FLEXIGROUP

Annual Report 2014

Annual Report Contents

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 2014.

Directors

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

Chris Beare (appointed on 1 July 2014)

Margaret Jackson (resigned on 23 July 2014)

Tarek Robbiati

Andrew Abercrombie

Rajeev Dhawan

R John Skippen

Anne Ward

Company secretary

David Stevens (resigned 24 June 2014)

Matthew Beaman (appointed 20 November 2013)

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

The acquisition of Queensland Print Holdings Pty Ltd, trading as Think Office Technology ('TOT') enabled the Company to extend and broaden its activities through vertical integration into a market that it has traditionally financed through its leasing business. Other than the acquisition of TOT, there were no significant changes in the nature of activities that 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 2014 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 complements 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, managed print services, 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 core 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 five core business areas, which span:

- No Interest Ever products and cheque guarantee services offered through diverse merchants by Certegy.
- Consumer and SME (Leases) which offers leasing products through key partners including major Australian retailers. The acquisition of RentSmart ANZ on 31 January 2014 has added scale and provided a wider distribution channel to the Consumer and SME leasing business. 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.
- The New Zealand business offers leasing products primarily to small and medium sized businesses and has been identified as a separate reportable segment in financial year 2014.
- Enterprise offers leases (typically larger sized commercial transactions) through vendor programs and direct to medium and large businesses. Enterprise has been expanded in 2014 through the acquisition of TOT which provides a full suite of office equipment, tailored print services, cloud computing solutions and traditional technology services throughout regional Queensland.
- 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 within a diverse range of industries including home improvement, solar energy, print equipment, fitness, IT, electrical appliance, navigation systems, trade equipment and point of sale systems.

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 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.

2014 Operating Results

The table below shows the key operational metrics for the 2014 financial year for FlexiGroup and its segments:

	Consumer and SME Leasing – Australia (inc Ireland)		New Zealand Leasing		No Interest Ever		Enterprise		Interest Free Cards		Unallocated		Group	
Summary of Results	**2014 $'m**	**2013 $'m**	**2014 $'m**	**2013 $'m**	**2014 $'m**	**2013 $'m**	**2014 $'m**	**2013 $'m**	**2014 $'m**	**2013 $'m**	**2014 $'m**	**2013 $'m**	**2014 $'m**	**2013 $'m**
Net Portfolio Income	**89.5**	96.0	**14.3**	11.1	**85.1**	75.6	**27.4**	21.6	**32.8**	12.8	**–**	–	**249.1**	217.1
Impairment losses on loans & receivables	**(12.3)**	(12.8)	**(0.6)**	(0.7)	**(13.5)**	(11.5)	**(2.4)**	(1.1)	**(5.3)**	(1.0)	**–**	–	**(34.1)**	(27.1)
Operating expenses	**(52.8)**	(47.7)	**(6.1)**	(4.7)	**(25.5)**	(24.8)	**(9.8)**	(7.9)	**(15.3)**	(7.9)	**–**	–	**(109.5)**	(93.0)
Amortisation of acquired intangible assets	**(0.5)**	(0.3)	**–**	–	**(0.3)**	(0.9)	**(0.3)**	–	**(1.7)**	(0.7)	**–**	–	**(2.8)**	(1.9)
Impairment of goodwill and software	**(12.5)**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**(12.5)**	–
Cancelled share based payments[(i)]	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**(5.2)**	–	**(5.2)**	–
Profit before tax	**11.4**	35.2	**7.6**	5.7	**45.8**	38.4	**14.9**	12.6	**10.5**	3.2	**(5.2)**	–	**85.0**	95.1
Income tax expense	**(2.1)**	(11.2)	**(2.1)**	(1.4)	**(13.8)**	(11.8)	**(5.0)**	(3.8)	**(4.4)**	(1.0)	**–**	–	**(27.4)**	(29.2)
Profit after tax	**9.3**	24.0	**5.5**	4.3	**32.0**	26.6	**9.9**	8.8	**6.1**	2.2	**(5.2)**	–	**57.6**	65.9
Adjustments for underlying profit	**16.7**	4.8	**0.1**	–	**0.3**	0.9	**0.2**	–	**4.9**	0.5	**5.2**	–	**27.4**	6.2
Cash NPAT[(ii)]	**26.0**	28.8	**5.6**	4.3	**32.3**	27.5	**10.1**	8.8	**11.0**	2.7	**–**	–	**85.0**	72.1
Basic earnings per share (EPS) (cents)	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**19.0**	22.9
Cash earnings per share (Cash EPS) (cents)	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**28.0**	25.1
Volume ($)	**189**	187	**38**	29	**507**	490	**149**	113	**200**	88	**–**	–	**1,083**	907
Closing Net Receivables	**326**	306	**66**	52	**453**	422	**263**	197	**210**	186	**–**	–	**1,318**	1,163

(i) The cancelled share-based payments expense is unallocated to any operating segments.

(ii) Cash NPAT reflects the reported net profit after tax adjusted for items highlighted in Note 3 Segment Information on page 49. 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 of $57.6m, a decrease of 13% year on year. Cash NPAT however was $85.0m, an increase of 18% year on year. The decrease in statutory profit was driven by several one off, non-recurring expenses relating to impairment of goodwill and IT software, acquisition of business costs and related integration expenses and strategic review expenses. On a like for like basis, the increase in Cash NPAT of 18% is primarily driven by an increase in volume of 19% and net receivables of 13%.

Cash EPS increased by 12% to 28.0 cents per share on the prior comparative period, reflecting the impact of higher Cash NPAT in 2014.

DIRECTORS' REPORT (CONTINUED)

The key drivers of the Statutory Profit and Cash NPAT changes in financial year 2014 were:

- Net portfolio income increased by 15% to $249.1m, underpinned by a 13% increase in receivables due to growth in No Interest Ever, New Zealand Leasing business, Enterprise and Interest Free Cards. The increases in these segments are partly offset by decreases in the Consumer and SME (Leases) segment where the challenging consumer leasing market has continued to decline mainly as a result of price erosion in computers and substitution of computers with new devices such as phones and tablets. In addition the mobile broadband ('Blink') business which involves the sale of mobile dongles for computers followed the same trend and has seen depressed volumes during the year.
- Impairment losses increased to $34.1m. When measured as percentage of average receivables, impairment losses are stable at 2.7% which is a solid result.
- Operating expenses increased by 18% to $109.5m primarily driven by costs to support volume growth, operating costs, acquisition costs for RentSmart and TOT, one off strategy review costs and acquired business integration costs.
- Impairment of goodwill and IT software was at $12.5m. The strategic review of the Company's integrated IT platform resulted in legacy systems being considered impaired. As part of the company strategy, the Board has committed capital expenditure to align the IT systems to the growth strategy. Whilst the capital expenditure will lead to decreases in free cash initially, it is expected that the new IT platform will lead to increases in volume and future cash when complete. Additionally, goodwill arising from the acquisition of Paymate in 2012 was impaired as a result of the recoverable amount being lesser than the carrying amount of the business assets.
- For the first time, sales volume has exceeded the $1billion mark to $1.1billion in the year, a 19% increase. This growth is due to Interest Free Cards (Once) being part of FlexiGroup for the full fiscal year (operated 1 month in prior year), SME volumes continue to perform well and increase in Enterprise. The acquisition of RentSmart has also expanded the company's customer and merchant partner base, resulting in increased volume. However, the subdued consumer leasing market has continued to restrict volume growth in Consumer and SME segment, while Certegy's solar volumes remain relatively stable despite the significant reduction of solar subsidies by the Government as of December 2012.

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

KEY DEVELOPMENTS (INCORPORATING SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS)

On 31 January 2014, the Company completed the acquisition of the Australian and New Zealand businesses of ThinkSmart Ltd ('RentSmart ANZ') for $42.4m. 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 delivers on FlexiGroup's strategy to selectively acquire and grow consumer and commercial finance businesses to achieve scale and introduce new channels.

On 12 March 2014, the Company completed the acquisition of TOT for a total purchase consideration of up to $17.0m to be paid over 3 years. This included an initial cash upfront payment of $6.0m and other deferred and contingent cash and equity consideration. The acquisition allows FlexiGroup to vertically integrate into a market that it has traditionally financed through its leasing business and will allow the Company to consolidate and grow in the print and managed services industry.

The Company also completed the acquisition of certain assets and the business of Equico Limited, a New Zealand based leasing company on 21 March 2014. The purchase consideration consisted of an outright cash payment of $4.5m. This acquisition allows FlexiGroup to expand its leasing footprint within the New Zealand market and offers a new distribution channel to the Company.

SEGMENT RESULTS ANALYSIS

Consumer and SME Leasing – Australia (including Ireland)
Cash NPAT was $26.0m, a reduction of 10% on the prior comparative period. The reduction was driven by:

- Net portfolio income decreased by 7% to $89.5m. The declining electronic products (e.g. computers) prices continue to have an adverse impact on volume. However, new products have been introduced, such as Blink Tablet Plan, in order to capture the expanding tablet market. The acquisition of RentSmart is expected to mitigate the decline in consumer leasing by adding scale and wider distribution.
- Impairments decreased slightly by 4% to $12.3m.
- Operating expenses increased by 11% to $52.8m mainly from one-off acquisition and integration expenses. The impact of these one-off expenses is partially offset by cost efficiencies due to the outsourcing of call centre functions to Manila and tighter cost control.
- Impairment of goodwill and software was at $12.5m as explained in the Group results section above.
- Sales volume increased slightly by 1% to $189m (2013: $187m). This is a pleasing result given the difficult consumer computer leasing market undermined by a decrease in consumer demand and a decline in computers and other hardware prices. The SME market continues to offset the declines within the consumer market.

- Closing receivables were $326m (2013: $306m), a 7% increase. As mentioned above, the retail computer leasing for personal use market continued to fall over the past couple of 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. The expansion of product offering into the mobile and tablet market is expected to mitigate the decline over time.

New Zealand Leasing

New Zealand's Cash NPAT is $5.6m, an increase of 30% on the prior comparative period. Equico was acquired in March 2014. The increase was driven by:

- Net portfolio income increased by 29% to $14.3m which was mainly due to strong growth in all income streams.
- Impairment losses decreased by 14% to $0.6m which was driven by effective arrears management and also changing the mix of receivables toward a lower risk for larger commercial customers.
- Operating expenses increased by 30% to $6.1m mainly as a result of incremental post acquisition costs relating to Equico and cost to support volume growth. Sales volume increased by 31% to $38m.
- Closing receivables increased by 27% to $66m due to increase in volumes.

