,267	16,927	284,140
Interest expense	(29,556)	(24,649)	(8,729)	(4,119)	(67,053)
Net operating income before operating expenses and impairment charges	107,124	75,617	21,538	12,808	217,087
Impairment losses on loans and receivables	(13,523)	(11,540)	(1,096)	(972)	(27,131)
Other expenses	(52,313)	(24,798)	(7,930)	(7,909)	(92,950)
Amortisation of acquired intangibles	(274)	(935)	–	(729)	(1,938)
Profit before income tax	**41,014**	**38,344**	**12,512**	**3,198**	**95,068**
Income tax expense	(12,753)	(11,761)	(3,754)	(964)	(29,232)
Statutory profit for the year	**28,261**	**26,583**	**8,758**	**2,234**	**65,836**
Amortisation of acquired intangibles	274	935	–	510	1,719
Non-recurring acquisition and redundancy costs	4,530	–	–	–	4,530
Cash Net Profit After Tax	**33,065**	**27,518**	**8,758**	**2,744**	**72,085**
Total segment assets	**568,553**	**498,412**	**197,351**	**190,592**	**1,454,908**

2012

	Consumer & SME	No Interest ever	Enterprise	Interest free cards	Total
Total Portfolio Income	144,042	81,190	19,975	1,015	246,222
Interest expense	(32,345)	(21,282)	(5,576)	(304)	(59,507)
Net operating income before operating expenses and impairment charges	111,697	59,908	14,399	711	186,715
Impairment losses on loans and receivables	(11,923)	(10,090)	(1,429)	(79)	(23,521)
Other expenses	(54,131)	(18,627)	(5,952)	(539)	(79,249)
Amortisation of acquired intangibles	(259)	(1,085)	–	(31)	(1,375)
Profit before income tax	**45,384**	**30,106**	**7,018**	**62**	**82,570**
Income tax expense	(12,183)	(9,294)	(2,105)	(30)	(23,612)
Statutory profit for the year	**33,201**	**20,812**	**4,913**	**32**	**58,958**
Amortisation of acquired intangibles	259	1,085	–	31	1,375
Non-recurring acquisition costs net of one-off GST refund	958	–	–	–	958
Cash Net Profit After Tax	**34,418**	**21,897**	**4,913**	**63**	**61,291**
Total segment assets	**510,297**	**415,761**	**155,019**	**61,061**	**1,142,138**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. Total Portfolio Income

	2013 $'000	2012 $'000
From continuing operations		
Gross interest and finance lease income	**219,250**	178,358
Amortisation of initial direct transaction costs (note 1(i) (ii))	**(36,626)**	(36,109)
Other portfolio income*	**94,645**	95,063
Other Income	**3,359**	5,059
Interest income – Banks	**3,512**	3,851
Total Portfolio Income	**284,140**	246,222

* Other portfolio income includes Customer fees, end of term income, Blink income and Protect income. Under accounting standards, certain items included in total portfolio income do not represent interest income. After excluding those items, total interest income for the year is $254m (2012: $205m).

5. Interest Expense

	2013 $'000	2012 $'000
Borrowing Costs	**67,503**	59,507

6. Expenses

	2013 $'000	2012 $'000
Profit before income tax includes the following specific expenses:		
Depreciation		
– Plant and equipment	**1,692**	1,407
Amortisation		
– Software	**5,801**	4,965
– Merchant relationships	**1,589**	890
– Customer relationships	**22**	8
– Credit software	**75**	225
– Access Rights	**252**	252
Total depreciation and amortisation expenses	**9,431**	7,747
Bad debts written off	**27,812**	22,125
Movement in allowance for losses	**(681)**	1,396
Losses on loans and receivables	**27,131**	23,521
Rental expense relating to operating leases:		
– Minimum lease payments	**3,213**	2,833
	3,213	2,833

7. Income tax expense

	2013 $'000	2012 $'000
(a) Income tax expense		
Current tax	**23,913**	20,562
Deferred tax	**5,595**	4,287
Overprovision in prior years	**(276)**	(1,237)
	29,232	23,612
Income tax expense is attributable to:		
Profit from continuing operations	**29,232**	23,612
Aggregate income tax expense	**29,232**	23,612
Deferred income tax expense included in income tax expense comprises:		
Decrease/(Increase) in deferred tax assets (note 13)	**607**	(147)
Increase in deferred tax liabilities (note 19)	**4,988**	4,434
	5,595	4,287
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Profit from continuing operations before income tax	**95,068**	82,570
Tax at the Australian tax rate of 30%	**28,520**	24,771
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Amortisation of acquired intangible assets	**258**	258
Sundry items	**841**	(101)
Effect of differences in tax rates in a foreign jurisdiction	**(111)**	(79)
	29,508	24,849
Overprovision in prior years	**(276)**	(1,237)
	29,232	23,612

(c) Tax consolidation legislation

FlexiGroup Limited and its wholly-owned Australian controlled entities implemented the tax consolidation legislation from December 2006. The accounting policy on implementation of the legislation is set out in note 1(g).

On adoption of the tax consolidation legislation, the entities in the tax consolidated group entered into a tax sharing-agreement which, in the opinion of the Directors, limits the joint and several liability of the wholly-owned entities in the case of a default by the head entity, FlexiGroup Limited.

The entities have also entered into a tax funding agreement under which the wholly-owned entities fully compensate FlexiGroup Limited for any current tax payable assumed and are compensated by FlexiGroup Limited for any current tax receivable and deferred tax assets relating to the unused tax losses or unused tax credits that are transferred to FlexiGroup Limited under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial statements.

The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity which is issued as soon as practicable after the end of the financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments. The funding amounts are recognised as current inter-company receivables.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8. Cash and cash equivalents

	2013 $'000	2012 $'000
Cash at bank and on hand	**122,750**	63,207
Reconciliation to cash at the end of the year		
The above figures reconcile to cash at the end of the financial year, as shown in the statement of cash flows, as follows:		
Balances as above	**122,750**	63,207
Balances per statement of cash flows	**122,750**	63,207

The weighted average interest rate on this balance is 2.36% (2012: 3.06%).

Included in cash at bank are amounts of $72.3m (2012: $44.7m which are held as part of the Group's funding arrangements and are not available to the Group.

Risk exposure
The Group's exposure to interest rate risk is discussed in note 34. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of cash and cash equivalents mentioned above.

9. Current assets – Inventories

	2013 $'000	2012 $'000
Returned rental equipment	**20**	18
Extended rental assets	**470**	191
Mobile broadband stock	**19**	309
	509	518

10. Current and non-current assets – Receivables

	2013		2012	
	Current $'000	Non-current $'000	Current $'000	Non-current $'000
Gross rental receivables*	**325,267**	**354,438**	317,793	328,885
Guaranteed residuals	**1,086**	**7,078**	564	5,901
Unguaranteed residuals	**10,170**	**26,383**	5,421	22,233
Unearned income	**(102,867)**	**(70,572)**	(101,402)	(68,976)
Unamortised initial direct transaction costs	**25,599**	**12,532**	28,076	14,902
Net lease receivables	**259,255**	**329,859**	250,452	302,945
Allowance for losses	**(4,040)**	**(4,402)**	(5,054)	(5,230)
	255,215	**325,457**	245,398	297,715
Other debtors	**10,207**	**–**	2,581	–
	265,422	**325,457**	247,979	297,715

11. Current and non-current assets – Customer loans

	2013		2012	
	Current $'000	Non-current $'000	Current $'000	Non-current $'000
Loan receivables*	**456,441**	**155,381**	274,228	141,897
Allowance for losses	**(7,922)**	**(2,002)**	(5,167)	(1,725)
	448,519	**153,379**	269,061	140,172

* Refer to note 34 for disclosure of impaired lease and loan receivables, past due but not impaired receivables and the fair value of receivables.

Risk exposure
Information about the group's exposure to credit risk, foreign exchange and interest rate risk is provided in note 34. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of receivable mentioned in note 34.

12. Non-current assets – Plant and equipment

	$'000
Year ended 30 June 2012	
Opening net book amount	3,385
Acquired through business combinations	321
Additions	2,819
Disposals	(38)
Depreciation charge	(1,407)
Exchange differences	2
Closing net book amount	5,082
At 30 June 2012	
Cost	11,757
Accumulated depreciation	(6,675)
Net book amount	5,082
Year ended 30 June 2013	
Opening net book amount	**5,082**
Acquired through business combinations	**98**
Additions	**996**
Disposals	**(185)**
Depreciation charge	**(1,692)**
Exchange differences	**15**
Closing net book amount	**4,314**
At 30 June 2013	
Cost	**11,861**
Accumulated depreciation	**(7,547)**
Net book amount	**4,314**

13. Non-current assets – Deferred tax assets

	2013 $'000	2012 $'000
The balance comprises temporary differences attributable to:		
Amounts recognised in profit or loss		
Doubtful debts	**5,197**	4,372
Employee entitlements	**2,433**	2,337
Provisions	**2,567**	1,045
Acquisition costs	**554**	730
Capital raising costs	**460**	185
	11,211	8,669
Amounts charged directly to equity		
Cash flow hedges	**1,107**	800
	12,318	9,469
Deferred tax assets to be recovered within 12 months	**6,706**	5,078
Deferred tax assets to be recovered after more than 12 months	**5,612**	4,391
	12,318	9,469

Movements in gross deferred tax assets	Doubtful debts $'000	Employee entitlements $'000	Provisions $'000	Capital raising costs $'000	Cash flow hedges $'000	Acquisition costs $'000	Total $'000
At 1 July 2011	3,789	2,499	1,851	280	–	–	8,419
Acquired through business combinations	25	78	–	–	–	–	103
Credited/(charged) to income statement	558	(240)	(806)	(95)	–	730	147
Charged to equity	–	–	–	–	800	–	800
At 30 June 2012	4,372	2,337	1,045	185	800	730	9,469
At 1 July 2012	4,372	2,337	1,045	185	800	730	9,469
Credited/(charged) to income statement	(177)	(25)	(44)	(185)	–	(176)	(607)
Acquired through business combinations	1,002	121	1,566	–	–	–	2,689
Charged to equity	–	–	–	460	307	–	767
At 30 June 2013	**5,197**	**2,433**	**2,567**	**460**	**1,107**	**554**	**12,318**

14. Non-current assets – Goodwill

	2013 $'000	2012 $'000
(a) Carrying value		
Opening balance	**88,737**	79,876
Additions or fair value adjustments through business combination		
– Paymate acquisition	**–**	1,921
– Lombard (fair value adjustment)/acquisition	**(748)**	6,940
– Once Credit acquisition	**12,947**	–
Net Carrying Value	**100,936**	88,737

	2013 $'000	2012 $'000
(b) Impairment testing for cash generating units containing goodwill		
For the purpose of impairment testing, goodwill is allocated to the Group's operating business units which represent the lowest level within the Group at which goodwill is monitored for internal management purposes.		
The aggregate carrying amounts of goodwill allocated to each unit(s) are as follows:		
Consumer & SME (including Paymate)	**52,080**	52,080
No interest ever	**29,717**	29,717
Interest free cards	**19,139**	6,940
	100,936	88,737

The carrying amount of goodwill of each CGU is tested for impairment at each statutory reporting date and whenever there is an indicator that the asset may be impaired. If an asset is impaired, it is written down to its recoverable amount. The recoverable amount is based on a value in use calculation using cash flow projections based on the Board approved 2014 financial year budget. Cash flows for a further 4 year period were extrapolated using a declining growth rate such that the long term terminal growth was determined at 2% – 3% which does not exceed the long term average for the industry and economy.

