FLEXIGROUP LIMITED
ABN 75 122 574 583

Interim Report - 31 December 2013

Contents

The interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the Annual Report for the year ended 30 June 2013 and any public announcements made by FlexiGroup Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Your directors present their report on the consolidated entity consisting of FlexiGroup Limited and the entities it controlled at the end of, or during, the half-year ended 31 December 2013.

Directors

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

Margaret Jackson (Chairman)
Tarek Robbiati
Andrew Abercrombie
Rajeev Dhawan
R John Skippen
Anne Ward

Company Secretary

David Stevens
Matt Beaman – (appointed on 20 November 2013)

OPERATING AND FINANCIAL REVIEW

The Board presents its 2014 Interim 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 12,000 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 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 offers 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 an interest income stream that is 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.

Half Year 2014 Operating Results

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

	Consumer and SME (Leases)		No Interest Ever		Enterprise		Interest free cards		Group	
Summary of Results	**2013 $'m**	**2012 $'m**	**2013 $'m**	**2012 $'m**	**2013 $'m**	**2012 $'m**	**2013 $'m**	**2012 $'m**	**2013 $'m**	**2012 $'m**
Net Portfolio Income	**50.5**	53.2	**41.6**	35.8	**11.8**	10.4	**15.2**	5.3	**119.1**	104.7
Impairment losses on loans & receivables	**(6.9)**	(6.8)	**(6.4)**	(5.5)	**(1.1)**	(0.6)	**(2.6)**	(0.3)	**(16.9)**	(13.2)
Operating expenses	**(24.3)**	(26.6)	**(13.6)**	(12.7)	**(4.3)**	(4.5)	**(9.4)**	(3.6)	**(51.6)**	(47.4)
Amortisation of acquired intangible assets	**(0.1)**	(0.1)	**(0.3)**	(0.5)	**-**	-	**(0.6)**	(0.4)	**(1.0)**	(1.0)
Profit before tax	**19.2**	19.7	**21.3**	17.1	**6.5**	5.3	**2.6**	1.0	**49.6**	43.1
Income tax expense	**(5.7)**	(5.5)	**(6.5)**	(5.3)	**(2.1)**	(1.6)	**(0.8)**	(0.4)	**(15.1)**	(12.8)
Profit after tax	**13.5**	14.2	**14.8**	11.8	**4.4**	3.7	**1.8**	0.6	**34.5**	30.3
Adjustments for underlying profit (i)	**0.9**	1.4	**0.3**	0.5	**-**	-	**3.3**	0.4	**4.5**	2.3
Cash NPAT (ii)	**14.4**	15.6	**15.1**	12.3	**4.4**	3.7	**5.1**	1.0	**39.0**	32.6
Basic earnings per share (EPS)	**-**	-	**-**	-	**-**	-	**-**	-	**11.4**	10.7
Cash earnings per share (Cash EPS)	**-**	-	**-**	-	**-**	-	**-**	-	**12.9**	11.5
Volume ($)	**112**	111	**262**	266	**68**	56	**95**	39	**537**	472
Closing Net Receivables	**361**	361	**445**	413	**226**	180	**195**	64	**1,227**	1,018

(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.*

FlexiGroup recorded a statutory profit for the half year to 31 December 2013 of $34.5m, an increase of 14% year on year. Cash NPAT was $39.0m, an increase of 20% year on year. The increase is driven by strong volume and receivables growth for the Company.

Cash EPS increased by 12% to 12.9 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 16,931,741 shares issued subsequent to the half year period ended 31 December 2012. The share issues comprised of vesting of previously awarded long term incentives and equity issued for the acquisition of the Once Credit ("Once") and Lombard Finance ("Lombard") businesses.

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

- Net Portfolio Income increased by 14% to $119.1m, underpinned by a 21% increase in Receivables due to the acquisition of Once in May 2013 and strong growth in No Interest Ever, Enterprise and Interest free cards. Due to the challenging retail environment, the Consumer and SME (Leases) segment's receivables portfolio has remained largely static compared to prior year; hence the segment partly offsets the positive performance from the rest of the business.

- Impairment losses increased by 28% to $16.9m whilst remaining stable at 3% of Average Net Receivables (ANR). The increase in losses is mainly driven by a 21% increase in receivables, due to the Once acquisition and growth in business. The stability in the loss to ANR ratio is due to Certegy's portfolio being heavily focused on the Homeowner segment (with lower loss rates), growth in lower risk Commercial receivables and credit quality of Interest free cards segment (Once portfolio) which is expected to perform in line with FlexiGroup's impairment levels.