No Interest Ever (Certegy)

Certegy's Cash NPAT is $32.3m, an increase of 17% on the prior comparative period, driven by:

- Net portfolio income increased by 13% to $85.1m which was driven by a 7% growth in receivables and funding costs savings. 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 in line with portfolio growth to $13.5m reflecting the ongoing work on Certegy risk controls and the effectiveness of collection initiatives.
- Operating expenses increased slightly by 3% to $25.5m as a result of the VIP campaign and direct consumer marketing for the retail stimulus, new product builds and maintaining tight cost controls.
- Sales volume increased by 3% to $507m as solar volumes were successfully stabilised. 9% volume growth in the second half of the financial year was supported by higher internal and external promotional activity, VIP marketing and new sales generation.
- Closing receivables increased by 7% to $453m achieved through new established relationships and industry diversification as mentioned above.

Enterprise

Enterprise's Cash NPAT of $10.1m represents a 15% increase on the prior comparative period. TOT was acquired in March 2014 and has been included in this segment in 2014. The drivers of growth are:

- Net portfolio income increased by 27% to $27.4m, largely driven by a 34% growth in receivables and 32% in volumes. Enterprise continues to grow into mid-large segments and this momentum continues to sustain revenue growth. TOT also produced strong results since acquisition.
- Impairment losses increased to $2.4m. The increase in losses is in line with the continued growth in the receivables portfolio. The Enterprise portfolio has a low impairment loss ratio, largely driven by continued focus on assets with higher credit quality.
- Operating expenses increased by 24% to $9.8m driven by TOT expenditure and costs incurred to support volume and receivables growth.
- Sales volume increased by 32% to $149m largely as a result of consistent volumes through new strategic partnerships and increased penetration within existing vendors.
- Closing receivables increased by 34% to $263m, supported by volume growth via new distribution channels and programs.

Interest Free Cards

Interest Free Cards' Cash NPAT was $11.0m (2013: $2.7m) and is largely attributable to the full year contribution made by Once Credit (2013: 1 month) and the realisation of significant synergies as a result of the integration of Lombard and Once. Other drivers include:

- Net portfolio income of $32.8m has been attributable to successful dealer promotions with a strong focus on increased card spend (includes marketing campaigns, multiple successful spend stimulation and debt consolidation).
- Impairment losses were $5.3m (2013: $1.0m), representing 2.7% of average net receivables. The increase on prior year reflects the inclusion of Once Credit and the general growth in the receivables portfolio.
- Operating expenses were $15.3m (2013: $7.9m) driven by the impact of Once Credit and growth initiatives that have been put in place. One off post tax integration costs of $3.5m have also led to the increase in operating expenses.
- Sales volume of $200m (2013: $88m) and Closing receivables of $210m (2013: $186m) reflect the impact of the Once Credit acquisition and a strong focus towards driving interest free volumes through strategic partnerships in Retail and Homeowner segments.

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 Special Purpose Vehicles ('SPVs') and remaining assets and liabilities. Borrowings within these SPVs are non-recourse to the Company.

	Group excl. SPVs		Group incl. SPVs	
	2014 $'m	2013 $'m	2014 $'m	2013 $'m
Summary financial position				
Cash at bank (unrestricted)	**25.2**	50.5	**25.2**	50.5
Cash at bank (restricted)	**81.4**	72.3	**81.4**	72.3
Receivables[(i)]	**91.9**	86.0	**1,299.7**	1,144.7
Investment in unrated notes in securitisation vehicles	**120.2**	93.4	**–**	–
Other assets	**68.5**	65.1	**68.5**	65.1
Goodwill and intangibles	**161.8**	122.5	**161.8**	122.5
Total assets	**549.0**	489.8	**1,636.6**	1,455.1
Borrowings	**45.0**	25.0	**1,158.8**	1,033.4
Cash loss reserve available to funders	**–**	–	**(26.2)**	(43.1)
Other liabilities	**119.1**	100.2	**119.1**	100.2
Total liabilities	**164.1**	125.2	**1,251.7**	1,090.5
Equity	**384.9**	364.6	**384.9**	364.6
Gearing[(ii)]	**20%**	10%		
ROE[(iii)]	**23%**	24%		
Cash inflows from operating activities ($m)	**124.3**	96.8		

(i) Lease and interest free receivables are funded by non-recourse borrowings from banks and securitisation vehicles. Receivables reflected under "Group excl. SPVs" include 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 13% to $1,318m. The increase is attributable to an effective growth strategy in Interest Free Card business, focus on building strategic partnerships in Enterprise and new distribution relationships established in Certegy. New Zealand has recorded significant growth underpinned by the growing commercial and SME customer base. Consumer and SME segment receivables have increased slightly mainly due to the challenging environment faced by Consumer leases offset by receivable growth in SME for Australia.

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 debt gearing of 20% (2013: 10%). The Company continues to optimise its capital structure to ensure that its sources of funding maximise shareholder value. The increase in gearing is within the Company's long term financial strategy. The Company continues to fund value accretive acquisitions through a combination of debt, 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 inflows from operating activities increased by 22% to $124.3m. The increase in cash inflows from operating activities is mainly driven by increased cash profit and also effective working capital management practices across the Company.

Cash outflows from investing activities increased slightly by 1% to $190.4m primarily driven by a reduction in the net investments in receivables.

Cash inflows from financing activities decreased by 67% to $49.0m driven mainly by the $53m capital raising in 2013.

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 wholesale debt 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 2014 financial year the Group:

- Completed two ABS issuance, the $270m Flexi ABS Trust 2013-2 in September 2013 and the $255m Flexi ABS Trust 2014-1 in June 2014.
- Refinanced RentSmart debt facilities following acquisition to release cash and reduce cost of funds.
- Implemented a new three year corporate debt facility of $100m, a net increase of $50m; and
- Implemented an additional $60m of increased revolving wholesale limits.

At balance date the Group had $1,612m of revolving wholesale debt facilities, with $498m undrawn and no indications that facilities will not be extended. Wholesale facilities have no bullet repayment on maturity, with outstanding balances repaying 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's $100m of corporate debt facilities were drawn to $45m at balance date. These facilities are secured by the assets of the Group, and with a maturity date in 2017.

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, Interest free cards segments and also expanding its footprint in large ticket leases in the Enterprise segment and New Zealand. 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. The TOT acquisition enables the Company to extend its product offering through vertical integration.

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.

Additionally, the completion of the consolidation and alignment of sales force across the Consumer and SME and Interest Free Cards 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, TOT and Equico during the year 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.

DIRECTORS' REPORT (CONTINUED)

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 or impairments which may impact on its ability to achieve its targets.

Shareholder returns

	Years ended 30 June				
	2014	**2013**	**2012**	**2011**	**2010**
TSR	**(26%)**	92%	18%	76%	73%
Dividends per share (cents)	**16.5**	14.5	12.5	11.5	7.5
Cash EPS (cents)	**28.0**	25.1	22.4	20.0	17.5
Share price (high)	**$4.99**	$4.74	$2.65	$2.39	$1.78
Share price (low)	**$2.98**	$2.55	$1.60	$1.17	$0.66
Share price (close)	**$3.17**	$4.36	$2.60	$2.07	$1.38

Earnings per share

	2014 cents	2013 cents
Basic earnings per share	**19.0**	22.9
Diluted earnings per share	**18.9**	22.7
Cash earnings per share	**28.0**	25.1

Dividends on ordinary shares

	2014		2013	
	cents	$'m	cents	$'m
Final dividend for the year – payable October	**8.5**	**25.8**	7.5	22.6
Dividends paid during the year				
Interim dividend for the year – paid in April	**8.0**	**24.3**	7.0	20.2
Final dividend for 2013 (PY:2012) – paid in October	**7.5**	**22.8**	6.5	18.6
Total dividends paid during the year	**15.5**	**47.1**	13.5	38.8
Total dividends declared for the financial year	**16.5**	**50.2**	14.5	42.8

The final dividend for 2014 has a record date of 12 September 2014 and is expected to be paid on 17 October 2014.

Matters subsequent to end of the financial year

No other matter or circumstance has arisen since 30 June 2014 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

CHRIS BEARE

(Age 63)

Chairman, Independent, Non-Executive

BSc, BE (Hons), MBA, PhD, FAICD

Experience
Chris was appointed a Director of the Company on 1 July 2014 and Chairman on 23 July 2014.

Chris has significant experience in international business, technology, strategy, finance and management and as an independent director. Chris joined investment bank Hambros Australia in 1991, became Head of Corporate Finance in 1994 and joint Chief Executive in 1995. After Hambros was acquired by Société Générale in 1998 Chris remained a Director of SG Australia until 2002. Prior to Hambros, Chris was Executive Director of Melbourne based Venture Capital firm Advent Management Group which he joined in 1987 after various roles in Telecom Australia culminating in the position of Head of Strategy. Chris has strong interests in technology. In 1998 he helped form Radiata, a technology start-up in Sydney and Silicon Valley, and as Chair and Chief Executive Officer steered it to a successful sale to Cisco Systems in 2001. He has been a Director of a number of other technology companies. Chris is also Chairman Saluda Medical Pty Ltd and Cohda Wireless Pty Ltd.

Other current directorships
Chairman DEXUS Property Group (ASX:DXS)

Former directorships in last three years
Nil

Special responsibilities
Chairman of Nomination Committee and a Member of Remuneration Committee and Audit & Risk Committee.

Interests in shares and options
Nil

MARGARET JACKSON, AC

(Age 61)

Chairman, Independent, Non-Executive (resigned on 23 July 2014)

BEc, MBA, Hon LLD (Monash), FCA

Experience
Margaret was appointed a Director of the Company in November 2006. Margaret resigned as a Director and Chairman on 23 July 2014.

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
Spotless Group Holdings Limited

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 49)

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
None

ANDREW ABERCROMBIE

(Age 58)

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
Member of the Nomination Committee

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

DIRECTORS' REPORT (CONTINUED)

RAJEEV DHAWAN

(Age 48)

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 21 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
391,048 ordinary shares in FlexiGroup Limited

R JOHN SKIPPEN

(Age 66)

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 33 years' experience as a chartered accountant and has extensive experience in mergers and acquisitions, strategy, international expansion, property and taxation.