The key assumptions used in determining value in use for 30 June 2013 are:

Assumption	How determined
Forecast revenues and expenses	Forecast revenues and expenses beyond the 2013 budget period have been extrapolated using declining growth rates such that the long-term terminal growth rates are as follows: • Consumer and SME – 2% (2012: 3%) • No interest ever – 3% (2012: 3%) • Interest free cards – 3% (2012: n/a)
Long-term growth rate	The above long-term growth rate for each of the CGUs does not exceed the long-term average growth rate for the business in which the CGU operates.
Cost of Equity Capital	The discount rate applied to the cash flows of each of the Group's operations is based on the risk free rate for ten year Commonwealth Government bonds as at 30 June 2013, adjusted for a risk premium to reflect both the increased risk of investing in equities and the risk of the specific Group operating company. In making this adjustment, inputs required are the equity markets risk premium (that is the required increased return required over and above a risk free rate by an investor who is investing in the market as a whole) and the risk adjustment, beta, applied to reflect the risk of the specific Group operating company relative to the market as a whole, giving rise to the Group's Cost of Equity Capital.
Weighted Average Cost of Capital (WACC)	The Group's WACC is calculated with reference to its Cost of Equity Capital, uplifted by the forecast average cost of outstanding debt on the Group's interest bearing liabilities over the measurement period, split by CGU as follows: • Consumer and SME – 13.9% (2012: 14.9%) • No Interest Ever – Certegy 12.6% (2012: 14.6 %) • Interest free cards – Lombard and Once 12.7% (2012: 16.6%)

Sensitivity analysis

The Group has conducted sensitivity analysis on the assumptions above to assess the effect on recoverable amount of changes in the key assumptions.

The Group is satisfied that all the assumptions on which the recoverable amounts are based are fair and reasonable, and that currently, there are no reasonably known changes to these assumptions that would cause the aggregate carrying amount to exceed the aggregate recoverable amount of any of the Group's CGUs as at 30 June 2013.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

15. Non-current assets – Other Intangible assets

	Software $'000	Access rights $'000	Merchant relationships $'000	Credit software $'000	Customer relationships $'000	Non-compete agreements $'000	Total $'000
At 1 July 2011	14,248	937	2,007	300	–	–	17,492
Additions	6,689	–	–	–	–	–	6,689
Acquired through business combinations	1,172	–	1,119	–	66	–	2,357
Exchange differences	–	–	–	–	–	–	–
Disposals	–	–	–	–	–	–	–
Amortisation expense	(4,965)	(252)	(890)	(225)	(8)	–	(6,340)
At 30 June 2012	17,144	685	2,236	75	58	–	20,198
At 1 July 2012	**17,144**	**685**	**2,236**	**75**	**58**	**–**	**20,198**
Additions	**5,388**	**–**	**–**	**–**	**–**	**–**	**5,388**
Arising on entry into non-compete agreement with former employees	**–**	**–**	**–**	**–**	**–**	**1,596**	**1,596**
Acquired through business combinations	**1,210**	**–**	**–**	**–**	**–**	**–**	**1,210**
Changes in provisional fair value	**–**	**–**	**1,069**	**–**	**–**	**–**	**1,069**
Disposals	**(163)**	**–**	**–**	**–**	**–**	**–**	**(163)**
Amortisation expense	**(5,801)**	**(252)**	**(1,590)**	**(75)**	**(22)**	**–**	**(7,740)**
At 30 June 2013	**17,778**	**433**	**1,715**	**–**	**36**	**1,596**	**21,558**

16. Current liabilities – Payables

	2013 $'000	2012 $'000
Trade payables	**35,314**	37,147
Other payables	**587**	1,040
	35,901	38,187

Risk exposure
Information about the Group's exposure to foreign exchange risk is provided in note 34.

17. Current and non-current liabilities – Provisions

	2013		2012	
	Current $'000	Non-current $'000	Current $'000	Non-current $'000
Protect plan provision				
Carrying amount at beginning of the year	**478**	**–**	786	–
Movement in provision	**6**	**–**	(308)	–
Carrying amount at end of the year	**484**	**–**	478	–
Employee benefits				
Annual leave provision	**2,569**	**–**	2,491	–
Long service leave provision	**880**	**659**	517	802
	3,933	**659**	3,486	802

For a description of the nature of the protect plan provision refer to note 1(e)(iii).

18. Current and non-current liabilities – Borrowings

	2013		2012	
	Current $'000	Non-current $'000	Current $'000	Non-current $'000
Secured				
Loan advances – secured	**609,914**	**423,451**	498,596	293,486
Total secured current borrowings	**609,914**	**423,451**	498,596	293,486
Loss reserve	**(27,921)**	**(15,199)**	(15,465)	(4,431)
	581,993	**408,252**	483,131	289,055

Assets pledged as security
The loans are secured by rentals and payments receivable in respect of the underlying lease and loan receivable contracts.

Under the terms of the funding arrangements, some of the funders retain a part of the gross amount funded as security against credit losses on the underlying leases. This amount is referred to as a loss reserve and represents a reduction in the amount borrowed.

Risk exposure
Details of the group's exposure to risks arising from current and non-current borrowings are set out in note 34.

Financing arrangements
Unrestricted access was available at balance date to the following lines of credit:

	2013 $'000	2012 $'000
Total loan facilities available	**1,447,381**	932,605
Loan facilities used at balance date	**(1,033,365)**	(792,082)
Loan facilities unused at balance date*	**414,016**	140,523

* At 30 June 2013, the Group was in the process of reducing a facility by $68m that is included in the loan facilities available amount above.

* At 30 June 2012, the Group was in the process of finalising a $70m facility that was excluded from the 2012 loan facilities available amount above. The facility was subsequently finalised.

Borrowings (current and non-current) maturity analysis:

	Loan advances $'000	Loss reserve $'000	Net borrowings $'000
2013			
1 year or less	**609,914**	**(27,921)**	**581,993**
Over 1 to 2 years	**311,387**	**(10,981)**	**300,406**
Over 2 to 5 years	**112,064**	**(4,218)**	**107,846**
Total	**1,033,365**	**(43,120)**	**990,245**
2012			
1 year or less	498,596	(15,465)	483,131
Over 1 to 2 years	211,525	(3,615)	207,910
Over 2 to 5 years	81,918	(816)	81,102
Over 5 years	43	–	43
Total	792,082	(19,896)	772,186

Risk exposures
Information about the Group's exposure to interest rate and foreign currency changes is provided in note 34.

19. Non-current liabilities – Deferred tax liabilities

	2013 $'000	2012 $'000
The balance comprises temporary differences attributable to:		
Amounts recognised in profit or loss		
Difference between lease principal to be returned as assessable income and depreciation on leased assets to be claimed as a tax deduction	**32,733**	26,022
Initial direct transaction costs	**10,564**	12,062
Intangible assets	**448**	352
	43,745	38,436
Deferred tax liabilities to be settled within 12 months	**14,582**	12,812
Deferred tax liabilities to be settled after more than 12 months	**29,163**	25,624
	43,745	38,436

Movements in gross deferred tax liabilities	Leases $'000	Initial direct transaction costs $'000	Intangible assets $'000	Total $'000
At 1 July 2011	23,011	10,627	–	33,638
Acquired through business combinations	–	–	364	364
Charged/(credited) to income statement	3,011	1,435	(12)	4,434
At 30 June 2012	**26,022**	**12,062**	**352**	**38,436**
At 1 July 2012	**26,022**	**12,062**	**352**	**38,436**
Changes in provisional fair value	**–**	**–**	**321**	**321**
Charged/(credited) to income statement	**6,711**	**(1,498)**	**(225)**	**4,988**
At 30 June 2013	**32,733**	**10,564**	**448**	**43,745**

20. Non-current liabilities – Derivative financial instruments

	2013 $'000	2012 $'000
Interest rate swap contracts – cash flow hedges	3,928	2,902

Instruments used by the Group
The Group is party to derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in interest rates in accordance with the Group's financial risk management policies (refer to note 34).

Interest rate swap contracts – cash flow hedges
It is policy to protect part of the loans from exposure to increasing interest rates. Accordingly, the Group has entered into interest rate swap contracts under which it is obliged to receive interest at variable rates and to pay interest at fixed rates. Swaps currently in place cover approximately 79% (2012: 85%) of the variable loan principal outstanding and are timed to expire as each loan repayment falls due.

The contracts require settlement of net interest receivable or payable monthly. The settlement dates coincide with the dates on which interest is payable on the underlying debt. The contracts are settled on a net basis. The gain or loss from remeasuring the hedging instruments at fair value is recognised in other comprehensive income and deferred in equity in the hedging reserve, to the extent that the hedge is effective. It is reclassified into profit or loss when the hedged interest expense is recognised. In the year ended 30 June 2013 $50,000 losses were reclassified into profit or loss (2012: $nil) and included in finance costs. There was no hedge ineffectiveness in the current or prior year.

Risk exposures and fair value measurements
Information about the Group's exposure to credit risk, foreign exchange and interest rate risk and about the methods and assumptions used in determining fair values is provided in note 34. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of derivative financial liabilities mentioned above.