- Operating expenses increased by 9% to $51.6m primarily driven by costs to support volume growth and the integration of acquired businesses.

- Sales volume increased by 14% to $537m. The growth is due to Once being part of FlexiGroup for the full 6 months and general increases in Enterprise. These increases were partly offset by a slight decline in volumes in Certegy due to slowdown in solar volume post the removal of Government incentives. The Consumer and SME (Leases) volume remained stable compared to prior year.

Further details on operating results are provided in the segmental analysis below.

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

On 12 December 2013, FlexiGroup entered into an agreement to acquire the Australia and New Zealand businesses of ThinkSmart Ltd ("RentSmart ANZ") for $43m. The acquisition was completed on 31 January 2014 after the satisfaction of various conditions that were attached to the sale agreement. RentSmart ANZ provides the Company with access to new relationships, enhances our distribution channels and provides strong growth potential from selling the Company products into new retailers. The acquisition strengthens the Company's online capabilities and delivers on FlexiGroup's strategy to selectively acquire and grow consumer and commercial finance businesses to achieve scale and introduce new channels.

The results of RentSmart ANZ have not been included in the 31 December 2013 financial report and will be consolidated from 1 February 2014.

Segment Results Analysis

Consumer and SME (Leases)

Cash NPAT was $14.4m, a reduction of 8% on the prior comparative period. This is driven by:

- Net Portfolio Income decreased by 5% to $50.5m. The retail environment remains subdued in Australia and New Zealand where average deal sizes continue to be under pressure and increased competition in this environment continues to impact new business yields and high investment in cost of sales. The acquisition of RentSmart is expected to mitigate this by adding scale and wider distribution. The SME leasing business however has finished strongly and continues to perform well.

- Impairments are relatively flat at $6.9m, reflecting the challenging current consumer environment. The increase in consumer losses is mitigated by lower impairments in the SME space.

- Operating expenses decreased by 9% to $24.3m, largely driven by cost saving initiatives undertaken by the Company during the year. The Company is beginning to realise cost efficiencies due to the outsourcing of call centre functions to Manila and this has helped drive down costs.

- Sales volume remains unchanged at $112m (2012: $111m), which is due to the current subdued consumer environment where average deal sizes remain under pressure as computer prices continue to decline but is offset by a good performance in the SME market in Australia and New Zealand.

- Closing Receivables were $361m and remained unchanged compared to prior year. As mentioned above, 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. The increased business mix in SME has partly offset decreases in the retail sector.

No Interest ever (Certegy)

Certegy's Cash NPAT is $15.1m, an increase of 23% on the prior comparative period, driven by:

- Net Portfolio Income increased by 16% to $41.6m driven by an 8% growth in Receivables. Repeat volumes attributable to the VIP loyalty card program initiatives and continued momentum in solar despite reduced government subsidies have continued to underpin the growth of revenue in this business.

- Impairment losses increased by 16% to $6.4m reflecting the growth in the receivables book.

- Operating expenses increased by 7% to $13.6m attributable to costs to grow the business.

- Sales volume decreased slightly by 2% to $262m. There has been significant effort to mitigate the reduction in solar volumes despite reduced government incentives via the move in sales focus to cash and carry merchants encompassing VIP, SMS, direct calls and visits / training to merchants and consumers.

- Closing Receivables increased by 8% to $445m achieved through new established relationships and industry diversification as mentioned above.

Enterprise

Enterprise's Cash NPAT of $4.4m represents a 20% increase on the prior comparative period. This was driven by:

- Net portfolio income increased by 14% to $11.8m, largely driven by a 26% growth in Receivables and 21% in volumes. Enterprise continues to grow into mid-large segments and this momentum continues to sustain revenue growth.

- Impairment losses increased by 83% to $1.1m. The increase in losses is in line with the continued growth in the receivables portfolio, however, the Enterprise portfolio has a lower credit loss rate of 1% of receivables, largely driven by continued focus on assets with higher credit quality.

- Operating expenses decreased by 4% to $4.3m, reflecting increased focus on cost reduction, despite an increase in receivables and volume, showing the scalability of this business.