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 54)

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	11	11	3	3	6	6	4	4
T Robbiati	10	10	11	11	3	3	+	+	+	+
A Abercrombie	10	10	11	11	+	+	6	5	+	+
R Dhawan	10	10	11	11	3	3	6	6	4	4
R J Skippen	10	10	11	11	3	3	6	6	4	4
A Ward	10	10	11	11	3	3	6	6	4	4

+ Not a member of the relevant committee

COMPANY SECRETARY

The Company Secretaries during the year were David Stevens and Matthew Beaman. David is also the Chief Financial Officer and has over 15 years' experience in financial services and professional services. Matthew is the Group General Counsel and was appointed to the position of Company Secretary on 20 November 2013. David Stevens resigned from the position of Company Secretary on 24 June 2014. David continues in his role as Chief Financial officer.

REMUNERATION REPORT

The directors are pleased to present the company's 2014 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 9-10	
Other key management personnel ("KMP")	
David Stevens	Chief Financial Officer
Rob May	General Manager – Certegy
Anthony Roberts	General Manager – Enterprise
Nicholle Lindner	General Manager – Consumer and SME
Peter Lirantzis	Chief Information and Operations Officer

Garry McLennan, Jeff McLean and Jane Scotcher are disclosed as KMP in the prior year comparative period. Jane Scotcher ceased being a KMP during the 2013 financial year and Jeff McLean and Garry McLennan ceased being KMP at the beginning of the 2014 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 market benchmarking of Executive remuneration and advice on structuring of Executive Long Term Incentive Plans. Egan Associates was paid $44,000 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 2014 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.

A Director is 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 2013 Annual General Meeting

FlexiGroup received more than 94% of "yes" votes on its remuneration report for the 2013 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 – 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 – 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 ('STIs') vary according to individual contracts; however for the Chief Executive Officer ('CEO') and Senior Executives they are broadly based on the following:

- 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 ('KPIs') and other personal objectives).

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 2013-2014 year, the allocation for the Senior Executives were as follows:

Goal type	Percentage allocated (Range)	Example of the types of metrics included
Group	45%	Receivables Group Cash NPAT and Cash flow Employee engagement
Individual	55%	Cash NPAT (area specific) Volume (area specific) Development of new products and Innovation Credit performance including receivables in arrears

In the 2013-2014 year, the allocation for the CEO was based on a 50% weighting for the Group measures above, and 50% weighting for individual objectives.

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 ('target') depending on role type. The Board has set the maximum opportunity available to the CEO and Senior Executives to 150% of target. In 2014, the maximum STI achieved against their target by any of the KMP was 84%.

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 ('LTIP'). Information on the plan is detailed in Section D of this report. The FlexiGroup 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.

2014	Short-term employee benefits			Post-employment benefits	Long-term benefits	Share-based payments		
Name	Cash salary and fees $	STI cash payment $	Other benefits* $	Super-annuation $	Long service leave $	Options, performance rights* $	Total earnings*** $	Share-based payments cancellation*** $
Non-Executive Directors								
M Jackson (Chairman)	250,000	–	–	23,125	–	–	**273,125**	–
A Abercrombie	160,000	–	–	14,800	–	–	**174,800**	–
R Dhawan	145,000	–	–	13,413	–	–	**158,413**	–
R J Skippen	145,000	–	–	13,413	–	–	**158,413**	–
A Ward	120,000	–	–	11,100	–	–	**131,100**	–
Subtotal non-executive directors	820,000	–	–	75,851	–	–	**895,851**	–
Executive Directors								
T Robbiati	850,000	654,500	180,450	–	–	874,287	**2,559,237**	3,845,860
Subtotal Executive Directors	850,000	654,500	180,450	–	–	874,287	**2,559,237**	3,845,860
Other key management personnel (refer to page 11 for positions)								
D Stevens****	332,225	84,000	–	17,775	12,421	112,566	**558,987**	–
R May	232,096	122,854	22,869	30,666	5,846	226,423	**640,754**	–
A Roberts	265,620	59,653	–	23,149	–	68,115	**416,537**	–
N Lindner	265,918	87,033	–	24,082	–	87,554	**464,587**	916,112
P Lirantzis*****	358,299	86,084	–	24,295	–	79,429	**548,107**	–
Subtotal other key management personnel	1,454,158	439,624	22,869	119,967	18,267	574,087	**2,628,972**	916,112
Total key management personnel compensation (group)	**3,124,158**	**1,094,124**	**203,319**	**195,818**	**18,267**	**1,448,374**	**6,084,060[1]**	**4,761,972[1]**
Total[1]								**10,846,032**

* Mr R May's other benefits include car, health, life insurances and FBT which are paid by the Company. Mr T Robbiati's other benefits relate to one off relocation travel benefits and related FBT.

** Remuneration for share based payments represents amounts expensed during the year for accounting purposes. Included as part of share based payments is $800,000 plus the accrued interest relating to the forgiveness of Mr T Robbiati's loan.

*** Total earnings represent total KMP compensation excluding share based payments cancellation. Accounting standards require that a cancellation of equity instruments be accounted for as an acceleration of vesting, therefore recognising immediately the amount that would otherwise have been recognised for services received over the remainder of the vesting period. The result of the cancellation is included as an expense in the income statement for accounting purposes but has been excluded from total earnings above on the basis that the amounts have not vested to the individuals. For details of the cancellation refer to page 18.

**** Mr D Stevens was appointed CFO effective 1 July 2013 upon the resignation of Garry McLennan. Mr McLennan's termination payments amounted to $190,647 which included accrued leave. Mr Stevens was previously Head of Finance & Planning.

***** Mr P Lirantzis became a KMP on 1 July 2013. Mr Lirantzis' role as Chief Information Officer was combined with that of leading Operations. Amounts shown above relate to Mr Lirantzis earnings for the full year ended 30 June 2014.

DIRECTORS' REPORT (CONTINUED)

2013	Short-term employee benefits			Post-employment benefits	Long-term benefits	Share-based payments	
Name	Cash salary and fees $	STI cash payment $	Other benefits***** $	Super-annuation $	Long service leave $	Options, performance rights and deferred shares* $	Total earnings $
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.

** 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.

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			
	2014	2013	2014	2013	2014	2014	2013	2013
Name	%	%	%	%	Rights %	Options %	Rights	Options %
Executives of FlexiGroup								
T Robbiati	**40**	45	**26**	49	**12**	**22**	2	4
D Stevens	**65**	67	**15**	17	**5**	**15**	16	–
R May	**45**	52	**19**	18	**12**	**24**	28	2
A Roberts	**69**	62	**14**	19	**3**	**14**	18	1
N Lindner	**63**	97	**19**	–	**–**	**18**	–	3
P Lirantzis	**70**	n/a	**16**	n/a	**7**	**7**	n/a	n/a

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 agreed notice by either the Company or the executive. The Company can make a payment in lieu of notice. The notice period for each Executive are listed in the table below.

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.

The provisions of the agreements relating to notice period and remuneration are listed in the table below.

Name	Term of agreement and notice period*	Total Fixed Remuneration**	Termination payments***
T Robbiati	6 months	850,000	6 months
D Stevens	6 months	350,000	6 months
R May	6 months	262,762	6 months
A Roberts	3 months	288,769	3 months
N Lindner	6 months	290,000	6 months
P Lirantzis	6 months	382,594	6 months

* Notice applies to either party

** Base salaries are for financial year ended 30 June 2014. They are reviewed annually by the remuneration committee

*** Base salary payable if the company terminates employee with notice, and without cause, (e.g., for reasons other than unsatisfactory performance)

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

CEO and Senior Executives 2013 LTIP awards

During 2014 the Board approved the cancellation of the LTI awards that were issued to the CEO and Senior Executives in the 2013 financial year. Following the long term strategy review that was undertaken during the year, the Board concluded that the existing plan for the CEO and Senior Executives was not properly aligned to the company strategy and the generation of shareholder value as the hurdles set were deemed unachievable. As a result, the CEO and some Senior Executives did not have any outstanding plans at 30 June 2014.

Loan to the CEO

As part of the CEO's remuneration package, the Board approved in 2013 financial year 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 is $800,000 to be drawn once at commencement of the Loan;

(b) (Loan security) the Loan is 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;

The CEO exercised his right and commenced the Loan on 10 July 2013. The Board forgave the Loan plus the accrued interest as part of the cancellation of the CEO's LTI plan which was approved at the 2012 AGM. Included in the cancellation are 250,000 Tranche 1 options and rights that had partly performance vested at 30 June 2014.

Details of the performance rights and performance options awarded between June 2011 and August 2012 to Senior Executives

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

Instrument	Each performance right 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's tranches consists of 50% Cash EPS performance hurdle and 50% TSR hurdle
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 and options.

The Cash EPS hurdles for the various awards between June 2011 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
Jun 11, Aug 11 & Apr 12	1	50%	2012	21.5	0%	100%	100%	No
	2	50%	2013	24.8	0%	100%	100%	No
	3	50%	2014	(a)28.0	0%	50%	refer (b)	Yes
				(b)28.4	50%-100%	100%	100%	Yes
Jun 11	1	50%	2014	(a)28.0	0%	100%	100%	Yes
				(b)28.4	50%-100%	100%	100%	Yes
Aug 12	1	50%	2013	(a)25.1	0%	66%	refer (b)	Yes
				(b)25.8	66%-100%	100%	100%	Yes
	2	50%	2014	(a)28.0	0%	50%	refer (b)	Yes
				(b)28.4	50%-100%	100%	100%	Yes

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

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

DIRECTORS' REPORT (CONTINUED)

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
Jun 2011, Aug 2011 & Apr 2012	3	Yes
Jun 2011	1	Yes
Aug 2012	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.

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				
	2014	2013	2012	2011	2010
TSR	**(26%)**	92%	18%	76%	73%
Dividends per share (cents)	**16.5**	14.5	12.5	11.5	7.5
Cash EPS (cents)	**28.04**	25.1	22.4	20.0	17.5
Share price – high	**$4.99**	$4.74	$2.65	$2.39	$1.78
Share price – low	**$2.98**	$2.55	$1.60	$1.17	$0.66
Share price – close	**$3.17**	$4.36	$2.60	$2.07	$1.38

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
Performance rights	14 Sept 2010	1 Sept 2013	1st quartile	100%	–	–
Performance rights	31 Oct 2010	1 Sept 2013	1st quartile	100%	–	–
Performance rights	4 June 2011	1 Dec 2013	1st quartile	100%	–	–
Performance rights	5 Aug 2011	1 Dec 2013	1st quartile	100%	–	–
Performance rights	19 March 2012	1 Dec 2013	1st quartile	100%	–	–
Options	19 March 2012	1 Dec 2013	1st quartile	100%	–	–

All tranches that are performance tested based on the Cash EPS vesting condition also vested in full.

Options issued to top five remunerated Non-KMP officers

Details of options granted to key management personnel are disclosed on pages 18 to 21 above. In financial year 2014, 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.