21. Contributed equity

	Parent entity	
	2013 Shares	2012 Shares
(a) Share capital		
Ordinary Shares – fully paid	**301,127,691**	280,153,505

(b) Movement in ordinary share capital

	Consolidated	
	Number of shares	$'000
1 July Balance	264,380,173	76,645
6 September 2011 – Issue of shares to executives under FlexiGroup Long Term Incentive Plan	1,570,413	428
7 September 2011 – Issue of shares to Executives under FlexiGroup Long Term Incentive Plan	9,810,000	1,830
21 September 2011 – Issue of share to employees from treasury shares	70,446	42
7 December 2011 – Issue of share to employees from treasury shares	54,601	17
7 December 2011 – Issue of shares to executives under FlexiGroup Long Term Incentive Plan	1,405,743	2,724
5 March 2012 – Issue of share to employees from treasury shares	16,667	10
3 April 2012 – Issue of shares on acquisition of Paymate	642,818	1,447
1 June 2012 – Issue of shares on acquisition of Lombard	2,202,644	5,000
30 June 2012 balance	**280,153,505**	**88,143**
31 August 2012 – Issue of shares to executives under FlexiGroup Long Term Incentive Plan	2,372,708	2,482
31 August 2012 – Issue of shares to employees from treasury shares	1,212,083	890
13 September 2012 – Issue of shares to executives under FlexiGroup Long Term Incentive Plan	2,236,556	5,016
8 October 2012 – Issue of shares to executives under FlexiGroup Long Term Incentive Plan	262,947	787
3 December 2012 – Issue of shares to executives under FlexiGroup Long Term Incentive Plan	483,667	886
3 December 2012 – Issue of shares to employees from treasury shares	220,500	280
21 February 2013 – Issue of shares to executives under FlexiGroup Long Term Incentive plan	400,000	690
13 May 2013 – Equity raised through Institutional Placement for Once Credit acquisition	11,278,195	45,000
Capital raising costs on Institutional Placement and Share Purchase Plan	–	(1,530)
Deferred tax on capital raising costs at 30%	–	459
13 June 2013 – Equity raised under Share Purchase Plan	2,507,530	10,005
30 June 2013	**301,127,691**	**153,108**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

21. Contributed equity (continued)

(c) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in persons or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote. There is no current on market buy back of shares.

(d) Options, performance rights and deferred shares

Information relating to the FlexiGroup Employee Options, Performance Rights Plan and Deferred Share Plan, including details of options, performance rights and deferred shares issued, exercised and lapsed during the financial year and options, performance rights and deferred shares outstanding at the end of the financial year, is set out in note 33.

(e) Treasury shares

Treasury shares are shares in FlexiGroup Limited that are held by the FlexiGroup Tax Deferred Employee Share Plan Trust for the purposes of issuing shares under the FlexiGroup Long Term Incentive Plan (see note 33 for further information).

Movement in treasury shares	Number of shares	$'000
Opening Balance	11,912,000	5,268
7 September 2011 – Transfer of shares to ordinary shares	(9,810,000)	(1,830)
21 September 2011 – Transfer of shares to ordinary shares	(70,446)	(42)
7 December 2011 – Transfer of shares to ordinary shares	(54,601)	(17)
5 March 2012 – Transfer of shares to ordinary shares	(16,667)	(10)
30 June 2012 balance	**1,960,286**	**3,369**
31 August 2012 – Transfer of shares to ordinary shares	(1,212,083)	(890)
3 December 2012 – Transfer of shares to ordinary shares	(220,500)	(280)
30 June 2013 balance	**527,703**	**2,199**

(f) Capital risk management

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. Consistent with others in the industry, the Group monitors capital on the basis of its gearing ratio. In order to maintain or adjust its capital structure, the Group considers its issue of new capital, return of capital to shareholders and dividend policy as well as its plans for acquisition or disposal of assets.

22. Reserves and retained earnings

	2013 $'000	2012 $'000
(a) Reserves		
Share-based payment reserve	**(70)**	2,213
Foreign currency translation reserve	**872**	(1,355)
Cash flow hedge reserve	**(2,818)**	(2,100)
Share capital reserve	**2,593**	–
	577	(1,242)
Movements:		
Share-based payments reserve		
Balance at 1 July	**2,213**	1,189
Transfer from share based payments on issue of shares under Long Term Incentive Plan	**(7,359)**	(3,041)
Share-based payments expense for the year	**5,076**	4,065
Balance at 30 June	**(70)**	2,213
Movements:		
Foreign currency translation reserve		
Balance at 1 July	**(1,355)**	(1,363)
Currency translation differences arising during the year	**2,227**	8
Balance at 30 June	**872**	(1,355)
Movements:		
Share capital reserve		
Balance at 1 July	**-**	–
Shares to be issued in settlement of non-compete arrangement	**2,593**	–
Balance at 30 June	**2,593**	–
Movements:		
Cash Flow Hedge Reserve		
Balance at 1 July	**(2,100)**	(228)
Reclassified to profit and loss	**36**	–
Revaluation – net of tax	**(754)**	(1,872)
Balance at 30 June	**(2,818)**	(2,100)

(b) Retained earnings

Movements in retained profits were as follows:

Balance at 1 July	**183,852**	156,933
Net profit for the year	**65,836**	58,958
Dividends	**(38,788)**	(32,039)
Balance at 30 June	**210,900**	183,852

22. Reserves and retained earnings (continued)

(c) Nature and purpose of reserves

(i) Foreign currency translation reserve

Foreign currency translation of the foreign controlled entities is taken to the foreign currency translation reserve as described in note 1(d). The reserve is recognised in profit and loss when the net investment is disposed of.

(ii) Share-based payment reserve

The Share-based payment reserve is used to recognise:

- the fair value of options and rights issued to Directors and employees but not exercised
- the fair value of shares issued to Directors and employees
- other share-based payment transactions

(iii) Cash flow hedge reserve

The hedging reserve is used to record gains or losses on a hedging instrument in a cash flow hedge that are recognised in other comprehensive income as described in note 1(p). Amounts are reclassified to profit or loss when the associated hedge transaction affects profit or loss.

(iv) Share capital reserve

The share capital reserve recognises the Group's obligation to settle a non-compete arrangement that was entered into with former employees in shares. The settlement will be made within 5 business days after the release of the 2013 financial report.

23. Dividends

	Parent entity	
	2013 $'000	2012 $'000
(a) Ordinary shares		
Final dividend for the year ended 30 June 2012 of 6.5 cents (2011: 5.5 cents) per fully paid share paid on 18 October 2012 (2011: 13 October 2011)		
Fully franked based on tax paid @ 30% – 6.5 cents (2012: 5.5 cents) per share	**18,637**	15,283
Interim dividend for the year ended 30 June 2013 of 7 cents (2012: 6 cents) per fully paid share paid 18 April 2013 (2012: 18 April 2012)		
Fully franked based on tax paid @ 30% – 7 cents (2012: 6 cents) per share	**20,151**	16,756
	38,788	32,039
(b) Dividends not recognised at year end		
In addition to the above dividends, since the year end the directors have recommended the payment of a final dividend of 7.5 cents per fully paid ordinary share (2012: 6.5 cents), fully franked based on tax paid at 30%. The aggregate amount of the proposed dividend expected to be paid on 18 October 2013 out of retained profits as at 30 June 2013 but not recognised as a liability at year end.	**22,624**	18,337
	22,624	18,337

	Consolidated		Parent entity	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
(c) Franked dividends				
Franking credits available for subsequent financial years based on a tax rate of 30% (2012: 30%)	**8,647**	12,410	**8,647**	12,410

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:

(a) franking credits that will arise from the payment of the amount of the provision for income tax

(b) franking debits that will arise from the payment of dividends recognised as liability at the reporting date and

(c) franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date

The consolidated amounts include franking credits that would be available to the parent entity if distributable profits of subsidiaries were paid as dividends.

The impact on the franking account of the dividend recommended by the directors since year end, but not recognised as a liability at year end, will be a reduction in the franking account of 9,696,066 (2012: 7,858,884). The amount in the table above takes into account the franking credits for the dividends not recognised at year end.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

24. Key Management Personnel disclosures

a. Directors

The following persons were Directors of FlexiGroup Limited during the financial year:

M Jackson	Chairman – Non-Executive Director
T Robbiati (from 28/1/13)	Executive Director
J DeLano (until 25/1/13)	Executive Director
A Abercrombie	Non-Executive Director
R J Skippen	Non-Executive Director
R Dhawan	Non-Executive Director
A Ward (from 01/01/13)	Non-Executive Director

b. Other Key Management Personnel

The following persons also had authority and responsibility for planning, directing and controlling the activities of the Group during the financial year:

T Robbiati (from 21/01/13)	Chief Executive Officer
J DeLano (until 31/12/12)	Chief Executive Officer
G McLennan	Chief Financial Officer
D Stevens (from 28/01/13)	Head of Finance & Planning and Company Secretary
R May	General Manager
J McLean	Head of Group Shared Services
A Roberts	Head of Vendor and Commercial Finance
N Lindner (from 17/06/13)	General Manager, Consumer and SME
J Scotcher (until 17/06/13)	Head of Retail Sales

c. Key Management Personnel Compensation

	2013 $	2012 $
Short-term employee benefits	**4,158,968**	4,425,670
Post-employment benefits	**203,448**	259,414
Long-term benefits	**(2,372)**	37,921
Share-based payments	**2,177,255**	1,863,642
	6,537,299	6,586,647

Detailed remuneration disclosures are provided in sections A–E of the Remuneration Report on pages 11 to 28.

d. Equity instrument disclosures relating to Directors and Key Management Personnel

(i) Options, performance rights and deferred shares holdings

2013

Name	Balance at start of year	Granted as compensation	Exercised	Other changes	Balance at end of year	Vested and exercisable	Unvested
Executive Directors							
T Robbiati	–	3,390,000	–	–	3,390,000	–	3,390,000
J DeLano	9,251,338	–	(7,965,394)	(1,285,944)	–	–	–
Other Key Management Personnel							
G McLennan	1,100,000	250,000	(300,000)	–	1,050,000	–	1,050,000
D Stevens	365,000	60,000	(100,000)	–	325,000	–	325,000
R May	650,000	175,000	(200,000)	–	625,000	–	625,000
J McLean	845,000	–	(295,000)	–	550,000	–	550,000
A Roberts	575,000	60,000	(433,333)	–	201,667	–	201,667
N Lindner	–	1,000,000	–	–	1,000,000	–	1,000,000
J Scotcher	147,688	–	(48,188)	–	199,500	–	199,500