- Sales volume increased by 23% to $68m largely as a result of consistent volumes through new strategic partnerships such as the Product Development opportunity which evaluates the viability of Power Purchase Agreements ("PPA") that partners key vendors in commercial solar and lighting segments and also a "cost per use" model for data storage with a major IT provider.

- Closing Receivables increased by 26% to $226.2m, supported by volume and income growth via new distribution channels.

Interest free cards

The integration of Once Credit and Lombard into FlexiGroup is progressing as expected, with both businesses contributing a full 6 month result in current year (prior year only Lombard contributed to the half year result).

Interest free card's Cash NPAT was $5.1m (2012: $1.0m) driven by:

- Net Portfolio Income of $15.2m has been attributable to successful dealer promotions, strong focus on increasing card spend with marketing campaigns and improved funding terms. The Once business has significantly contributed to the half year result.

- Impairment losses were $2.6m, representing 1% of Receivables. The increase on prior year reflects the inclusion of Once and the general growth in the receivables portfolio.

- Operating expenses were $9.4m (2012: $3.6m) driven by the impact of Once and growth initiatives that have been put in place. One off integration costs of $3.5m pre-tax have also led to the increase in operating expenses.

- Sales volume of $94.7m (2012: $39.0m) and Closing Receivables of $194.8m (2012: $64.0m) reflects the impact of the Once Credit acquisition and a strong focus towards driving interest free volumes through strategic partnerships in Retail and Homeowner segments.

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	
	Dec 13	June 13	Dec 13	June 13
	$'m		$'m	
Summary Financial Position				
Cash at bank (unrestricted)	**44.1**	50.5	**44.1**	50.5
Cash at bank (restricted)	**74.8**	72.3	**74.8**	72.3
Receivables (i)	**76.3**	86.0	**1,208.7**	1,144.7
Investment in unrated notes in securitisation vehicles	**119.8**	93.4	**-**	-
Other assets	**62.7**	65.1	**62.7**	65.1
Goodwill and intangibles	**124.3**	122.5	**124.3**	122.5
Total assets	**502.0**	489.8	**1,514.6**	1,455.1
Borrowings	**25.0**	25.0	**1,064.3**	1,033.4
Cash loss reserve available to funders	**-**	-	**(26.7)**	(43.1)
Other liabilities	**95.3**	100.2	**95.3**	100.2
Total liabilities	**120.3**	125.2	**1,132.9**	1,090.5
Equitiy	**381.7**	364.6	**381.7**	364.6
Gearing (ii)	**10%**	10%		
ROE (iii)	**22%**	24%		
Cash inflows from operating activities (Dec 12 comparative) ($m)	**54.4**	35.0		

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

Receivables

Closing Receivables (before provision for doubtful debts) increased by 6% to $1,227m in comparison to 30 June 2013. When compared to 31 December 2012, closing receivables increased by 21%. The increase 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. Consumer and SME segment receivables have remained flat mainly due to the challenging environment faced by Consumer leases offset by receivable growth in SME for Australia and New Zealand leases.

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 continual earnings accretive acquisitions, and the Company has achieved an average of 23% ROE over the last 3 years.

Gearing

FlexiGroup continues to maintain an adequate capital structure with corporate gearing of 10% (June 2013:10%). 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 inflow generated by normal trading, including tax and interest payments, before movements in working capital increased by 15% to $57.7m. Including the net investment in working capital, cash inflow from operating activities increased by 56% to $54.4m.

The increase in cash inflows from operating activities is mainly driven by increased profitability and also effective cash management practices within the business.

Cash outflow from investing activities decreased by 23% to $80.6m primarily driven by a reduction in the net investments in receivables.

Cash inflows from financing activities decreased by 76% to $21.5m due to the reduction in net borrowings by $61.5m.

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 half year period ended 31 December 2013 the Company completed one ABS issuance, the $270m Flexi ABS Trust 2013-2, in September 2013.

At balance sheet date the Company had $1,506m of wholesale debt facilities, with $442m 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 Company has access to $100m corporate debt facilities as at 31 January 2014 (of which $50m is undrawn).

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 combined Interest free cards business. The Company will also benefit from accessing new retailer relationships and enhancement of distribution channels through the recently acquired RentSmart ANZ business.

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 RentSmart ANZ will allow the Company to expand its distribution channels within the Consumer and SME business.

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. The acquisition of RentSmart, completed on 31 January 2014, supports the Company's strategy and is expected to open new distribution channels and be 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.