Equity instrument disclosures relating to Directors and Key Management Personnel

Options and performance rights holdings

Name	Balance at start of year	Granted as compensation	Exercised	Other changes	Balance at end of year	Vested and exercisable	Unvested
2014							
Executive Director							
T Robbiati	3,390,000	–	–	(3,390,000)	–	–	–
Other Key Management Personnel							
D Stevens	325,000	–	(100,000)	–	225,000	–	225,000
R May	625,000	–	(175,000)	–	450,000	–	450,000
A Roberts	201,667	–	(33,333)	–	168,334	–	168,334
N Lindner	1,000,000	–	–	(1,000,000)	–	–	–
P Lirantzis	250,000	–	(100,000)	–	150,000	50,000	100,000
2013							
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

Shareholding disclosures relating to Directors and Key Management Personnel

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
2014				
Non-Executive Directors				
M Jackson (Chairman)	1,926,012	–	–	1,926,012
A Abercrombie	76,765,251	–	–	76,765,251
R Dhawan	392,997	–	(1,949)	391,048
RJ Skippen	115,000	–	–	115,000
A Ward	–	–	–	–
Executive Director				
T Robbiati	–	–	–	–
Other Key Management Personnel				
D Stevens	–	100,000	(27,500)	72,500
R May	–	175,000	(143,000)	32,000
A Roberts	–	33,334	(33,334)	–
N Lindner	–	–	–	–
P Lirantzis	–	100,000	–	100,000
2013				
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[1]	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	–	–	–	–

1 J DeLano resigned as Chief Executive Officer from 31 December 2012.

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 at grant date
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
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.

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 25 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/ cancelled during the year	Value at lapse date ($)
Directors of FlexiGroup Limited					
M Jackson	–	–	–	–	–
T Robbiati	–	–	–	3,390,000	3,845,860
A Abercrombie	–	–	–	–	–
R Dhawan	–	–	–	–	–
R J Skippen	–	–	–	–	–
A Ward	–	–	–	–	–
Executives of FlexiGroup Limited					
D Stevens	–	–	100,000	–	–
R May	–	–	175,000	–	–
A Roberts	–	–	33,334	–	–
N Lindner	–	–	–	1,000,000	916,112
P Lirantzis	–	–	150,000	–	–

The assessed fair value at grant date of options and performance rights 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.

No performance rights and options were granted during the year ended 30 June 2014.

New LTI Plan structure

During the current financial year, the Board articulated a new LTI framework for the 2015-2019 period with the following key features:

- Extension of the vesting period, with an increase and transition from 3 years to 4 years;
- LTI instruments will be performance rights to align with peer group companies; and
- Performance hurdles split into 60% Cash EPS and 40% TSR, with Cash EPS growth rates in line with historical performance and new strategy.

The new plan will be effective from financial year 2015.

Shares provided on exercise of remuneration options and performance rights

In current year, 1,790,666 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 and performance rights

For each STI cash payment and grant of options and performance rights, 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 and performance rights vest in accordance with the vesting schedules detailed below. No options and/or performance rights 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	2014 STI Cash payment $	STI Outcome as % of target %	STI % of target forfeited %	LTI Year granted	Prior year equity awards Vested during 2014 %	Prior year equity awards Forfeited during 2014 %	Financial years in which options, performance rights may vest	Maximum total value of grant yet to vest $
Executive Directors of FlexiGroup Limited								
T Robbiati	654,500	77	23	2013	–	100	n/a	n/a
Executives of FlexiGroup								
D Stevens	84,000	80	20	2013	–	–	30/6/2015	6,066
				2011	–	–	30/6/2015	9,233
				2011	–	–	30/6/2015	2,634
				2011	100	–	30/6/2014	–
R May	122,854	84	16	2013	–	–	30/6/2015	17,663
				2011	–	–	30/6/2015	12,672
				2011	–	–	30/6/2015	6,908
				2011	100	–	30/6/2014	–
A Roberts	59,653	40	60	2013	–	–	30/6/2015	6,066
				2012	–	–	30/6/2015	5,328
				2012	–	–	30/6/2015	1,348
				2011	100	–	30/6/2014	–
N Lindner	87,033	60	40	2013	–	100	n/a	n/a
P Lirantzis	86,084	75	25	2012	–	–	30/6/2015	6,533
				2012	100	–	30/6/2014	–

DIRECTORS' REPORT (CONTINUED)

Shares under options and performance rights

As at the date of this report, there were 2,546,668 unissued ordinary shares of FlexiGroup Limited subject to options or performance rights. Of those unissued ordinary shares, 2,445,000 are subject to option with expiry dates of 31 December 2016 and exercise prices ranging from $2.11 - $3.05, with a weighted average exercise price of $2.49. The remaining 101,668 unissued ordinary shares are the subject of performance rights with expiry dates between 31 December 2014 and 31 December 2016.

At the date of this report, there are also 222,203 treasury shares which are held by the FlexiGroup Tax Deferred Employee Share Plan (note 25 (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 2014, 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 33 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 32 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.

Chris Beare
Chairman

Sydney
6 August 2014

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 2014 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, occupation, 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.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

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 committee.

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), Chris Beare, 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), Chris Beare, R John Skippen 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 Chris Beare (Chair), Andrew Abercrombie, 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 30 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.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

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 2013-2014 which will continue into the 2015 financial year. As at 30 June 2014:

- 37% of the Group's employees were women;
- females represented 28% of the Group's management staff;
- 33% of the executive level roles were held by women; and
- The Board had two female directors, one of whom performed the role of Chairman.

Measurable objectives for 2013-2014 and progress

The Diversity policy that was communicated to the wider FlexiGroup community through internal structures set four broad measurable gender diversity objectives for the 2013-2014 financial year (three of these were consistent with the previous year's objectives). 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 156 personnel, 42% of which were female;
- We continue to promote flexible and part time working arrangements. We have 12 part-time employees and 83% of these are women. As a result of these flexible arrangements we have seen 100% 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;
- Parental leave statistics;
- Career movement statistics;
- Statistics provided by our Employee Assistance Provider; and
- Review and analysis from the Hewitt survey and other pulse survey results.

Performance, career development, talent identification and succession planning

FlexiGroup has various initiatives 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 Performance Planning process. We encourage and reward excellence through innovative recognition and remuneration programs that drive high performance.

Review of existing policies and practices
During the 2013-2014 financial year, FlexiGroup undertook a review of policies and practices that had impacts across the organisation, with a specific focus on key guiding policies. This included a review of our Diversity policy and our suite of policies relating to our Code of Conduct and Health and Safety, incorporating our EEO and Bullying policy. These policies were reviewed and updated as required during the year.

Additional focus areas for 2014-2015
In addition to the key areas outlined above, we will be placing greater focus on Flexible Arrangements in the 2014-2015 year.

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.

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 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.

Auditor's Independence Declaration

Auditor's Independence Declaration

As lead auditor for the audit of FlexiGroup Limited for the year ended 30 June 2014, 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.

SJ Smith
Partner
PricewaterhouseCoopers

Sydney
6 August 2014

PricewaterhouseCoopers, ABN 52 780 433 757
Darling Park Tower 2, 201 Sussex Street, GPO BOX 2650, SYDNEY NSW 1171
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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 2014. 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

Contents	Page

Consolidated Income Statement

	Notes	Consolidated 2014 $'000	Consolidated 2013 $'000
Total portfolio income	4	**316,591**	284,140
Interest expense		**(67,471)**	(67,053)
Net operating income		**249,120**	217,087
Employment expenses		**(66,098)**	(57,381)
Receivables and loan impairment expenses		**(34,125)**	(27,131)
Depreciation and amortisation expenses	5	**(9,988)**	(9,432)
Impairment of goodwill and other intangible assets	13,14	**(12,451)**	–
Operating expenses	5	**(41,472)**	(28,075)
Profit before income tax		**84,986**	95,068
Income tax expense	6	**(27,423)**	(29,232)
Profit for the year attributable to shareholders of FlexiGroup Limited		**57,563**	65,836

		Cents	Cents
Earnings per share for profit attributable to the ordinary equity holders of the Company:			
Basic earnings per share	23	**19.0**	22.9
Diluted earnings per share	23	**18.9**	22.7

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

Consolidated Statement of Comprehensive Income

	Consolidated	
	2014 $'000	2013 $'000
Profit for the year	**57,563**	65,836
Other comprehensive income		
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	**3,312**	2,227
Changes in the fair value of cash flow hedges, net of tax	**137**	(754)
Cash flow hedges reclassified to profit and loss, net of tax	**–**	36
Other comprehensive income for the year, net of tax	**3,449**	1,509
Total comprehensive income for the year attributable to shareholders of FlexiGroup Limited	**61,012**	67,345

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

Consolidated Balance Sheet

	Notes	Consolidated 2014 $'000	Consolidated 2013 $'000
Assets			
Current assets			
Cash and cash equivalents	7	**106,608**	122,750
Receivables	9	**307,536**	265,422
Customer loans	10	**492,693**	448,519
Inventories	8	**2,835**	509
Total current assets		**909,672**	837,200
Non-current assets			
Receivables	9	**385,443**	325,457
Customer loans	10	**161,606**	153,379
Plant and equipment	11	**6,078**	4,314
Deferred tax assets	12	**12,056**	12,318
Goodwill	13	**134,090**	100,936
Other intangible assets	14	**27,680**	21,558
Total non-current assets		**726,953**	617,962
Total assets		**1,636,625**	1,455,162
Liabilities			
Current liabilities			
Payables	15	**44,508**	35,901
Borrowings	17	**680,425**	581,993
Current tax liabilities		**9,001**	12,166
Provisions	16	**4,689**	3,933
Deferred and contingent consideration	27(b)	**8,650**	–
Total current liabilities		**747,273**	633,993
Non-current liabilities			
Borrowings	17	**452,196**	408,252
Deferred tax liabilities	18	**47,720**	43,745
Provisions	16	**746**	659
Derivative financial instruments	19	**3,741**	3,928
Total non-current liabilities		**504,403**	456,584
Total liabilities		**1,251,676**	1,090,577
Net assets		**384,949**	364,585
Equity			
Contributed equity	20	**161,193**	153,108
Reserves	21(a)	**2,374**	577
Retained earnings	21(b)	**221,382**	210,900
Total equity		**384,949**	364,585