2012

Name	Balance at start of year	Granted as compensation	Exercised	Other changes	Balance at end of year	Vested and exercisable	Unvested
Executive Director							
J DeLano	19,252,462	2,400,000	(7,500,000)	(4,901,124)	9,251,338	1,522,500	2,400,000
Other Key Management Personnel							
G McLennan	1,736,217	–	(632,219)	(3,998)	1,100,000	–	1,100,000
N Roberts	995,446	–	(645,446)	(350,000)	–	–	–
D Klotz	2,421,218	–	(675,000)	(1,746,218)	–	–	–
P Laughton	1,380,999	–	(830,999)	(550,000)	–	–	–
R May	650,000	–	–	–	650,000	–	650,000
J McLean	737,500	150,000	(42,500)	–	845,000	–	845,000
A Roberts	450,000	125,000	–	–	575,000		575,000
J Scotcher	178,042	47,000	(77,354)	–	147,688	–	147,688

24. Key Management Personnel disclosures (continued)

(ii) Share holdings

2013

Name	Balance at start of year	Received during the year on the exercise of performance rights options	Other changes during the year	Balance at end of year
Non-Executive Directors				
M Jackson (Chairman)	2,126,012	–	(200,000)	1,926,012
A Abercrombie	78,763,302	–	(1,998,051)	76,765,251
R Dhawan	389,099	–	3,898	392,997
RJ Skippen	140,000	–	(25,000)	115,000
A Ward	–	–	–	–
Executive Directors				
T Robbiati	–	–	–	–
J DeLano	8,526,685	1,114,057	n/a*	n/a
Other Key Management Personnel				
G McLennan	–	300,000	(300,000)	–
D Stevens	–	100,000	(100,000)	–
R May	–	200,000	(200,000)	–
J McLean	–	295,000	(295,000)	–
A Roberts	–	433,333	(433,333)	–
N Lindner	–	–	–	–
J Scotcher	87,591	48,188	(75,141)	60,638

* J DeLano ceased to be a KMP on 25/01/2013. His shareholding at the date he ceased to be a KMP was 9,640,742.

2012

Name	Balance at start of year	Received during the year on the exercise of performance rights options	Other changes during the year	Balance at end of year
Non-Executive Directors				
M Jackson (Chairman)	3,126,012	–	(1,000,000)	2,126,012
A Abercrombie	81,263,302	–	(2,500,000)	78,763,302
R Dhawan	889,099	–	(500,000)	389,099
RJ Skippen	410,078	–	(270,078)	140,000
Executive Director				
J DeLano	4,028,461	7,500,000	(3,001,776)	8,526,685
Other Key Management Personnel				
G McLennan	–	632,219	(632,219)	–
N Roberts	1,040,157	645,446	(1,615,157)	70,446
D Klotz	425,954	675,000	(1,100,954)	–
P Laughton	1,071,741	830,999	(1,429,740)	473,000
R May	–	–	–	–
J McLean	–	42,500	(42,500)	–
A Roberts	–	–	–	–
J Scotcher	10,237	77,354	–	87,591

e. Other transactions with related parties

Flexirent Capital Pty Limited has rented premises in Melbourne owned by entities associated with Mr A Abercrombie. The rental arrangements for the Melbourne premises are based on market terms.

	2013 $	2012 $
Rental of Melbourne premises	**173,333**	168,825

25. Capital and leasing commitments

	2013 $'000	2012 $'000
Operating lease commitments		
Non-cancellable operating leases contracted for but not capitalised in the financial statements due:		
– within one year	**2,981**	2,666
– later than one year but not later than five years	**1,310**	2,614
	4,291	5,280
Sub lease payments		
Future minimum lease payments expected to be received in relation to non-cancellable sub-leases of operating leases	**536**	1,012

FlexiGroup entered into a call centre service agreement, where FlexiGroup will receive call centre services for an initial period of 3 years. At 30 June 2013, the minimum future commitment on this agreement was approximately $3.5 million. Additionally, in the normal course of the business at 30 June 2013 the group has approved customer loan and lease receivable accounts which have not been drawn at year end. Committed amounts are typically drawn within a short period of the loan or lease being approved.

26. Reconciliation of profit after income tax to net cash inflow from operating activities

	2013 $'000	2012 $'000
Profit for the year	**65,836**	58,958
Share-based payments	**5,076**	4,065
Depreciation and amortisation	**9,431**	7,747
Impairment write off disclosed in investing activities	**27,188**	23,521
Exchange differences	**(59)**	(48)
Other non-cash movements	**(199)**	(278)
Net cash inflow from operating activities before change in assets and liabilities	**107,273**	93,965
Change in operating assets and liabilities:		
(Increase)/decrease in other receivables	**(7,625)**	2,945
Decrease/(increase) in trade and other creditors	**(6,578)**	7,672
Decrease/(increase) in inventories	**8**	(260)
(Decrease)/increase in current tax payable	**(1,735)**	2,066
Increase in deferred tax liabilities	**5,310**	4,433
Decrease/(increase) in deferred tax assets	**148**	(148)
Net cash inflow from operating activities	**96,801**	110,673

27. Business Combination

Acquisition 2013

(a) Summary of acquisition – Once Credit Pty Limited
On 31 May 2013 the group completed the acquisition of 100% of the issued share capital of Once Credit Pty Limited, a personal and consumer retail finance provider. Details of the purchase consideration, the net assets acquired and goodwill are as follows:

Purchase consideration	$'000
Cash paid	**45,000**
	45,000

The carrying amounts and fair values of the assets and liabilities acquired were:

	Carrying value $'000	Provisional fair value '000
Cash and cash equivalents	**10,084**	**10,084**
Receivables	**105,731**	**105,731**
Plant and equipment	**98**	**98**
Software	**1,210**	**1,210**
Other assets	**643**	**643**
Deferred tax assets	**2,236**	**2,689**
Trade and other payables	**(4,758)**	**(4,758)**
Long term debt	**(83,644)**	**(83,644)**
Net carrying value	**31,600**	**32,053**
Consideration		**45,000**
Goodwill and intangible assets recognised		**12,947**
Comprising:		
– Goodwill		**12,947**
		12,947

The initial accounting for the acquisition of Once Credit Pty Limited is stated on a provisional basis. They are based on the carrying values recognised in the financial statements of Once Credit Pty Limited. Following completion of formal valuations of the assets and liabilities acquired (including unrecognised acquired intangibles), they will be adjusted in the 2014 year. The reason the accounting is incomplete is that the acquisition was completed shortly before the year end. The goodwill is attributable to the workforce and the high profitability of the acquired business. It will not be deductible for tax purposes.

The acquired business contributed net portfolio income of $1,450,425 and net profit after tax of $229,514 to the group from 1 June 2013 to 30 June 2013. If the acquisition had occurred on 1 July 2012, net portfolio income and profit at June 2013 would have been $16,894,949 and $2,286,223 respectively. These amounts have been calculated using the Group accounting policies and by adjusting the results of the subsidiary to reflect the additional depreciation and amortisation that would have been charged assuming the fair value adjustments to property, plant and equipment and intangible assets had applied from 1 July 2012, together with the consequential tax effects.

Purchase Consideration – Cash Outflow

	2013 $'000
Outflow of cash to acquire business, net of cash acquired	
Cash consideration	**(45,000)**
Less: Balances acquired	
Restricted cash and cash equivalents	**8,875**
Unrestricted cash and cash equivalents	**1,209**
Outflow of cash – Investing activities*	**(34,916)**

Acquisition related costs of $1,007,362 are included in other expenses in profit or loss and in operating cash flows in the statement of cash flows.

* Deferred consideration of $48,000 relating to the Paymate acquisition was paid during the year and is disclosed together with the Once Credit acquisition payment in the statement of cash flows.

Acquisitions 2012

(a) Summary of acquisitions – Paymate

On 11 March 2012 the group completed the acquisition of certain assets and liabilities and the business of Paymate Pty Limited, an online payments processing business. The acquisition provides an opportunity for FlexiGroup to gain an advantage in the online payment market. Details of the purchase consideration, the net assets acquired and goodwill are as follows:

Purchase consideration	$'000
Cash paid	1,383
Deferred consideration	48
Shares issued	1,447
	2,878

The carrying amounts and fair values of the assets and liabilities acquired were:

	Carrying value $'000	Provisional fair value '000
Cash and cash equivalents	307	307
Other assets	1	1
Trade and other payables	(142)	(174)
Deferred tax liability	–	(20)
Net carrying value	166	114
Consideration		2,878
Goodwill and intangible assets recognised		2,764
Comprising:		
– Customer relationships		66
– Software, database and copyright		777
– Goodwill		1,921
		2,764

The goodwill is attributable to the workforce and the high profitability of the acquired business. It will not be deductible for tax purposes.

The acquired business contributed revenues of $192,725 and net loss of $1,965,326 to the group from 11 March 2012 to 30 June 2012. If the acquisition had occurred on 1 July 2011 both the revenue and profit amounts would have increased by amounts that are not material to the Group. These amounts have been calculated using the Group accounting policies and by adjusting the results of the subsidiary to reflect the additional depreciation and amortisation that would have been charged assuming the fair value adjustments to property, plant and equipment and intangible assets had applied from 1 July 2011 together with the consequential tax effects.

27. Business Combination (continued)

Purchase Consideration – Cash Outflow

	2012 $'000
Outflow of cash to acquire business, net of cash acquired	
Cash consideration	(1,383)
Less: Balances acquired	
Cash and cash equivalents	307
Outflow of cash – Investing Activities	(1,076)

Acquisition related costs of $181,880 are included in other expenses in profit or loss and in operating cash flows in the statement of cash flows.

The provisional values relating to the Paymate acquisition were finalised during 2013. No changes to provisional values resulted and the final goodwill amount is $1,921,000 as previously disclosed above.