Shareholder returns	**Half year ended 31 December**		**Years ended 30 June**				
	2013	**2012**	**2013**	**2012**	**2011**	**2010**	**2009**
TSR	**n/a**	n/a	92%	18%	76%	73%	207%
Dividends per share (cents)	**8.0**	7.0	14.5	12.5	11.5	7.5	9.0
Cash EPS (cents)	**12.9**	11.5	25.1	22.4	20.0	17.5	14.8
Share price (high)	**$4.99**	$4.17	$4.74	$2.65	$2.39	$1.78	$0.88
Share price (low)	**$3.99**	$2.55	$2.55	$1.60	$1.17	$0.66	$0.22
Share price (close)	**$4.47**	$3.72	$4.36	$2.60	$2.07	$1.38	$0.77

Earnings per share

	2013	2012
	cents	cents
Basic earnings per share	**11.4**	10.7
Diluted earnings per share	**11.3**	10.6

Dividends on ordinary shares

	2013		**2012**	
	cents	**$'m**	**cents**	**$'m**
Interim dividend for the half year - payable April	**8.0**	**24.3**	7.0	20.2
Dividends paid during the half year				
Final dividend for 2013 (PY:2012) - paid in October	**7.5**	**22.8**	6.5	18.6
Total dividend paid during the half year	**7.5**	**22.8**	6.5	18.6
Total dividends declared for the half year	**8.0**	**24.3**	7.0	20.2

The interim dividend for 2013 has a record date of 14 March 2014 and is expected to be paid on 18 April 2014.

Matters subsequent to end of the financial year

As noted in the Key Developments section on page 4, on 31 January 2014, the Company completed the acquisition of RentSmart ANZ for a cash consideration of $43m following an agreement entered into on 12 December 2013. The results of the acquisition will be included in the Company's financial report from 1 February 2014.

No other matter or circumstance has arisen since 31 December 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.

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 11.

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

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

Margaret Jackson
Chairman
Sydney

5 February 2014

Auditor's Independence Declaration

As lead auditor for the review of FlexiGroup Limited for the half-year ended 31 December 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 review; and

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

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

SJ Smith
Partner
PricewaterhouseCoopers

Sydney
5 February 2014

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	Half-year 2013 $'000	Half-year 2012 $'000
Total Portfolio Income	**151,556**	138,338
Interest expense	**(32,436)**	(33,655)
Net operating income before operating expenses and impairment charges	**119,120**	104,683
Impairment losses on loans and receivables	**(16,929)**	(13,195)
Employee benefits expense	**(27,622)**	(30,212)
Depreciation & amortisation expenses	**(4,458)**	(4,729)
Administration expenses	**(20,435)**	(13,456)
Profit before income tax	**49,676**	43,091
Income tax expense	**(15,132)**	(12,838)
Profit for the year	**34,544**	30,253

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

	Cents	**Cents**
Basic earnings per share	**11.4**	10.7
Diluted earnings per share	**11.3**	10.6

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

	Half-year 2013 $'000	Half-year 2012 $'000
Profit for the half-year	**34,544**	30,253
Other comprehensive income		
Items that may be reclassified to profit and loss		
Exchange differences on translation of foreign operations	**3,405**	281
Changes in fair value of cash flow hedges, net of tax	**630**	236
Other comprehensive income for the half-year, net of tax	**4,035**	517
Total comprehensive income for the half-year	**38,579**	30,770

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

	31 December 2013 $'000	30 June 2013 $'000
Assets		
Current assets		
Cash and cash equivalents	**118,907**	122,750
Receivables	**275,437**	265,422
Customer loans	**473,266**	448,519
Inventories	**1,250**	509
Total current assets	**868,860**	837,200
Non-current assets		
Receivables	**346,942**	325,457
Customer loans	**159,300**	153,379
Plant and equipment	**4,033**	4,314
Deferred tax assets	**11,212**	12,318
Goodwill	**100,691**	100,936
Other intangible assets	**23,588**	21,558
Total non-current assets	**645,766**	617,962
Total assets	**1,514,626**	1,455,162
Liabilities		
Current liabilities		
Payables	**30,972**	35,901
Borrowings	**546,271**	581,993
Current tax liability	**7,184**	12,166
Provisions	**3,921**	3,933
Total current liabilities	**588,348**	633,993
Non-current liabilities		
Borrowings	**491,368**	408,252
Deferred tax liabilities	**49,498**	43,745
Provisions	**709**	659
Derivative financial instruments	**3,034**	3,928
Total non-current liabilities	**544,609**	456,584
Total liabilities	**1,132,957**	1,090,577
Net assets	**381,669**	364,585
Equity		
Contributed equity	**160,071**	153,108
Reserves	**(1,093)**	577
Retained earnings	**222,691**	210,900
Total equity	**381,669**	364,585