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 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
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
Issue through business combinations	–	2,593	–	2,593
Dividends provided for or paid (note 22)	–	–	(38,788)	(38,788)
Balance at 30 June 2013	153,108	577	210,900	364,585
Balance at 1 July 2013	**153,108**	**577**	**210,900**	**364,585**
Profit for the year	**–**	**–**	**57,563**	**57,563**
Other comprehensive income	**–**	**3,449**	**–**	**3,449**
Total comprehensive income for the year	**–**	**3,449**	**57,563**	**61,012**
Share based payments and other changes	**–**	**6,923**	**–**	**6,923**
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	**2,895**	**(2,895)**	**–**	**–**
Capital share reserve (note 21)	**–**	**310**	**–**	**310**
Dividends provided for or paid (note 22)	**–**	**–**	**(47,081)**	**(47,081)**
Other changes in share based payments	**–**	**(800)**	**–**	**(800)**
Balance at 30 June 2014	**161,193**	**2,374**	**221,382**	**384,949**

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

Consolidated Statement of Cash Flows

	Notes	Consolidated 2014 $'000	Consolidated 2013 $'000
Cash flows from operating activities			
Interest received		**221,317**	184,667
Fees and other non-interest income received		**101,389**	99,447
Payment to suppliers and employees		**(100,308)**	(95,400)
Borrowing costs		**(69,115)**	(66,605)
Taxation paid		**(28,958)**	(25,308)
Net cash inflows from operating activities	24	**124,325**	96,801
Cash flows from investing activities			
Payment for acquisition of plant and equipment and software		**(17,688)**	(6,300)
Loans to or from related parties		**(800)**	–
Payment for business acquisitions	27 (a) (b) (c)	**(38,017)**	(34,964)
Net increase in:			
Customer loans		**(70,870)**	(99,448)
Receivables due from customers		**(63,021)**	(47,400)
Net cash outflows from investing activities		**(190,396)**	(188,112)
Cash flows from financing activities			
Dividends paid		**(47,081)**	(38,788)
Proceeds from equity raising		**–**	53,475
Proceeds from issue of shares on vesting of options		**–**	3,672
Proceeds from borrowings		**78,640**	140,209
Decrease/(increase) in loss reserves on borrowings		**17,465**	(8,416)
Net cash inflows from financing activities		**49,024**	150,152
Net (decrease)/increase in cash and cash equivalents		**(17,047)**	58,841
Cash and cash equivalents at the beginning of the financial year		**122,750**	63,207
Effects of exchange rate changes on cash and cash equivalents		**905**	702
Cash and cash equivalents at the end of the financial year	7	**106,608**	122,750

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

This note provides a list of all significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the consolidated entity (the Group) 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 and interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. FlexiGroup Limited 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

The Group has applied the following standards and amendments for first time for the annual reporting period commencing 1 July 2013 and have not had any material effect on its financial position or performance:

- AASB 10 *Consolidated Financial Statements*, AASB 11 *Joint Arrangements*, AASB 12 *Disclosure of Interests in Other Entities*, AASB 128 *Investments in Associates and Joint Ventures*, AASB 127 *Separate Financial Statements* and AASB 2011-7 *Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards*
- AASB 13 *Fair Value Measurement* and AASB 2011-8 *Amendments to Australian Accounting Standards arising from AASB 13*
- AASB 119 *Employee Benefits (September 2011)* and AASB 2011-10 *Amendments to Australian Accounting Standards arising from AASB 119 (September 2011)*
- AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements and additions to *Corporations Regulations 2001*, Regulation 2M.3.03.
- AASB 2012-2 and AASB 2012-3 *Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities*
- AASB 2012-5 *Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle*
- AASB 2012-9 *Amendments to AASB 1048 arising from the withdrawal of Australian interpretation 1039* removes the requirements to apply Interpretation 1039
- AASB 2012-10 *Amendments to Australian Accounting Standards – Transition Guidance and other Amendments* which provides an exemption from the requirement to disclose the impact of the change in accounting policy on the current period

(iii) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2014 reporting periods and have not been early adopted by the Group.

The following new standard to be applied in future periods is set out below:

– *AASB 9 Financial instruments*. This standard makes significant changes to the way financial assets are classified for the purpose of determining their measurement basis and also to the amounts relating to fair value changes which are to be taken directly to equity. This standard also makes significant changes to hedge accounting requirements and disclosures. This standard is mandatory for adoption by the Group for the year ending 30 June 2018; however early application is permitted in certain circumstances. The financial impact to the Group of adopting AASB 9 has not yet been quantified.

– *IFRS 15 Revenue from contracts with customers* The IASB has issued this standard that makes changes to the measurement and timing of revenue recognition. The AASB expects to issue the corresponding Australian Accounting Standard later this year. The financial impact to the Group of adopting IFRS 15 has not yet been quantified.

(iv) Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and liabilities (including derivative instruments) at fair value. Where necessary comparative information has been reclassified to be consistent with current period disclosures.

(v) 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.

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 2014 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 control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated 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(g)).

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 of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss, 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 is 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, rebates 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 income

Lease finance interest income 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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) Interest income – bank accounts/loss reserves

Interest income on bank and loss reserve balances is recognised using an effective interest method.

Other portfolio income:

(iv) 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.

(v) 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.

(vi) 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.

f. 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 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.

g. 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 acquiree 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, amount of any non-controlling interest in the acquired entity and 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.

h. 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.

i. 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.

j. Provision for doubtful debts

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 provision for doubtful debts.

k. 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. Provision for doubtful debts 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.

Doubtful debts expense 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

l. 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.

m. Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, 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.

n. 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 2014 (2013: $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 2014 (2013: $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 2014 (2013: $nil).

o. 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 2014 and 30 June 2013 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 derivative financial instruments used for hedging purposes are disclosed in note 19. Movements in the hedging reserve in shareholders' equity are shown in note 21(a). 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.

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 interest expense.

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.

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in profit or loss and are included in other income or other expenses.

p. Inventories

Inventories are measured at lower of cost and net realisable value. The cost of inventories is based on the first-in, first-out principle. Inventories comprise of office equipment, parts and toners, returned rental equipment, extended rental equipment after the end of the contractual rental period and mobile broadband stock.

q. 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. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. 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.

r. 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 (note 3).

(ii) IT development and 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 from 3 to 7 years.

(iii) Merchant and customer relationships and other rights

Merchant and customer 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 from 3 to 7 years.

Other rights relate to 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. Amortisation is calculated over their term, generally 3 years.

(iv) 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 arrangements over their term, generally 2 years.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

s. 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 tested 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 period.

t. Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of 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 after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

u. 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.

v. Provisions

Provisions for legal claims, service warranties and make good obligations are recognised when the Group has a present legal or constructive obligation as a result of past events, 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.

w. Employee benefits

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 12 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 25.

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.

x. 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.

y. 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.

z. 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.

aa. 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 the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. 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.

ab. 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.

ac. Parent entity financial information

The financial information for the parent entity, FlexiGroup Limited, disclosed in note 35 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 whollyowned 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 6(c).

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) Provision for doubtful debts

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

(iii) Assessment of impairment of goodwill and investments 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 are set out in note 13.

(iv) Acquired intangible assets

Under the accounting standards, the assets and liabilities of businesses acquired through a business combination is to be measured at their acquisition date fair values. The Group applies judgements in selecting valuation techniques and setting valuation assumptions to determine the acquisition date fair values and to estimate the useful lives of these assets as set out in notes 1 (g), (r) and note 27.

(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 26(e).

(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 (w) iv and note 25.

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 five reportable segments; the Consumer & SME Leasing-Australia; including Ireland (consisting of FlexiRent, SmartWay, FlexiWay, FlexiCommercial, Blink and Paymate), New Zealand (NZ) leasing, No Interest Ever business (Certegy), Enterprise (consisting of commercial leasing business and Think Office Technology) and Interest Free Cards business (Lombard and Once Credit).

The Group operates in Australia and New Zealand.

The segment information provided to the Chief Executive Officer for the reportable segments for the year ended 30 June 2014 is as below:

(b) Segment information

	C&SME Leasing – Aust (inc Ire)	NZ Leasing	No Interest Ever	Enterprise	Interest Free Cards	Un-allocated	Total
2014							
Total portfolio income	112,462	17,212	107,750	36,779	42,388	–	316,591
Interest expense	(23,052)	(2,958)	(22,618)	(9,312)	(9,531)	–	(67,471)
Net operating income	89,410	14,254	85,132	27,467	32,857	–	249,120
Impairment losses on loans and receivables	(12,324)	(611)	(13,468)	(2,372)	(5,350)	–	(34,125)
Impairment of goodwill and other intangible assets	(12,451)	–	–	–	–	–	(12,451)
Amortisation of acquired other intangible assets	(498)	–	(287)	(322)	(1,721)	–	(2,828)
Other expenses	(52,735)	(6,065)	(25,549)	(9,850)	(15,297)	–	(109,496)
Cancelled share based payments(1)	–	–	–	–	–	(5,234)	(5,234)
Profit before income tax	**11,402**	**7,578**	**45,828**	**14,923**	**10,489**	**(5,234)**	**84,986**
Income tax expense	(2,099)	(2,079)	(13,843)	(5,004)	(4,398)	–	(27,423)
Statutory profit for the year	**9,303**	**5,499**	**31,985**	**9,919**	**6,091**	**(5,234)**	**57,563**
One-off adjustments:							
Acquisition and integration costs(2)	7,082	178	–	–	3,539	–	10,799
One-off non-cash adjustments:							
Impairment of goodwill and other intangible assets(3)	9,240	–	–	–	–	–	9,240
Cancelled share based payments(1)	–	–	–	–	–	5,234	5,234
Recurring non-cash adjustments:							
Amortisation of acquired intangible assets(4)	341	–	287	225	1,341	–	2,194
Cash net profit after tax	**25,966**	**5,677**	**32,272**	**10,144**	**10,971**	**–**	**85,030**
Total segment assets	**535,991**	**77,882**	**535,624**	**263,638**	**223,490**	**–**	**1,636,625**

(1) This expense is unallocated to any operating segments. Upon cancellation of share based incentive scheme, such a cancellation is to be accounted for as an acceleration of vesting, hence the need to recognise immediately the amount that otherwise would have been recognised for services received over the remainder of the vesting period. The Board approved a cancellation of equity instruments that were awarded to the CEO and Senior Executives in the 2013 financial year. The resultant expense is non-cash, non-recurring and has been adjusted to reflect cash earnings for the year.

(2) Acquisition costs incurred for the acquisition of RentSmart, TOT and Equico and costs incurred in integrating RentSmart, Once Credit and Lombard Finance into the broader Group were treated as Cash NPAT adjustments as they are not expected to impact on future earnings of the acquired and integrated entities or the Group as whole. The integration of the entities was completed at 30 June 2014 and the costs are not expected to be recurring in financial year 2015. The Company also incurred costs relating to the long term strategy review of the business. These costs are not expected to be recurring and have been adjusted to arrive at a normalised Cash NPAT figure.