(b) Summary of acquisition – Lombard Finance Pty Limited
On 1 June 2012 the group completed the acquisition of 100% of the issued share capital of Lombard Finance Pty Limited, a personal and consumer retail finance provider. Details of the purchase consideration, the net assets acquired and goodwill are as follows:

Purchase consideration	$'000
Cash paid	7,000
Contingent consideration	1,757
Shares issued	5,000
	13,757

The carrying amounts and fair values of the assets and liabilities acquired were:

	Carrying value $'000	Provisional fair value '000
Cash and cash equivalents	3,972	3,972
Receivables	46,048	46,048
Plant and Equipment	320	320
Intangible Assets	95	95
Other assets	269	269
Deferred Tax Assets	628	103
Trade and other payables	(1,128)	(1,128)
Long term debt	(43,937)	(43,937)
Deferred tax liability	(367)	(344)
Net carrying value	5,900	5,398
Consideration		13,757
Goodwill and intangible assets recognised		8,359
Comprising:		
– Merchant relationships		1,119
– Software, database and copyrights		300
– Goodwill		6,940
		8,359

The acquired business contributed revenues of $1,110,174 and net profit of $42,836 to the group from 1 June 2012 to 30 June 2012. If the acquisition had occurred on 1 July 2011, consolidated revenue and profit at June 2012 would have been $12,550,703 and $897,612 respectively. These amounts have been calculated using the Group accounting policies and by adjusting the results of the subsidiary to reflect the additional depreciation and amortisation that would have been charged assuming the fair value adjustments to property, plant and equipment and intangible assets had applied from 1 July 2011, together with the consequential tax effects.

Purchase Consideration – Cash Outflow

	2012 $'000
Outflow of cash to acquire subsidiary, net of cash acquired	
Cash consideration	(7,000)
Less: Balances acquired	
Cash and cash equivalents	3,972
Outflow of cash – Investing Activities	(3,028)

Acquisition related costs of $537,090 are included in other expenses in profit or loss and in operating cash flows in the statement of cash flows.

	$'000
Changes to provisional fair value – Lombard Finance	
Goodwill provisionally recognised at 30 June 2012	6,940
Adjustments to fair values:	
Deferred tax liability	321
Merchant relationships	(1,069)
Final goodwill balance at 30 June 2013	6,192
Changes to contingent consideration	
Balance at 1 July 2013	1,757
Revaluation release to profit and loss on derecognition	(760)
Derecognised on settlement	(997)
Balance at 30 June 2013	–

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

28. Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1(b):

	Country of incorporation	Percentage of shares held	
		2013	2012
FlexiGroup SubCo Pty Limited	Australia	100%	100%
Flexirent Holdings Pty Limited	Australia	100%	100%
Flexirent Capital Pty Limited	Australia	100%	100%
Flexirent SPV No 1 Pty Limited	Australia	100%	100%
Flexirent SPV No 2 Pty Limited	Australia	100%	100%
Flexirent SPV No 3 Pty Limited	Australia	100%	100%
Flexirent SPV No 4 Pty Limited	Australia	100%	100%
Flexicare Claims Management Pty Limited	Australia	100%	100%
Flexirent SPV No 6 Pty Limited	Australia	100%	100%
Subfinco Pty Limited	Australia	100%	100%
Certegy Ezi-Pay Pty Ltd	Australia	100%	100%
FlexiGroup Tax Deferred Employee Share Plan Trust	Australia	100%	100%
FlexiGroup Management Pty Limited	Australia	100%	100%
FlexiGroup New Zealand Limited	New Zealand	100%	100%
Flexirent Ireland Group Holdings Limited	Ireland	100%	100%
Flexirent Ireland Limited	Ireland	100%	100%
Flexirent SPV No 7 Pty Limited	Australia	100%	100%
Flexi ABS Trust 2010-1	Australia	100%	100%
FlexiGroup NZ SPV1 Limited	New Zealand	100%	100%
Flexi ABS Trust 2010-2	Australia	100%	100%
Flexi ABS Trust 2011-1	Australia	100%	100%
Flexi Online Pty Limited	Australia	100%	100%
Flexi ABS Warehouse Trust No. 2	Australia	100%	100%
Flexi ABS Trust Warehouse No. 3	Australia	100%	100%
Lombard Finance Pty Limited	Australia	100%	100%
Lombard Warehouse Trust No.1	Australia	100%	100%
Flexi Online New Zealand Limited	New Zealand	100%	100%
FlexiGroup NZ SPV 2 Limited	New Zealand	100%	n/a
Flexi ABS Trust 2012-1	Australia	100%	n/a
Flexi LCAL Warehouse Trust	Australia	100%	n/a
Once Credit Pty Limited	Australia	100%	n/a
Flexirent SPV No 8 Pty Limited	Australia	100%	n/a
Flexi ABS Trust 2013-1	Australia	100%	n/a

29. Related party transactions

a. Parent entity
The parent entity of the Group is FlexiGroup Limited.

b. Subsidiaries
Interests in subsidiaries are set out in note 28.

Transactions with related parties
There were no transactions between the Group and related parties other than those disclosed in note 24(e).

Key Management Personal Compensation
Disclosures relating to Key Management Personal are set out in note 24.

30. Remuneration of auditors

During the year the following fees were paid or payable for services provided by the auditor of the parent entity and its related parties.

	2013 $	2012 $
a. Audit and assurance services		
Audit Services		
PwC Australian firm:		
Audit and review of financial statements	**550,762**	491,712
Related practices of PwC Australian firm	**11,453**	9,994
Other assurance services		
PwC Australian firm:		
Other assurance services including due diligence services	**621,265**	1,062,602
Total remuneration for audit and assurance services	**1,183,480**	1,564,308
b. Non-audit services		
Taxation services		
PwC Australian firm:		
Tax compliance and advice on transactions	**5,800**	8,300
Total remuneration for taxation services	**5,800**	8,300
Total remuneration for non-audit services	**5,800**	8,300
Total remuneration of PwC	**1,189,280**	1,572,608

It is the Group's policy to employ PwC on assignments additional to its statutory audit duties where PwC's expertise and experience with the Group are important. These assignments are principally regulatory audits, procedures performed as part of completing funding agreements, tax advice and due diligence reporting on acquisitions, or where PwC is awarded assignments on a competitive basis.

31. Contingencies

Contingent liabilities
There are no material contingent liabilities at the date of this report (2012: $nil).

32. Earnings per share

	2013 Cents	2012 Cents
a. Basic earnings per share		
From continuing operations attributable to the ordinary equity holders of the Company	**22.9**	21.5
Total basic earnings per share attributable to the ordinary equity holders of the Company	**22.9**	21.5
b. Diluted earnings per share		
From continuing operations attributable to the ordinary equity holders of the Company	**22.7**	21.3
Total diluted earnings per share attributable to the ordinary equity holders of the Company	**22.7**	21.3

	2013 $	2012 $
c. Reconciliations of earnings used in calculating earnings per share		
Basic earnings per share		
Profit from continuing operations	**65,836**	58,958
Profit from continuing operations attributable to the ordinary equity holders of the Company used in calculating basic earnings per share	**65,836**	58,958
Profit attributable to the ordinary equity shareholders of the Company used in calculating basic earnings per share	**65,836**	58,958
Diluted earnings per share		
Profit attributable to the ordinary equity holders of the Company used in calculating basic earnings per share	**65,836**	58,958
Profit attributable to the ordinary equity holders of the Company used in calculating diluted earnings per share	**65,836**	58,958

	2013 Number	2012* Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**287,241,795**	274,723,298
Adjustments for calculation of diluted earnings per share:		
Options and performance rights and deferred shares	**2,546,526**	2,502,694
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	**289,788,321**	277,225,992

* Prior year weighted average number of shares restated for the impact of the bonus element arising from equity raising.

Information concerning the classification of securities

Options

Options, performance rights and deferred (treasury) shares granted to employees under the FlexiGroup Tax Deferred Employee Share Plan Trust are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent to which they are dilutive. The options, performance rights and deferred (treasury) shares have not been included in the determination of basic earnings per share. Details relating to the options, performance rights and deferred (treasury) shares, are set out in note 33.

33. Share-based payments

a. Long Term Incentive Plan

The establishment of the FlexiGroup Long Term Incentive Plan ("LTIP") was approved by the founding shareholders on 20 November 2006. The LTIP is designed to provide relevant employees with an incentive for future performance, with conditions for the vesting and exercise of options, performance rights and deferred shares under the LTIP encouraging those executives to remain with FlexiGroup and contribute to the future performance of the Company. Under the plan, participants are granted either an option, right or deferred shares which only vests if certain performance standards are met.

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.

Summaries of options, performance rights and deferred shares granted under the plan:

2013

Grant date	Expiry date	Exercise price	Balance at start of the period Number	Granted during the period Number	Exercised during the period Number	Forfeited during the period Number	Balance at end of the period Number	Vested and exercisable at the end of the period Number
Consolidated and parent entity – 2013								
8/12/06	31/12/11 31/12/12	$1.98**	9,579,233	–	(6,851,338)	–	2,727,895*	–
31/8/07	31/12/12 31/12/13	$2.51**	203,947	–	(203,947)	–	–	–
2/10/07	31/12/11 31/12/12	$2.47**	137,058	–	(59,000)	–	78,058*	–
29/6/09	29/6/19	$0.00	988,333	–	(934,583)	(53,750)	–	–
1/11/09	31/12/14	$0.00	646,875	–	(660,208)	13,333	–	–
15/9/2010	31/12/14	$0.00	2,710,000		(1,750,000)	120,000	1,080,000	–
15/9/2010	15/9/17	$0.00	427,500	–	(287,500)	21,250	161,250	–
8/6/2011	8/6/18	$0.00	364,000	–	(143,000)	(76,750)	144,250	–
14/6/2011	31/12/14 31/12/15 31/12/16	$0.00	1,171,500	–	(283,667)	(318,001)	569,832 –	
14/6/2011	31/12/16	$2.11	2,535,500	–	–	(1,500)	2,534,000	–
5/8/2011	31/12/14 31/12/15 31/12/16	$0.00	733,000	–	(204,999)	(287,500)	240,501	–
5/8/2011	31/12/16	$1.86	600,000	–	–	(600,000)	–	–
5/8/2011	31/12/16	$2.29	345,000	–	–	(345,000)	–	–
30/11/11	31/12/13 31/12/14 31/12/15	$0.00	2,400,000	–	(1,114,056)**	(1,285,944)	–	–
19/3/12	31/12/15 31/12/16	$0.00	125,000	–	(25,000)	–	100,000	–
19/3/2012	31/12/16	$2.18	150,000	–	–	–	150,000	–
23/4/2012	31/12/15	$0.00	27,000	–	–	–	27,000	–
23/4/2012	31/12/16	$2.27	20,000	–	–	–	20,000	–
10/08/2012	31/03/16	$3.05	–	1,646,000	–	(195,000)	1,451,000	
21/01/2013	31/12/20	$3.57	–	3,000,000	–	–	3,000,000	
21/01/2013	31/03/17	$0.00	–	600,000	–	–	600,000	
2/04/2013	31/12/20	$3.99	–	300,000	–	–	300,000	
17/06/2013	31/12/20	$4.29	–	1,000,000	–	–	1,000,000	
Total			**23,163,946**	**6,546,000**	**(12,517,298)**	**(3,008,862)**	**14,183,786**	**–**
Weighted average exercise price			**$1.13**	**$2.90**			**$2.12**	

* There were 2,805,953 expired options at 30 June 2013 (2012: 2,805,953).