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

	Contributed Equity $'000	Reserves $'000	Retained Earnings $'000	Total $'000
Balance at 1 July 2012	88,143	(1,242)	183,852	270,753
Profit for the half-year	-	-	30,253	30,253
Other comprehensive income	-	517	-	517
Total comprehensive income for the half-year	-	517	30,253	30,770
Transactions with owners in their capacity as owners:				
Share based payments	-	2,000	-	2,000
Transfer from share based payments on issue of shares under Long Term Incentive Plan	6,684	(6,684)	-	-
Issue of shares on vesting of options under Long Term Incentive Plan	3,671	-	-	3,671
Dividends provided for or paid	-	-	(18,637)	(18,637)
Balance at 31 December 2012	98,498	(5,409)	195,468	288,557
Balance at 1 July 2013	**153,108**	**577**	**210,900**	**364,585**
Profit for the half-year	-	-	34,544	34,544
Other comprehensive income	-	4,035	-	4,035
Total comprehensive income for the half-year	**-**	**4,035**	**34,544**	**38,579**
Transactions with owners in their capacity as owners:				
Share based payments	-	1,375	-	1,375
Transfer from share based payments on issue of shares under Long Term Incentive Plan	2,597	(2,597)	-	-
Shares issued for Lombard acquisition	2,593	(2,593)		-
Transfer to share capital	1,773	(1,773)	-	-
Other changes in share based payments	-	(117)	-	(117)
Dividends provided for or paid	-	-	(22,753)	(22,753)
Balance at 31 December 2013	**160,071**	**(1,093)**	**222,691**	**381,669**

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

	Half-year 2013 $'000	Half-year 2012 $'000
Cash flows from operating activities		
Net interest received	**107,928**	89,808
Other portfolio income	**47,797**	50,556
Payment to suppliers and employees	**(52,671)**	(56,342)
Borrowing costs	**(33,913)**	(34,072)
Taxation paid	**(14,736)**	(14,994)
Net cash inflow from operating activities	**54,405**	34,956
Cash flows from investing activities		
Net payments for purchase of software and plant and equipment	**(5,021)**	(3,277)
Loans to related parties	**(800)**	-
Net increase in:		
Customer loans	**(39,620)**	(75,051)
Receivables due from customers	**(35,166)**	(26,792)
Net cash outflow from investing activities	**(80,607)**	(105,120)
Cash flows from financing activities		
Dividends paid	**(22,754)**	(18,637)
Proceeds from issue of shares on vesting of options	**-**	3,671
Increase in borrowings	**27,780**	104,030
Decrease in loss reserves	**16,446**	1,685
Net cash inflow from financing activities	**21,472**	90,749
Net (decrease)/increase in cash and cash equivalents	**(4,730)**	20,585
Cash and cash equivalents at the beginning of the period	**122,750**	63,207
Effects of exchange rate changes on cash and cash equivalents	**887**	124
Cash and cash equivalents at end of the half-year	**118,907**	83,916

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

Note 1 Basis of preparation of half-year report

This condensed consolidated financial report for the interim half-year reporting period ended 31 December 2013 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001.*

This condensed consolidated interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2013 and any public announcements made by FlexiGroup Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001.*

Significant accounting policies

The accounting policies adopted are consistent with those of the previous financial year except for AASB13 ‘Fair value measurement’.

AASB 13 measurement and disclosure requirements are applicable for periods beginning on or after 1 January 2013. The Group has included the disclosure required by AASB 134 para 16A (j). See Note 8.

Note 2 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), the Interest free card business (Lombard and Once Credit) and Enterprise (formerly Flexi Commercial).