(3) As part of the broader strategic plan, the Group will spend money on revamping and replacing the existing IT legacy systems. As a result, the recoverable amounts of IT systems was assessed and written down during the year. Additionally, an impairment review of the Paymate business resulted in goodwill of $1.9m being impaired. These impairments are non-cash, non-recurring and have no impact on the company's ability to pay dividends and have been adjusted to arrive at a maintainable cash earnings amount.

(4) The acquisition of companies over the years has resulted in the recognition of merchant and customer relationships that are amortised over their useful lives ranging between 3 and 7 years. The amortisation of intangible assets (excluding IT development and software) is a cash earnings adjustment because it is a non-cash item and does not affect cash distributions available to shareholders.

3. SEGMENT INFORMATION (CONTINUED)

(b) Segment information (continued)

	C&SME Leasing – Aust (inc Ire)	NZ Leasing	No Interest Ever	Enterprise	Interest Free Cards	Total
2013						
Total portfolio income	122,640	14,040	100,266	30,267	16,927	284,140
Interest expense	(26,610)	(2,946)	(24,649)	(8,729)	(4,119)	(67,053)
Net operating income	96,030	11,094	75,617	21,538	12,808	217,087
Impairment losses on loans and receivables	(12,839)	(684)	(11,540)	(1,096)	(972)	(27,131)
Other expenses	(47,643)	(4,670)	(24,798)	(7,930)	(7,909)	(92,950)
Amortisation of acquired intangible assets	(274)	–	(935)	–	(729)	(1,938)
Profit before income tax	**35,274**	**5,740**	**38,344**	**12,512**	**3,198**	**95,068**
Income tax expense	(11,310)	(1,443)	(11,761)	(3,754)	(964)	(29,232)
Statutory profit after tax	**23,964**	**4,297**	**26,583**	**8,758**	**2,234**	**65,836**
One-off adjustments:						
Acquisition and integration costs	4,530	–	–	–	–	4,530
Recurring non-cash adjustments:						
Amortisation of acquired intangibles	274	–	935	–	510	1,719
Cash net profit after tax	**28,768**	**4,297**	**27,518**	**8,758**	**2,744**	**72,085**
Total segment assets	**505,999**	**62,808**	**498,412**	**197,351**	**190,592**	**1,455,162**

4. TOTAL PORTFOLIO INCOME

	2014 $'000	2013 $'000
Gross interest and finance lease income	**247,681**	219,250
Amortisation of initial direct transaction costs (note 1(h)(ii))	**(34,651)**	(36,626)
Other portfolio income[1]	**99,334**	94,645
Other income	**624**	3,359
Interest income – banks	**3,603**	3,512
Total portfolio income	**316,591**	284,140

(1) Included in other portfolio income are amounts that accounting standards classify as interest income. Including these amounts gross interest is $285m (2013: $254m).

5. EXPENSES

	2014 $'000	2013 $'000
Depreciation of plant and equipment (note 11)	**1,762**	1,692
Amortisation of other intangible assets (note 14)	**8,226**	7,740
Total depreciation and amortisation	**9,988**	9,432
Operating expenses		
Acquisition costs relating to business combinations	**3,568**	1,557
Advertising and marketing	**3,769**	3,444
Information technology and communication	**9,193**	6,344
Occupancy, equipment and other related costs	**6,391**	4,848
Professional, consulting and other service provider costs	**10,984**	6,163
Other	**7,567**	5,719
Total operating expenses	**41,472**	28,075

6. INCOME TAX EXPENSE

	2014 $'000	2013 $'000
(a) Income tax expense		
Current tax	**24,701**	23,913
Deferred tax	**2,964**	5,595
Over provision in prior years	**(242)**	(276)
	27,423	29,232
Deferred income tax expense included in income tax expense comprises:		
Decrease in deferred tax assets (note 12)	**2,030**	607
Increase in deferred tax liabilities (note 18)	**934**	4,988
	2,964	5,595
Amount recognised directly in equity:		
Tax (expense)/benefit relating to items in comprehensive income	**(53)**	767
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Profit from continuing operations before income tax	**84,986**	95,068
Tax at the Australian tax rate of 30%	**25,496**	28,520
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Amortisation of acquired intangible assets	**223**	258
Share based payments	**2,077**	1,523
Impairment of goodwill	**576**	–
Other items	**(428)**	(682)
Effect of differences in tax rates in a foreign jurisdiction	**(279)**	(111)
	27,665	29,508
Overprovision in prior years	**(242)**	(276)
	27,423	29,232

6. INCOME TAX EXPENSE (CONTINUED)

(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(f).

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 is 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.

7. CASH AND CASH EQUIVALENTS

	2014 $'000	2013 $'000
Cash at bank and on hand	**106,608**	122,750
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	**106,608**	122,750
Balances per statement of cash flows	**106,608**	122,750

Included in cash at bank are amounts of $81.4m (2013: $72.3m) which are held as part of the Group's funding arrangements and are not available to the Group.

8. CURRENT ASSETS – INVENTORIES

	2014 $'000	2013 $'000
Equipment, parts and accessories	**2,274**	19
Rental equipment	**561**	490
	2,835	509

9. CURRENT AND NON-CURRENT ASSETS – RECEIVABLES

	2014 $'000	2013 $'000
Gross investment in finance lease receivables[3]	**779,579**	679,705
Guaranteed residuals	**10,268**	8,164
Unguaranteed residuals	**53,332**	36,553
Unamortised initial direct transaction costs	**36,573**	38,131
Unearned future income	**(188,547)**	(173,439)
Net investment in finance lease receivables	**691,205**	589,114
Provision for doubtful debts	**(9,127)**	(8,442)
Net investment in finance leases after provision for doubtful debts	**682,078**	580,672
Other debtors	**10,901**	10,207
Total receivables[1]	**692,979**	590,879
Disclosed as current and non-current on the balance sheet:		
Current	**307,536**	265,422
Non-current	**385,443**	325,457
Total receivables[1]	**692,979**	590,879
Represented as follows:		
Gross investment in finance lease receivables:		
Due within one year	**412,784**	362,122
Due after one year but not later than five years	**466,968**	400,431
Unearned future income	**(188,547)**	(173,439)
Net investment in finance lease receivables[2]	**691,205**	589,114
Provision for doubtful debts	**(9,127)**	(8,442)
Net investment in finance leases after provision for doubtful debts	**682,078**	580,672
Net investment in finance lease receivables analysed as follows:		
Due within one year	**300,978**	259,255
Due after one year but not later than five years	**390,227**	329,859
Total net investment in finance lease receivables[2]	**691,205**	589,114

(3) Refer to note 26 (c) for disclosure of impaired lease and loan receivables, past due but not impaired receivables and the fair value of receivables.

10. CURRENT AND NON-CURRENT ASSETS – CUSTOMER LOANS

	2014		2013	
	Current $'000	Non-current $'000	Current $'000	Non-current $'000
Loan receivables[1]	**500,264**	**163,690**	456,441	155,381
Provision for doubtful debts	**(7,571)**	**(2,084)**	(7,922)	(2,002)
	492,693	**161,606**	448,519	153,379

(1) Refer to note 26 (c) for disclosure of impaired lease and loan receivables, past due but not impaired receivables and the fair value of receivables.

10. CURRENT AND NON-CURRENT ASSETS – CUSTOMER LOANS (CONTINUED)

(a) Movement in provision for doubtful debts

	2014 $'000	2013 $'000
Provision for doubtful debts – receivables (note 9)	**9,127**	8,442
Provision for doubtful debts – customer loans	**9,655**	9,924
Total provision for doubtful debts	**18,782**	18,366
Carrying amount at beginning of the year	**18,366**	17,176
Additions through business combinations	**6,257**	3,351
Receivables and loans written off	**(5,400)**	(1,480)
Recovery of receivables and loans previously provided for	**(441)**	(681)
Carrying amount at end of the year	**18,782**	18,366

11. NON-CURRENT ASSETS – PLANT AND EQUIPMENT

	Plant and equipment $'000
Year ended 30 June 2013	
Opening net book amount	5,082
Additions through business combinations	98
Additions	996
Disposals	(185)
Depreciation	(1,692)
Exchange differences	15
Closing net book amount	4,314
At 30 June 2013	
Cost or fair value	11,861
Accumulated depreciation	(7,547)
Net book amount	4,314
Year ended 30 June 2014	
Opening net book amount	**4,314**
Additions through business combinations	**1,916**
Additions	**1,664**
Disposals	**(67)**
Depreciation	**(1,762)**
Exchange differences	**13**
Closing net book amount	**6,078**
At 30 June 2014	
Cost or fair value	**15,769**
Accumulated depreciation	**(9,691)**
Net book amount	**6,078**

12. NON-CURRENT ASSETS – DEFERRED TAX ASSETS

	2014 $'000	2013 $'000
The balance comprises temporary differences attributable to:		
Amounts recognised in income statements		
Provision for doubtful debts	**5,256**	5,197
Provision for employee entitlements	**2,455**	2,433
Other provisions	**2,424**	2,567
Other	**866**	1,014
	11,001	11,211
Amounts recognised in other comprehensive income		
Cash flow hedge reserve	**1,055**	1,107
Total deferred tax assets	**12,056**	12,318
Deferred tax assets expected to be recovered within 12 months	**3,617**	6,706
Deferred tax assets expected to be recovered after more than 12 months	**8,439**	5,612
	12,056	12,318
Movements		
At 1 July	**12,318**	9,469
Credited to income statement	**(2,030)**	(607)
Recognised in other comprehensive income	**(53)**	767
Additions through business combinations	**1,821**	2,689
At 30 June	**12,056**	12,318

13. NON-CURRENT ASSETS – GOODWILL

	2014 $'000	2013 $'000
(a) Carrying value		
Opening balance	**100,936**	88,737
Additions or fair value adjustments through business combinations		
• acquisition of subsidiaries (note 27 (a) (b) (c))	**35,321**	12,947
• Once Credit (fair value adjustment, note 27)	**(246)**	–
• Lombard (fair value adjustment)	**–**	(748)
Impairment[1]	**(1,921)**	–
Net carrying value	**134,090**	100,936

(1) Impairment arose in the Consumer and SME segment following a strategic assessment of the Paymate business. This was recognised as a separate CGU and was fully impaired in 2014. No further disclosures have been made on this separate CGU.