** Includes 400,000 performance rights held by the former CEO for which the Board exercised its discretion to accelerate the vesting on 25 January 2013.

The weighted average share price at the date of exercise of options exercised during the year ended 30 June 2013 was $3.24 (2012: $2.27).

The weighted average remaining contractual life of share options, performance rights and deferred shares outstanding at the end of the year was 3.5 years (2012: 2.7 years).

33. Share-based payments (continued)

2012

Grant date	Expiry date	Exercise price	Balance at start of the period Number	Granted during the period Number	Exercised during the period Number	Forfeited during the period Number	Balance at end of the period Number	Vested and exercisable at the end of the period Number
Consolidated and parent entity – 2012								
8/12/06	31/12/11 31/12/12	$1.98**	12,280,109	–	(982,961)	(1,717,915)	9,579,233	1,522,500
19/4/07	31/12/11 31/12/12	$2.91**	746,218	–	–	(746,218)	–	–
31/8/07	31/12/12 31/12/13	$2.51**	251,095	–	–	(47,148)	203,947	203,947
2/10/07	31/12/11 31/12/12	$2.47**	137,058	–	–	–	137,058	59,000
29/11/07	31/12/12	$0.00	455,314	–	–	(455,314)	–	–
16/1/08	31/12/11 31/12/12	$1.57	31,942	–	(31,942)	–	–	–
3/4/08	31/12/12 31/12/13	$0.00	788,194	–	(788,194)	–	–	–
1/10/08	31/12/12 31/12/13	$0.00	332,219	–	(332,219)	–	–	–
27/11/08	2/12/18	$0.00	1,885,000	–	(1,885,000)	–	–	–
23/12/08	23/12/18	$0.00	7,500,000	–	(7,500,000)	–	–	–
17/2/09	31/12/12	$0.00	480,819	–	(383,340)	(97,479)	–	–
31/3/09	29/6/19	$0.00	450,000	–	(425,000)	(25,000)	–	–
29/4/09	31/12/13 31/12/14	$0.00	200,000	–	(200,000)	–	–	–
29/6/09	29/6/19	$0.00	1,037,500	–	(43,334)	(5,833)	988,333	–
1/11/09	31/12/14	$0.00	679,375	–	(5,000)	(27,500)	646,875	–
1/1/2010	31/12/12 31/12/13	$0.00	200,000	–	(190,000)	(10,000)	–	–
15/9/2010	31/12/14	$0.00	3,320,000	–	(129,613)	(480,387)	2,710,000	–
15/9/2010	15/9/17	$0.00	555,555	–	–	(128,055)	427,500	–
8/6/2011	8/6/18	$0.00	394,500	–	–	(30,500)	364,000	–
14/6/2011	31/12/14 31/12/15 31/12/16	$0.00	1,271,500	–	–	(100,000)	1,171,500	–
14/6/2011	31/12/16	$2.11	3,220,500	–	–	(685,000)	2,535,500	–
5/8/2011	31/12/14 31/12/15 31/12/16	$0.00	–	733,000	–	–	733,000	–
5/8/2011	31/12/16	$1.86	–	600,000	–	–	600,000	–
5/8/2011	31/12/16	$2.29	–	345,000	–	–	345,000	–
30/11/11	31/12/13 31/12/14 31/12/15	$0.00	–	2,400,000	–	–	2,400,000	–
19/3/12	31/12/15 31/12/16	$0.00	–	125,000	–	–	125,000	–
19/3/2012	31/12/16	$2.18	–	150,000	–	–	150,000	–
23/4/2012	31/12/15	$0.00	–	27,000	–	–	27,000	–
23/4/2012	31/12/16	$2.27	–	20,000	–	–	20,000	–
Total			**36,216,898**	**4,400,000**	**(12,896,603)**	**(4,556,349)**	**23,163,946**	**1,785,447**
Weighted average exercise price			**$0.95**	**$0.52**			**$1.13**	

** Options issued prior to February 2010, exercise prices have been adjusted to reflect the impact of the 2010 capital raising in accordance with section 9 of the FlexiGroup Long Term Incentive Plan.

Fair value of options, performance rights and deferred shares granted
Fair values at grant date are independently determined using a binomial tree option pricing methodology that takes into account the exercise price, the term of the options, performance rights and deferred shares, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the options.

The model inputs for performance rights and deferred shares granted during the year ended 30 June 2013 included:

a) Exercise price: various per performance rights and granted
b) Grant date: various per performance rights and options granted
c) Expiry date: various per performance rights and options granted
d) Share price at grant date: various per performance rights and deferred shares granted
e) Expected price volatility of the Company's shares: 35% (2012: 35% – 40%). Volatility of the share has been determined based on the historic volatility of the market price of the Company's share and the mean reversion tendency of volatilities.
f) Expected dividend yield: 3.7% – 4.2% (2012: 5% – 5.2 %)
g) Risk-free interest rate: 2.75% – 2.91% (2012: 3.22% – 3.9%)

Shares provided on exercise of remuneration options and performance rights
5,755,877 ordinary shares in the Company were issued as a result of the exercise of any remuneration options.

b. Employee share plan
The Employee Share Acquisition (Tax Exempt) Plan ("ESAP") is a general employee share plan pursuant to which grants of shares may be offered to employees of FlexiGroup on terms and conditions as determined by the Board from time to time. No shares were issued under this plan in 2013.

The Board is responsible for administering the ESAP in accordance with the ESAP Rules and the terms and conditions of specific grants of shares to participants in the ESAP. The ESAP Rules include the following provisions:

Eligibility
The Board may determine which persons will be eligible to be offered the opportunity to participate in the ESAP from time to time. The Board may make offers to eligible persons for participation in the ESAP.

Terms of offer
The Board has the discretion to determine the specific terms and conditions applying to each offer, provided that:

The terms of the offer do not vary the disposal restrictions imposed on shares under the ESAP Rules under which shares acquired under the ESAP cannot be transferred, sold or otherwise disposed of until the earlier of:

- The time when the participant is no longer employed by FlexiGroup or by the Company that was the employer of the participant as at the time the shares were acquired, or
- The third anniversary of the date on which the shares were acquired, and
- The offer does not include any provisions for forfeiture of shares acquired under the ESAP in any circumstances.

Consideration for grant
The Board may determine the price at which the shares will be offered to an employee. Shares may be granted at no cost to the employee or the Board may determine that market value or some other price is appropriate.

Allocation of shares
Shares allocated under the ESAP may be existing shares or newly issued shares. Allocated shares must be held in the name of the employee. Any shares that are issued under the ESAP will rank equally with those traded on the ASX at the time of issue. A participant under the ESAP is entitled to receive distributions/dividends made in respect of, and exercise voting rights attaching to, shares held under the ESAP (whether or not the shares are subject to disposal restrictions).

Restrictions on shares
Shares acquired under the ESAP will be subject to the disposal restrictions described above. FlexiGroup will implement such arrangements (including a holding lock) as it determines are necessary to enforce this restriction.

Once the restriction is removed, and subject to FlexiGroup's Share Trading Policy, shares acquired under the ESAP may be dealt with freely. Details of FlexiGroup's Share Trading Policy in the Corporate Governance Statement.

Employee gift offer
There were no employee gift offers in the year ended 30 June 2013 (2012-nil).

33. Share-based payments (continued)

c. Expenses arising from share-based payment transactions
Total expenses arising from share-based payment transactions recognised during the period as part of employee benefit expense were as follows:

	2013 $	2012 $
Options and performance rights issued under LTIP	**5,075,698**	4,064,802

34. Financial risk management

Overview
The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses derivative financial instruments – interest rate swaps – to hedge certain risk exposures. Derivatives are exclusively used for hedging purposes i.e. not as trading or other speculative instruments. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate and foreign exchange risk, and ageing/credit scorecard analysis for credit risk.

Risk management is primarily carried out by the financial analysis, treasury and credit and risk departments.

Interest rate risk
Interest rate risk results principally from the repricing risk or differences in the repricing characteristics of the Group's receivable portfolio and borrowings.

The Group's lease and loan receivables consist of:

- fixed rate consumer and commercial instalment lease contracts. The interest rate is fixed for the life of the contract. Lease contracts are typically originated with maturities ranging between one and five years and generally require the customer to make equal monthly payments over the life of the contract. The majority of leases are funded within two weeks of being settled with the rental stream discounted at a fixed rate of interest to determine the borrowing amount.
- an interest free consumer loan portfolio where the payments are fixed for the term of the loan.
- an interest free card business portfolio where the payments are variable for the term of the loan.

Borrowings to fund the receivables are at a mix of fixed rate borrowings and variable rate borrowings where the rates are reset regularly to current market rates. Interest rate risk is managed on these borrowings by entering to interest rate swaps, whereby the Group pays fixed rate and receives floating rate. For sensitivity measurement purposes, a +/–1% pa sensitivity in interest rates has been selected as this is considered realistic given the current level of both short-term and long-term Australian dollar interest rates.

At the end of the reporting period, the Group had the following variable rate borrowings and interest rate swap contracts outstanding:

	30 June 2013		30 June 2012	
	Weighted average interest rate %*	Balance $'000	Weighted average interest rate %*	Balance $'000
Borrowings**	**5.23%**	**867,336**	6.33%	519,954
Interest rate swaps (notional principal amount)	**3.35%**	**(686,256)**	3.99%	(441,473)
Unhedged variable debt		**181,080**		78,481

* Represents weighted interest rate at 30 June.

** Based on the financial instruments held at 30 June 2013, if interest rates had changed by, –/+ 1% from the year-end rates with all other variables held constant, the annualised impact on the consolidated entity's after-tax profits and equity would have been $1,011,000 higher/$1,087,000 lower (2012: $1,381,000 lower/$1,404,000 higher).