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 31 December 2013 is as below:

(b) Segment information provided to the Chief Executive Officer

Half-year 2013

	Consumer & SME $'000	No Interest ever $'000	Enterprise $'000	Interest free cards $'000	Total $'000
Total Portfolio Income	62,499	53,080	16,182	19,795	151,556
Interest expense	(12,012)	(11,472)	(4,417)	(4,535)	(32,436)
Net Portfolio Income	50,487	41,608	11,765	15,260	119,120
Impairment losses on loans and receivables	(6,873)	(6,387)	(1,104)	(2,565)	(16,929)
Operating expenses	(24,309)	(13,605)	(4,126)	(9,419)	(51,459)
Amortisation of acquired intangibles	(137)	(287)	-	(632)	(1,056)
Profit before income tax	**19,168**	**21,329**	**6,535**	**2,644**	**49,676**
Income tax expense	(5,745)	(6,484)	(2,107)	(796)	(15,132)
Statutory profit for the year	**13,423**	**14,845**	**4,428**	**1,848**	**34,544**
Amortisation of acquired intangibles	99	287	-	443	829
Net deal acquisition costs	833	-	-	-	833
Net Integration costs	-	-	-	2,831	2,831
Cash Net Profit After Tax	**14,355**	**15,132**	**4,428**	**5,122**	**39,037**
Total segment assets- 31 December 2013	**564,172**	**513,301**	**226,188**	**210,965**	**1,514,626**

Half-year 2012

	Consumer & SME $'000	No Interest ever $'000	Enterprise $'000	Interest free cards $'000	Total $'000
Total Portfolio Income	68,455	48,282	14,582	7,019	138,338
Interest expense	(15,253)	(12,497)	(4,220)	(1,685)	(33,655)
Net Portfolio Income	53,202	35,785	10,362	5,334	104,683
Impairment losses on loans and receivables	(6,753)	(5,481)	(644)	(317)	(13,195)
Operating expenses	(26,660)	(12,690)	(4,461)	(3,579)	(47,390)
Amortisation of acquired intangibles	(137)	(505)	-	(365)	(1,007)
Profit before income tax	**19,652**	**17,109**	**5,257**	**1,073**	**43,091**
Income tax expense	(5,562)	(5,261)	(1,577)	(438)	(12,838)
Statutory profit for the year	**14,090**	**11,848**	**3,680**	**635**	**30,253**
Amortisation of acquired intangibles	137	505	-	365	1,007
Redundancy expense	1,321	-	-	-	1,321
Cash Net Profit After Tax	**15,548**	**12,353**	**3,680**	**1,000**	**32,581**
Total segment assets- 30 June 2013	**568,807**	**498,412**	**197,351**	**190,592**	**1,455,162**

Note 3 Dividends

	Half-year ended 2013	Half-year ended 2012
	$'000	$'000
Ordinary shares		
Dividends provided for or paid during the half-year	**22,753**	18,637

On 5 February 2014 the Directors have recommended the payment of an interim dividend of 8 cents per fully paid ordinary share, fully franked based on tax paid at 30%. The interim dividend totalling $24,327,685 is expected to be paid on 18 April 2014 out of retained profits at 31 December 2013 and has not been recognised as a liability at the end of the half-year.

Note 4 Equity securities issued

	2013		2012	
	No. of Shares ('000)	**$'000**	No. of Shares ('000)	$'000
Movement in ordinary shares during the half-year				
Balance at the beginning of the half-year	**301,128**	**153,108**	**280,154**	**88,143**
Issue of ordinary shares during the half-year				
31 August 2012 – Issue of shares to executives under FlexiGroup Long Term Incentive Plan	-	-	2,373	2,482
31 August 2012 – Issue of shares to employees from treasury shares	-	-	1,212	890
13 September 2012 – Issue of shares to executives under FlexiGroup Long Term Incentive Plan	-	-	2,236	5,026
8 October 2012 – Issue of shares to executives under FlexiGroup Long Term Incentive Plan	-	-	263	787
3 December 2012 – Issue of shares to executives under FlexiGroup Long Term Incentive Plan	-	-	484	886
3 December 2012 – Issue of shares to employees from treasury shares	-	-	220	280
21 February 2013 - Issue of shares to executives under FlexiGroup Long Term Incentive plan	-	-	400	690
13 May 2013 – Equity raised through Institutional Placement for Once Credit acquisition	-	-	11,278	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	-	-	2,508	10,005
13 August 2013 – Transfer from capital reserve	650	2,594	-	-
1 September 2013 – Issue of shares to executives under FlexiGroup Long Term Incentive Plan	1,080	1,026	-	-
1 September 2013 – Issue of shares to employees from treasury shares	161	181	-	-

Note 4 Equity securities issued (continued)