(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:

	2014 $'000	2013 $'000
Consumer & SME	**74,030**	52,080
No interest ever	**29,717**	29,717
Interest free cards	**18,894**	19,139
New Zealand	**1,580**	–
Think Office Technology	**9,869**	–
	134,090	100,936

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 2015 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 2014 are:

Assumption	How determined
Forecast revenues and expenses	Forecast revenues and expenses beyond the 2015 financial year budget period have been extrapolated using declining growth rates such that the long-term terminal growth rates are as follows: • Consumer and SME – 2% (2013: 2%) • No interest ever – 3% (2013: 3%) • Interest free cards – 3% (2013: 3%) • New Zealand – 3% (2013: n/a) • Think Office Technology(1) – 3% (2013: n/a) (1) The weighted average revenue growth rate (CAGR) applied in the 5 year forecast model is 6%.
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 2014, 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 – 15.7% (2013: 13.9%) • No Interest Ever – 12.6% (2013: 12.6 %) • Interest free cards – 13.0% (2013: 12.7%) • New Zealand – 12.7% (2013: n/a) • Think Office Technology – 20.5% (2013: n/a)

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 2014.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14. NON-CURRENT ASSETS – OTHER INTANGIBLE ASSETS

	IT development & software $'000	Merchant & customer relationships and other rights $'000	Non-compete agreements $'000	Brand name $'000	Total $'000
At 1 July 2012	17,219	2,979	–	–	20,198
Additions	5,388	–	–	–	5,388
Additions and changes in fair value through business combinations	1,210	1,069	1,596	–	3,875
Disposals	(179)	–	–	–	(179)
Amortisation	(5,876)	(1,864)	–	–	(7,740)
Exchange differences	16	–	–	–	16
At 30 June 2013	17,778	2,184	1,596	–	21,558
At 1 July 2013	**17,778**	**2,184**	**1,596**	**–**	**21,558**
Additions	**16,112**	**–**	**–**	**–**	**16,112**
Additions and changes in fair value through business combinations	**(1,078)**	**10,087**	**–**	**489**	**9,498**
Disposals	**(744)**	**–**	**–**	**–**	**(744)**
Amortisation	**(5,398)**	**(2,322)**	**(456)**	**(50)**	**(8,226)**
Impairment[(1)]	**(10,530)**	**–**	**–**	**–**	**(10,530)**
Exchange differences	**12**	**–**	**–**	**–**	**12**
At 30 June 2014	**16,152**	**9,949**	**1,140**	**439**	**27,680**

(1) Impairment arose following the Group's strategic assessment of its IT development and software assets which was recognised as an impairment expense for the year ended 30 June 2014.

15. CURRENT LIABILITIES – PAYABLES

	2014 $'000	2013 $'000
Trade payables	**44,333**	35,314
Other payables	**175**	587
	44,508	35,901

16. CURRENT AND NON-CURRENT LIABILITIES – PROVISIONS

	2014		2013	
	Current $'000	Non-current $'000	Current $'000	Non-current $'000
Employee benefits[(2)]	**4,196**	**746**	3,449	659
Protect plan	**493**	**–**	484	–
	4,689	**746**	3,933	659
Movement in provisions, other than employee benefits are set out below:				
Protect plan provision				
Carrying amount at beginning of the year	**484**	**–**	478	–
Movement in provision	**9**	**–**	6	–
Carrying amount at end of the year	**493**	**–**	484	–

(2) The provision for employee benefits relates to the Group's liability for annual and long service leave.

17. CURRENT AND NON-CURRENT LIABILITIES – BORROWINGS

	2014		2013	
	Current $'000	Non-current $'000	Current $'000	Non-current $'000
Secured				
Corporate debt	**–**	**45,000**	25,000	–
Secured loans	**695,441**	**418,368**	584,914	423,451
Total secured current borrowings	**695,441**	**463,368**	609,914	423,451
Loss reserve	**(15,016)**	**(11,172)**	(27,921)	(15,199)
	680,425	**452,196**	581,993	408,252

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.

Financing arrangements

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

	2014 $'000	2013 $'000
Total loan facilities available	**1,711,627**	1,447,381
Loan facilities used at balance date	**(1,158,809)**	(1,033,365)
Loan facilities unused at balance date	**552,818**	414,016

18. NON-CURRENT LIABILITIES – DEFERRED TAX LIABILITIES

	2014 $'000	2013 $'000
The balance comprises temporary differences attributable to:		
Amounts recognised in income statements		
Difference between lease principal to be returned as assessable income and depreciation on leased assets to be claimed as a tax deduction	**34,780**	32,733
Initial direct transaction costs	**10,009**	10,564
Other intangible assets	**2,931**	448
	47,720	43,745
Deferred tax liabilities expected to be settled within 12 months	**14,316**	14,582
Deferred tax liabilities expected to be settled after more than 12 months	**33,404**	29,163
	47,720	43,745
Movements		
At 1 July	**43,745**	38,436
Charged to income statement	**934**	4,988
Additions through business combinations	**3,041**	321
At 30 June	**47,720**	43,745

19. NON-CURRENT LIABILITIES – DERIVATIVE FINANCIAL INSTRUMENTS

	2014 $'000	2013 $'000
Interest rate swaps	**3,741**	3,928

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 26. 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.

20. CONTRIBUTED EQUITY

	Parent entity	
	2014 Shares	2013 Shares
(a) Share capital		
Ordinary Shares – fully paid	**303,873,857**	301,127,691

(b) Movement in ordinary share capital

	Number of shares ('000)	$'000
1 July 2012	**280,154**	**88,143**
31 August 2012 – Issue of shares to employees from treasury shares	2,373	2,482
13 September 2012 – Issue of shares to executives under FlexiGroup Long Term Incentive Plan	1,212	890
8 October 2012 – Issue of shares to executives under FlexiGroup Long Term Incentive Plan	2,236	5,016
3 December 2012 – Issue of shares to executives under FlexiGroup Long Term Incentive Plan	263	787
3 December 2012– Issue of shares to employees from treasury shares	484	886
21 February 2013 – Issue of shares to executives under FlexiGroup Long Term Incentive plan	220	280
13 May 2013 – Equity raised through Institutional Placement for Once Credit acquisition	400	690
Capital raising costs on Institutional Placement and Share Purchase Plan	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
30 June 2013	**301,128**	**153,108**
1 July 2013	**301,128**	**153,108**
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
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
Expired prior-period options	–	1,122
30 June 2014	**303,874**	**161,193**

(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 and performance rights

Information relating to the FlexiGroup Employee Options and Performance Rights Plan, including details of options and performance rights exercised and lapsed during the financial year and options and performance rights outstanding at the end of the financial year, is set out in note 25.

(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 25 for further information).

Movement in treasury shares	Number of shares ('000)	$'000
1 July 2012	**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)
30 June 2013	**528**	**2,199**
1 July 2013	**528**	**2,199**
1 September 2013 – Transfer of shares to ordinary shares	(161)	(181)
29 November 2013 – Issue of shares to employees from treasury shares	(145)	(245)
Transfer to share capital	–	(1,773)
30 June 2014	**222**	**–**

(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 and disposal of assets.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

21. RESERVES AND RETAINED EARNINGS

	2014 $'000	2013 $'000
(a) Reserves		
Share-based payment reserve	**561**	(70)
Foreign currency translation reserve	**4,184**	872
Cash flow hedge reserve	**(2,681)**	(2,818)
Share capital reserve	**310**	2,593
	2,374	577
Movements:		
Share-based payments reserve		
Balance at 1 July	**(70)**	2,213
Transfer to share capital	**(5,492)**	(7,359)
Share-based payments expense	**6,923**	5,076
Other changes	**(800)**	–
Balance at 30 June	**561**	(70)
Movements:		
Foreign currency translation reserve		
Balance at 1 July	**872**	(1,355)
Other comprehensive income	**3,312**	2,227
Balance at 30 June	**4,184**	872
Movements:		
Share capital reserve		
Balance at 1 July	**2,593**	–
For issue through business combinations (note 27)	**310**	2,593
Transfer to share capital	**(2,593)**	–
Balance at 30 June	**310**	2,593
Movements:		
Cash flow hedge reserve		
Balance at 1 July	**(2,818)**	(2,100)
Other comprehensive income	**137**	(718)
Balance at 30 June	**(2,681)**	(2,818)
(b) Retained earnings		
Movements in retained profits were as follows:		
Balance at 1 July	**210,900**	183,852
Net profit for the year	**57,563**	65,836
Dividends	**(47,081)**	(38,788)
Balance at 30 June	**221,382**	210,900

(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(o). Amounts are reclassified to profit or loss when the associated hedge transaction affects profit or loss.

(iv) Share capital reserve

The share capital reserve relating to the Group's obligation on a non-compete arrangement entered into with former employees was settled in shares on 13 August 2013. As part of the acquisition of Queensland Print Holdings Pty Limited (trading as Think Office Technology), a portion of the purchase consideration is a contingent amount to be settled in equity if the stated performance hurdles are met.

22. DIVIDENDS

	Parent entity	
	2014 $'000	2013 $'000
Final dividends paid		
2013 final dividend paid on 18 October 2013: 7.5 cents (2012 final dividend paid on 13 October 2012: 6.5 cents) per ordinary share franked to 100%	**22,753**	18,637
Interim dividends paid		
2014 8 cents (2013: 7 cents) per ordinary share franked to 100%	**24,328**	20,151
Total dividends paid[(1)]	**47,081**	38,788
Final dividends proposed but not recognised at year end		
2014 8.5 cents (2013: 8 cents) per ordinary share franked to 100%	**25,848**	22,624

Franked dividends

The franked dividends recommended after 30 June 2014 will be franked out of existing franking credits, or out of franking credits arising from the payment of income tax in the year ending 30 June 2015.

	Consolidated		Parent entity	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Franking credits available for subsequent financial years based on a tax rate of 30% (2013: 30%)	**10,516**	8,647	**10,516**	8,647

The above amounts are calculated from the balance of the franking account as at the end of the reporting period, adjusted for franking credits and debits that will arise from the settlement of liabilities or receivables for income tax and dividends after the end of the year. The consolidated amounts include franking credits that would be available to the parent entity if distributable profits of subsidiaries were paid as dividends.

(1) All dividends are franked at a tax rate of 30%.