The group's fixed rate borrowings and receivables are carried at amortised cost. They are therefore not subject to interest rate risk as defined in AASB 7, since neither the carrying amount nor the future cash flows will fluctuate because of a change in market interest rates.

Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the New Zealand dollar. The Group also has an operation in Ireland, on which the foreign exchange impact is immaterial.

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency and net investments in foreign operations. The Group manages its exposures to the New Zealand dollar by ensuring that its assets and liabilities in New Zealand are predominantly in New Zealand dollars.

For sensitivity measurement purposes, a +/–10% sensitivity in foreign exchange rates to the Australian dollar has been selected as this is considered realistic given the current levels of exchange rates, the recent levels of volatility and market expectations for future movements in exchange rates.

Based on the financial instruments held at 30 June 2013, had the Australian dollar weakened/strengthened by 10% against the New Zealand dollar compared to year-end rates, with other variables held constant, the consolidated entity's after-tax profits for the year and equity would have been $2,682,000 higher/$2,210,000 lower (2012: $1,874,000 higher/$1,517,000 lower), as a result of exposure to exchange rate fluctuations of foreign currency operations. All foreign exchange risk is due to the translation of the New Zealand and Ireland operations on consolidation.

		Interest rate risk		Foreign exchange risk	
30 June 2013	Carrying amount $'000	–1% Profit/Equity $'000	+1% Profit/Equity $'000	–10% Profit/Equity $'000	+10% Profit/Equity $'000
Financial assets					
Cash and cash equivalents	122,750	(878)	878	755	(618)
Loans and receivables	1,173,012	–	–	–	–
– Fixed interest rate	–	–	–	4,707	(3,851)
Loss reserve	43,120	(102)	102	–	–
Financial liabilities					
Payables	35,901	–	–	(119)	74
Borrowings					
– Fixed interest rate	166,029	–	–	(2,657)	2,174
– Floating interest rate**	867,336	6,071	(6,071)	–	–
Derivatives used for hedging	3,928	(4,080)	4,004	(4)	11
Total increase/(decrease)		1,011	(1,087)	2,682	(2,210)

** The Group has entered into interest rate swap contracts under which it is obliged to receive interest at variable rates and to pay interest at fixed rates. Swaps currently in place cover approximately 79% (2012: 85%) of the variable loan principal outstanding and are timed to expire as each loan repayment falls due.

34. Financial risk management (continued)

30 June 2012	Carrying amount $'000	Interest rate risk –1% Profit/Equity $'000	Interest rate risk +1% Profit/Equity $'000	Foreign exchange risk –10% Profit/Equity $'000	Foreign exchange risk +10% Profit/Equity $'000
Financial assets					
Cash and cash equivalents	63,207	(446)	446	672	(550)
Loans and receivables					
– Fixed interest rate	929,125	–	–	4,054	(3,317)
Loss reserve	19,896	–	–	–	–
Financial liabilities					
Payables	38,187	–	–	(102)	84
Borrowings					
– Fixed interest rate**	272,128	–	–	–	–
– Floating interest rate	519,954	3,639	(3,639)	(2,743)	2,244
Derivatives used for hedging	2,902	(1,812)	1,789	(7)	22
Total increase/(decrease)		1,381	(1,404)	1,874	(1,517)

The Parent entity for 2013 and 2012 had no exposures to interest rate risk and foreign exchange risk.

** The Group has entered into interest rate swap contracts under which it is obliged to receive interest at variable rates and to pay interest at fixed rates. Swaps currently in place cover approximately 85% (2011 – 69%) of the variable loan principal outstanding and are timed to expire as each loan repayment falls due.

Credit risk

Credit risk is the risk that a contracting party will not complete its obligations under a financial instrument and, as a result, cause the Group to incur a financial loss. The Group has exposure to credit risk on all financial assets included in its balance sheet. The Group's maximum exposure to credit risk on its financial assets is its carrying amount.

To manage credit risk, the Group has developed a comprehensive credit assessment process. Loans and receivables consist mainly of lease and loan contracts provided to consumer and commercial customers. Credit underwriting typically includes the use of either an application score-card and credit bureau report or a detailed internal risk profile review for each application, including a review of the customer against a comprehensive credit database. Internal credit review and verification processes are also used depending on the applicant.

At origination, a credit assessment system along with information from two national credit bureau determines the creditworthiness of applications based on the statistical interpretation of a range of application information (this is replaced by the detailed risk profile review for Certegy). These credit risk assessments are supported by reviews of certain applications by dedicated credit staff who apply the Group's credit and underwriting policy within specific approval authorities. Portfolio performance and credit risk of new applications is monitored monthly by the Pricing, Risk and Credit Committee. The Group has a specialist collection function which manages all delinquent accounts.

A primary measure of delinquency used by the Company is the proportion of contracts with an outstanding payment that is 30, 60 or 90+ days past due. For the purposes of measurement of past due amounts, an account is considered delinquent if it is overdue on a contractual payment by one day. The total principal owing on the contract is defined as the past due amount.

Loans and receivables

The Group's lease and loan receivable balances are high volume low value lease and loan receivables advanced to individual customers and small businesses. In the vast majority of cases no externally assessed credit rating is available for these counterparties.

The table below provides information about customer loans and receivables from customers by payment due status.

	Contracts	$'000
As at 30 June 2013		
Unimpaired past due loans and receivables		
Past due under 30 days	**31,453**	**61,709**
Past due 30 days to under 60 days	**7,317**	**13,033**
Past due 60 days to under 90 days	**4,002**	**6,341**
Past due 90 days and over	**3,175**	**3,331**
Total unimpaired past due loans and receivables	**45,947**	**84,414**
Total unimpaired loans and receivables	**711,121**	**1,173,012**
Unimpaired past due as a percentage of total unimpaired loans and receivables		**7.2%**
Unimpaired past due 30 days and over as a percentage of total unimpaired loans and receivables		**1.9%**
As at 30 June 2012		
Unimpaired past due loans and receivables		
Past due under 30 days	29,982	53,778
Past due 30 days to under 60 days	8,358	9,806
Past due 60 days to under 90 days	4,538	3,212
Past due 90 days and over	4,872	1,815
Total unimpaired past due loans and receivables	47,750	68,611
Total unimpaired loans and receivables	579,229	929,125
Unimpaired past due as a percentage of total unimpaired loans and receivables		7.4%
Unimpaired past due 30 days and over as a percentage of total unimpaired loans and receivables		1.6%

For impaired lease receivables, the Group has a right to recover the leased asset and for impaired loan receivables the Group, in certain instances, has access to collateral. Given the large number of small dollar accounts comprising the portfolio it is not practical to assess the value of the collateral.

For the majority of its receivables, the Group does not identify any individual receivables as significant, and accordingly for those receivables, no unimpaired past due loans are identified and the allowance for losses is calculated on a collective basis. However a small portion of the Group's receivables are individually significant (primarily in the Flexi Commercial portfolio). At 30 June 2013, there were no material individually significant impaired loans.

The Group either writes off or recognises a 100% allowance for all past due receivables between 120 and 180 days past due (2012: 90 days past due) depending on the portfolio.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

34. Financial risk management (continued)

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities. Surplus funds are only invested with licensed banks in the countries in which the Group operates.

To mitigate against liquidity risk the Group maintains cash reserves and committed undrawn credit facilities to meet anticipated funding requirements for new business. In addition, the Group can redraw against its committed credit limits if the principal outstanding is reduced by contractual amortisation payments. Details of unused available loan facilities are set out in note 18.

Amounts due to funders are repaid directly by rentals and repayments received from the Group's customers.

The table below analyses the Group's contractual financial liabilities into relevant maturity groupings. The amounts disclosed below are the contractual undiscounted cash flows.

	Less than 1 year $'000	1 to 2 years $'000	2 to 5 years $'000	5 years plus $'000	Total $'000
At 30 June 2013					
Non-derivatives					
Payables	**35,901**	**–**	**–**	**–**	**35,901**
Loans from financial institutions	**649,527**	**324,688**	**116,502**	**–**	**1,090,717**
Total non-derivatives	**685,428**	**324,688**	**116,502**	**–**	**1,126,618**
Derivatives					
Net settled (interest rate swaps)	**–**	**69**	**3,859**	**–**	**3,928**
At 30 June 2012					
Non-derivatives					
Payables	38,187	–	–	–	38,187
Loans from financial institutions	537,329	224,836	86,393	43	848,601
Total non-derivatives	575,516	224,836	86,393	43	886,788
Derivatives					
Net settled (interest rate swaps)	–	947	1,955	–	2,902

Fair value of financial assets and financial liabilities
The categories, carrying amount and fair value of financial assets and financial liabilities at the balance date are:

2013

	Carrying amount $'000	Fair Value $'000
Financial Assets		
Cash and cash equivalents	**122,750**	**122,750**
Loans and receivables	**1,173,012**	**1,173,012**
Loss reserve	**43,120**	**43,120**
Financial liabilities		
Payables	**35,901**	**35,901**
Borrowings (gross)		
– Fixed interest rate	**166,029**	**167,586**
– Floating interest rate	**867,336**	**867,336**
Derivatives used for hedging	**3,928**	**3,928**

2012

	Carrying amount $'000	Fair Value $'000
Financial Assets		
Cash and cash equivalents	63,207	63,207
Loans and receivables	929,125	929,125
Loss reserve	19,896	19,896
Financial liabilities		
Payables	38,187	38,187
Borrowings (gross)		
– Fixed interest rate	272,128	279,109
– Floating interest rate	519,954	519,954
Derivatives used for hedging	2,902	2,902

Fair value estimation
The fair value of financial assets and financial liabilities must be estimated for disclosure purposes.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Techniques, such as estimated discounted cash flows, are used to determine fair value for the financial instruments. The fair value of loan and lease receivables is estimated by discounting the future contractual cash flows at the current market interest rate that the Group charges for similar financial instruments.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

35. Deed of Cross Guarantee

FlexiGroup Limited, FlexiGroup Subco Pty Limited, Flexirent Holdings Pty Limited, Flexirent Capital Pty Limited, Flexicare Claims Management Pty Limited and Certegy Ezi-Pay Pty Ltd are parties to a Deed of Cross Guarantee under which each Company guarantees the debts of the others. By entering into the deed, the wholly-owned entities have been relieved from the requirement to prepare financial statements and Directors' report under Class Order 98/1418 (as amended) issued by the Australian Securities and Investments Commission.