	2013 No. of Shares ('000)	**2013** $'000	2012 No. of Shares ('000)	2012 $'000
29 November 2013 – Issue of shares to executives under FlexiGroup Long Term Incentive Plan	710	1,144	-	-
29 November 2013 – Issue of shares to employees from treasury shares	145	245	-	-
Transfer from treasury shares	-	1,773	-	-
Balance at end of half-year	**303,874**	**160,071**	**301,128**	**153,108**
Movement in treasury shares during the half-year				
Balance at the beginning of the half-year	**528**	**2,199**	**1,960**	**3,369**
31 August 2012 - Transfer of shares to ordinary shares	-	-	(1,212)	(890)
3 December 2012 - Transfer of shares to ordinary shares	-	-	(220)	(280)
1 September 2013 – Transfer to ordinary shares	(161)	(181)	-	-
29 November 2013 – Issue of shares to employees from treasury shares	(145)	(245)	-	-
Transfer to share capital	-	(1,773)	-	-
Balance at end of half-year	**222**	**-**	**528**	**2,199**

Note 5 Business Combinations

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 consumer retail interest free finance provider. Details of the purchase consideration, the net assets acquired and goodwill are as follows:

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

The carrying amounts and fair values of the assets and liabilities acquired were recognised at 30 June 2013 as follows:

	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
Intangible assets	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

Changes to provisional fair value in the half - year

	$'000
Goodwill provisionally recognised at 30 June 2013	12,947
Adjustments to fair values:	
Deferred tax assets	180
Plant and equipment	98
Intangible assets	1,210
Deferred tax liability	743
Merchant relationships	(2,427)
Brand name	(50)
Final goodwill balance at 31 December 2013	12,701

Note 6 Related party transactions

Loan to key management personnel

	2013	2012
	$'000	$'000
Opening balance	-	-
Loan advanced	800	-
Interest charged	26	-
Closing balance	826	-

Terms of the loan

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 Loan was approved by shareholders at the AGM on 26 November 2012. 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;
On 10 July 2013, the CEO exercised his right and commenced the Loan.

Note 7 Contingencies

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

Note 8 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:

December 2013

	Carrying amount $'000	Fair value $'000
Financial assets		
Cash and cash equivalents	118,907	118,907
Loans and receivables	1,235,160	1,217,241*
Loss reserve	26,674	26,674
Financial liabilities		
Payables	30,972	30,972
Borrowings (gross)		
- Fixed interest rate	140,734	141,759
- Floating interest rate	923,580	923,580
Derivatives used for hedging	3,034	3,034

June 2013

	Carrying amount $'000	Fair value $'000
Financial assets		
Cash and cash equivalents	122,750	122,750
Loans and receivables	1,173,012	1,154,646*
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

***** Fair value of loans and receivables is stated after deducting provisions for losses.

Fair value estimation
The derivative financial instruments are measured at fair value on a recurring basis. The remaining financial instrument classes are measured at amortised cost. The Group has no assets or liabilities measured at fair value on a non-recurring basis in the current reporting period. 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. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. Furthermore 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. The Group's only Level 2 instruments are derivative financial instruments and all significant inputs required to fair value an instrument are observable. During the period there were no transfers between fair value hierarchy levels during the year.

Note 9 Events occurring after balance sheet date

On 31 January 2014, the Company completed the acquisition of RentSmart ANZ for a cash consideration of $43m following an agreement entered into on 12 December 2013. The results of the acquisition will be included in the Company's financial report from 1 February 2014.

Except as described above, no significant events have occurred since the balance sheet date.

In the directors' opinion:

a) the financial statements and notes set out on pages 12 to 23 are in accordance with the *Corporations Act 2001*, including:

    (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

    (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the half-year ended on that date; and

b) there are reasonable grounds to believe that FlexiGroup Limited will be able to pay its debts as and when they become due and payable.

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

Margaret Jackson
Chairman

Sydney
5 February 2014

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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of FlexiGroup Limited, which comprises the balance sheet as at 31 December 2013, the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for FlexiGroup Limited Group (the consolidated entity). The consolidated entity comprises both FlexiGroup Limited (the company) and the entities it controlled during that half-year.

Directors' responsibility for the half-year financial report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of FlexiGroup Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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

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Conclusion
Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of FlexiGroup Limited is not in accordance with the *Corporations Act 2001* including:

a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the half-year ended on that date;

b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

PricewaterhouseCoopers
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SJ Smith
Partner

Sydney
5 February 2014