(a) Consolidated income statement, statement of comprehensive income and summary of movements in consolidated retained earnings

The above Companies represent a "Closed Group" for the purposes of the Class Order, and as there are no other parties to the Deed of Cross Guarantee that are controlled by FlexiGroup Limited, they also represent the "Extended Closed Group". Set out below is a consolidated income statement and a summary of movements in consolidated retained profits for the year ended 30 June 2013 of the Closed Group consisting of FlexiGroup Limited, FlexiGroup Subco Pty Limited, Flexirent Holdings Pty Limited, Flexirent Capital Pty Limited, Flexicare Claims Management Pty Limited, Certegy Ezi-pay Pty Ltd and Lombard Finance Pty Limited.

	2013 $'000	2012 $'000
Income statement		
Total Portfolio Income*	**139,705**	55,452
Interest expense	**(3,728)**	(1,664)
Net operating income before operating expenses and impairment charges	**135,977**	53,788
Impairment recoveries on loans and receivables	**(2,215)**	1,578
Employee benefits expense	**(53,519)**	(44,421)
Depreciation & amortisation expenses	**(8,730)**	(7,403)
Other Expenses	**(27,231)**	(22,392)
Profit/(loss) before income tax	**44,282**	(18,850)
Income tax (expense)/benefit	**(338)**	7,240
Profit/(loss)for the year	**43,944**	(11,610)
Statement of comprehensive income		
Profit/(loss) for the year	**43,944**	(11,610)
Other comprehensive income	**-**	-
Total comprehensive income for the year	**43,944**	(11,610)
Summary of movements in consolidated retained earnings		
Retained profits at the beginning of the financial year	**23,828**	52,194
Profit/(loss) for the year	**43,944**	(11,610)
Dividends provided for or paid	**(38,788)**	(16,756)
Retained profits at the end of the financial year	**28,984**	23,828

* Total portfolio income for 2013 includes dividends received from subsidiaries outside the closed group.

(b) Consolidated balance sheet

Set out below is a consolidated balance sheet as at 30 June 2013 of the Closed Group consisting of FlexiGroup Limited, FlexiGroup Subco Pty Limited, Flexirent Holdings Pty Limited, Flexirent Capital Pty Limited, Flexicare Claims Management Pty Limited, Certegy Ezi-pay Pty Ltd and Lombard Finance Pty Limited.

	2013 $'000	2012 $'000
Assets		
Current assets		
Cash and cash equivalents	**39,127**	10,242
Receivables and customer loans	**51,407**	–
Total current assets	**90,534**	10,242
Non-current assets		
Receivables and customer loans	**34,479**	–
Plant and equipment	**6,029**	4,582
Deferred tax assets	**6,111**	6,430
Goodwill	**86,884**	79,875
Other intangible assets	**17,110**	17,065
Other financial assets	**137,062**	111,369
Total non-current assets	**287,675**	219,321
Total assets	**378,209**	229,563
Liabilities		
Current liabilities		
Payables	**119,569**	47,866
Borrowings	**28,160**	6,568
Current tax liability	**8,785**	10,231
Provisions	**3,378**	2,328
Total current liabilities	**159,892**	66,993
Non-current liabilities		
Borrowings	**-**	18,505
Deferred tax liabilities	**30,702**	25,900
Provisions	**567**	779
Total non-current liabilities	**31,269**	45,184
Total liabilities	**191,161**	112,177
Net assets	**187,048**	117,386
Equity		
Contributed equity	**155,541**	91,187
Reserves	**2,523**	2,371
Retained profits	**28,984**	23,828
Total equity	**187,048**	117,386

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

36. Events occurring after the reporting period

There have been no significant events occurring after the end of the reporting period.

37. Parent entity financial information

(a) Summary financial information
The individual financial statements for the parent entity show the following aggregate amounts:

	2013 $'000	2012 $'000
Balance sheet		
Current assets	**136,158**	40,953
Total assets	**329,033**	233,748
Current liabilities	**(10,104)**	(10,346)
Total liabilities	**(10,104)**	(10,346)
Shareholders Equity		
Issued share capital	**563,081**	498,792
Share based payment reserve	**(10,083)**	(3,400)
Retained earnings	**(234,069)**	(271,990)
	318,929	223,402
Profit for the year	**78,722**	2,231
Total comprehensive income	**78,722**	2,231

(b) Guarantees entered into by the parent entity
There are cross guarantees given by FlexiGroup Limited, FlexiGroup Subco Pty Limited, Flexirent Holdings Pty Limited, Flexirent Capital Pty Limited, Flexicare Claims Management Pty Limited, Certegy Ezi-Pay Pty Ltd and Lombard Finance Pty Limited as described in note 35. No deficiencies of assets exist in any of these entities.

No liability was recognised by the parent entity or the consolidated entity in relation to the above guarantee as the fair value of the guarantee is immaterial.

(c) Contingent liabilities and contractual commitments of the parent entity
The parent entity has no contingent liabilities or contractual commitments as at 30 June 2013 (2012: $nil).

DIRECTORS' DECLARATION

In the Directors' opinion:

(a) the financial statements and notes set out on pages 35 to 90 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 30 June 2013 and of its performance for the financial year ended on that date, and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable, and

(c) at the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group identified in note 35 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue to the Deed of Cross Guarantee in note 35.

Note 1(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A of the *Corporations Act 2001*.

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

Margaret Jackson
Chairman

Sydney
6 August 2013

INDEPENDENT AUDITOR'S REPORT

Independent auditor's report to the members of FlexiGroup Limited

Report on the financial report

We have audited the accompanying financial report of FlexiGroup Limited (the company), which comprises the balance sheet as at 30 June 2013, and the income statement, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for FlexiGroup Limited (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that give 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 financial report that are free from material misstatement, whether due to fraud or error. In Note 1(a), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Report*, that the financial report comply with *International Financial Reporting Standards*.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Liability limited by a scheme approved under Professional Standards Legislation

pwc

Independent auditor's report to the members of FlexiGroup Limited (continued)

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

Auditor's opinion

In our opinion:

(a) the financial report of FlexiGroup Limited is in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of its performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

(b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 1(a).

Report on the Remuneration Report

We have audited the remuneration report included on pages 11 to 28 of the directors' report for the year ended 30 June 2013. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion, the remuneration report of FlexiGroup Limited for the year ended 30 June 2013, complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

Victor Clarke
Partner

Sydney
6 August 2013

SHAREHOLDER INFORMATION

The shareholder information set out below was applicable as at 31 July 2013

A. Distribution of equity securities

	Class of equity security			
	Ordinary shares		Options	
	No of holders	No of shares	No of holders	No of options
1 – 1,000	701	353,543	–	–
1,001 – 5,000	899	2,961,171	–	–
5,001 – 10,000	479	4,217,641	–	–
10,001 – 100,000	799	21,276,415	–	–
100,001 and over	134	272,846,624	–	–
Total	**3,012**	**301,655,394**	**–**	**–**

There were 76 holders of less than a marketable parcel of Ordinary shares.

B. Equity security holders

Twenty largest quoted equity security holders.
The names of the 20 largest holders of quoted equity securities are listed below:

	Ordinary shares	
Name	Number held	Percentage of issued shares %
National Nominees Limited	60,868,246	20.18
The Abercrombie Group Pty Ltd	57,258,977	18.98
JP Morgan Nominees Australia Limited	38,688,588	12.82
HSBC Custody Nominees	32,268,384	10.70
Citicorp Nominees Pty Limited	19,124,872	6.34
BNP Paribas Noms Pty Ltd	16,721,727	5.54
UBS Wealth Management Australia Nominees Pty Ltd	8,090,506	2.68
Behan Superannuation Pty Ltd	4,764,449	1.58
BNP Paribas nominees Pty Ltd	3,800,192	1.26
Mr Brendan Behan & Mrs Dawn Behan	3,101,949	1.03
AMP Life Limited	1,523,481	0.51
BNP Paribas Noms (NZ) Ltd	1,283,988	0.43
Margaret Jackson	1,122,643	0.37
AUST Executor Trustees SA Ltd	956,169	0.32
Graemar Nominees Pty Ltd	803,369	0.27
CS Fourth Nominees Pty Ltd	692,183	0.23
Marich nominees Pty Ltd	658,849	0.22
Mr John Lethcer Hocking & Mrs Janette Anne Hocking	650,000	0.22
Rbc Investor Services Australia Nominees Pty Limited	634,778	0.21
Suncorp Custodian Services Pty Limited	571,558	0.19
Total	**253,584,908**	**84.08**

Unquoted equity securities

	Number on issue	Number of holders
Options and performance rights issued under the FlexiGroup Limited Long Term Incentive Plan to take up ordinary shares	11,072,334	52

The Company has no other unquoted equity securities.

C. Substantial holders

Substantial holders in the Company are set out below:

	Number held	Percentage %
The Abercrombie Group	76,765,251	25.45
Benelong Fund Management Group Pty Ltd	17,420,660	5.78
Total	**94,185,911**	**31.23**

D. Voting rights

The voting rights attaching to equity securities are set out below:

(a) Ordinary shares
On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

(b) Options and performance rights
No voting rights.

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CORPORATE DIRECTORY

Directors

Margaret Jackson (Chairman)

Tarek Robbiati (Chief Executive Officer)

Andrew Abercrombie

Rajeev Dhawan

R John Skippen

Anne Ward

Secretary

David Stevens

Notice of Annual General Meeting

The Annual General Meeting
of FlexiGroup Limited will be held at
Intercontinental Hotel
117 Macquarie Street, Sydney
at 4pm on 20 November 2013

Principal registered office in Australia

Level 8, The Forum
201 Pacific Highway
St Leonards NSW 2065
Australia

Website

www.flexigroup.com.au

Share Register

Link Market Services Limited
Level 12
680 George Street
Sydney NSW 2000
Australia

Auditor

PricewaterhouseCoopers
Darling Park Tower 2
201 Sussex Street
Sydney NSW 2000
Australia

Solicitors

King & Wood Mallesons
Level 60, Governor Phillip Tower
1 Farrer Place
Sydney NSW 2000
Australia

Bankers

Commonwealth Banking Corporation

Westpac Banking Corporation

Stock Exchange listing

FlexiGroup Limited shares are listed
on the Australian Stock Exchange

precinct.com.au

www.flexigroup.com.au