23. EARNINGS PER SHARE

	2014 Cents	2013 Cents
a. Earnings per share		
Total basic earnings per share attributable to the ordinary equity holders of the Company	**19.0**	22.9
Total diluted earnings per share attributable to the ordinary equity holders of the Company	**18.9**	22.7

	2014 $'000	2013 $'000
b. Reconciliation of earnings used in calculating earnings per share		
Basic earnings per share		
Profit attributable to the ordinary equity shareholders of the Company used in calculating:		
– basic earnings per share	**57,563**	65,836
– diluted earnings per share	**57,563**	65,836

	2014 Number	2013 Number
c. Weighted average number of ordinary shares		
Weighted average number of ordinary shares used in calculation of basic earnings per share	**303,221,676**	287,241,795
Add: potential ordinary shares considered dilutive	**752,041**	2,546,526
Weighted average number of ordinary shares used in calculating diluted earnings per share	**303,973,717**	289,788,321

Information concerning the classification of securities

Options

Options and performance rights granted to employees under the FlexiGroup Long Term Incentive Plan 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 and performance rights have not been included in the determination of basic earnings per share. Details relating to the options and performance rights are set out in note 25.

24. RECONCILIATION OF PROFIT AFTER INCOME TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2014 $'000	2013 $'000
Net profit for the year after tax	**57,563**	65,836
Receivables and loan impairment expenses	**34,125**	27,131
Depreciation and amortisation	**9,988**	9,432
Impairment of goodwill and other intangible assets	**12,451**	–
Share-based payments	**6,923**	5,076
Exchange differences	**263**	(59)
Other non-cash movements	**963**	(143)
Net cash inflows from operating activities before changes in assets and liabilities	**122,276**	107,273
Change in operating assets and liabilities:		
Decrease/(increase) in other receivables	**1,193**	(7,625)
Increase/(decrease) in payables	**2,845**	(6,578)
(Increase)/decrease in inventories	**(778)**	8
Decrease in current tax liabilities	**(4,178)**	(1,735)
Increase in deferred tax liabilities	**934**	5,310
Decrease in deferred tax assets	**2,033**	148
Net cash inflows from operating activities	**124,325**	96,801

25. 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.

25. SHARE-BASED PAYMENTS (CONTINUED)

The table below shows options and performance rights granted under the plan:

Consolidated and parent entity – 2014

Grant date	Expiry date	Exercise price	Balance at start of the period	Granted during the period	Exercised during the period	Forfeited during the period	Balance at end of the period	Vested and exercisable at the end of the period
			Number	Number	Number	Number	Number	Number
8/12/06	31/12/11 31/12/12	$1.98[1]	2,727,895[1]	–	–	(2,727,895)[1]	–	–
2/10/07	31/12/11 31/12/12	$2.47[1]	78,058[1]	–	–	(78,058)[1]	–	–
15/9/10	31/12/14	$0.00	1,080,000	–	(1,080,000)	–	–	–
15/9/10	15/9/17	$0.00	161,250	–	(161,250)	–	–	–
8/6/11	8/6/18	$0.00	144,250	–	(144,250)	–	–	–
14/6/11	31/12/14 31/12/15 31/12/16	$0.00	569,832	–	(368,162)	(125,000)	76,670	–
14/6/11	31/12/16	$2.11	2,534,000	–	–	(1,230,000)	1,304,000	–
5/8/11	31/12/14 31/12/15 31/12/16	$0.00	240,501	–	(215,503)	–	24,998	–
19/3/12	31/12/15 31/12/16	$0.00	100,000	–	(100,000)	–	–	
19/3/12	31/12/16	$2.18	150,000	–	–	–	150,000	50,000
23/4/12	31/12/15	$0.00	27,000	–	(27,000)	–	–	–
23/4/12	31/12/16	$2.27	20,000	–	–	–	20,000	–
10/8/12	31/3/16	$3.05	1,451,000	–	–	(480,000)	971,000	–
21/1/13	31/12/20	$3.57	3,000,000	–	–	(3,000,000)[2]	–	–
21/1/13	31/3/17	$0.00	600,000	–	–	(600,000)[2]	–	–
2/4/13	31/12/20	$3.99	300,000	–	–	(300,000)[2]	–	–
17/6/13	31/12/20	$4.29	1,000,000	–	–	(1,000,000)[2]	–	–
Total			**14,183,786**	**–**	**(2,096,165)**	**(9,540,953)**	**2,546,668**	**50,000**
Weighted average exercise price			**$2.32**				**$2.39**	

(1) Expired prior period options adjusted in share capital.
(2) Relates to cancelled share based payment instruments.

The weighted average share price at the date of exercise of options and performance rights exercised during the year ended 30 June 2014 was $4.27 (2013: $3.24).

The weighted average remaining contractual life of share options and performance rights outstanding at the end of the year was 1.5 years (2013: 3.5 years).

Consolidated and parent entity – 2013

Grant date	Expiry date	Exercise price	Balance at start of the period	Granted during the period	Exercised during the period	Forfeited during the period	Balance at end of the period	Vested and exercisable at the end of the period
			Number	Number	Number	Number	Number	Number
8/12/06	31/12/11 31/12/12	$1.98[1]	9,579,233	–	(6,851,338)	–	2,727,895[1]	–
31/8/07	31/12/12 31/12/13	$2.51[1]	203,947	–	(203,947)	–	–	–
2/10/07	31/12/11 31/12/12	$2.47[1]	137,058	–	(59,000)	–	78,058[1]	–
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	–	–
15/9/10	31/12/14	$0.00	2,710,000		(1,750,000)	120,000	1,080,000	–
15/9/10	15/9/17	$0.00	427,500	–	(287,500)	21,250	161,250	–
8/6/11	8/6/18	$0.00	364,000	–	(143,000)	(76,750)	144,250	–
14/6/11	31/12/14 31/12/15 31/12/16	$0.00	1,171,500	–	(283,667)	(318,001)	569,832	–
14/6/11	31/12/16	$2.11	2,535,500	–	–	(1,500)	2,534,000	–
5/8/11	31/12/14 31/12/15 31/12/16	$0.00	733,000	–	(204,999)	(287,500)	240,501	–
5/8/11	31/12/16	$1.86	600,000	–	–	(600,000)	–	–
5/8/11	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)[2]	(1,285,944)	–	–
19/3/12	31/12/15 31/12/16	$0.00	125,000	–	(25,000)	–	100,000	–
19/3/12	31/12/16	$2.18	150,000	–	–	–	150,000	–
23/4/12	31/12/15	$0.00	27,000	–	–	–	27,000	–
23/4/12	31/12/16	$2.27	20,000	–	–	–	20,000	–
10/08/12	31/03/16	$3.05	–	1,646,000	–	(195,000)	1,451,000	–
21/01/13	31/12/20	$3.57	–	3,000,000	–	–	3,000,000	–
21/01/13	31/03/17	$0.00	–	600,000	–	–	600,000	–
2/04/13	31/12/20	$3.99	–	300,000	–	–	300,000	–
17/06/13	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**			**$2.32**	

(1) There were 2,805,953 expired options at 30 June 2013.

(2) 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.

25. SHARE-BASED PAYMENTS (CONTINUED)

Fair value of options and performance rights

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.

There were no issues of equity instruments during the year ended 30 June 2014.

Shares provided on exercise of remuneration options and performance rights

1,790,666 ordinary shares in the Company were issued as a result of the exercise of any remuneration options and performance rights.

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 2014.

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 are provided in the Corporate Governance Statement.

Employee gift offer

There were no employee gift offers in the year ended 30 June 2014 (2013: nil).

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:

	2014 $	2013 $
Options and performance rights issued under LTIP	**6,923,429**	5,075,698

26. FINANCIAL RISK MANAGEMENT

Overview

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'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 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.

Market risk

Market risk is the risk of an adverse impact on Group earnings resulting from changes in market factors, such as interest rates and foreign exchange rates, commodity prices and equity prices.

a. 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 receivables and customer loans 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 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 into interest rate swaps, whereby the Group pays fixed rate and receives floating rate.

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 2014 nil amounts were reclassified into profit or loss (2013 – $50,000) and included in interest expenses. There was no hedge ineffectiveness in the current or prior year.

At the end of the reporting period, the Group had the following variable rate borrowings outstanding:

	2014		2013	
	Weighted average interest rate %	$'000	Weighted average interest rate %	$'000
Floating rate borrowings	**4.7%**	**976,996**	5.2%	867,336
Interest rate swaps (notional principal amount)	**3.2%**	**(797,393)**	3.4%	(686,256)
Unhedged variable borrowings		**179,603**		181,080

26. FINANCIAL RISK MANAGEMENT (CONTINUED)

A sensitivity level of +/-100 basis point change is determined considering the range of interest rates applicable to the following variable rate financial assets and financial liabilities in the Group:

	2014 $'000	2013 $'000
Cash and cash equivalents	**106,608**	122,750
Loss reserve on borrowings	**26,188**	43,120
Floating rate borrowings	**976,996**	867,336
Interest rate swaps (notional principal amount)	**797,393**	686,256

(1) Based on the variable rate financial assets and financial liabilities held at 30 June 2014, if interest rates had changed by, +/- 100 basis point from the year-end rates with all other variables held constant, the impact on the Group's after-tax profits and equity on above exposures would have been $1,502,000 lower/$1,441,000 higher (2013: $1,087,000 lower /$1,011,000 higher).

Cash flow hedges

The Group hedges a portion of the variability in future cash flows attributable to the interest rate risk on floating rate borrowings 82% (2013 – 79%) using derivatives such as interest rate swaps.

There were no forecast transactions for which cash flow hedge accounting had to be ceased as a result of the forecast transaction no longer being expected to occur in the current or prior period.

b. Foreign exchange risk

Foreign exchange risk results from an impact on the Group's profit after tax and equity from movements in foreign exchange rates.

Changes in value would occur in respect of translating the Group's capital invested in overseas operations into Australian dollars at reporting date (translation risk).

The Group does not hedge the capital invested in the overseas operations, thereby accepting the foreign currency translation risk on invested capital.

The Parent entity for 2014 and 2013 had no exposures to interest rate risk and foreign exchange risk.

c. 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 bureaus 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 applies 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
30 June 2014		
Unimpaired past due loans and receivables		
Past due under 30 days	**40,711**	**78,134**
Past due 30 days to under 60 days	**10,734**	**18,913**
Past due 60 days to under 90 days	**5,549**	**8,423**
Past due 90 days and over	**6,445**	**3,421**
Total unimpaired past due loans and receivables	**63,439**	**108,891**
Total unimpaired loans and receivables(1)	**656,163**	**1,329,486**
Unimpaired past due as a percentage of total unimpaired loans and receivables		**8.2%**
Unimpaired past due 30 days and over as a percentage of total unimpaired loans and receivables		**2.3%**
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	639,127	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%

(1) This excludes unamortised initial direct transactions costs and gross of provision for doubtful debts.

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 FlexiEnterprise portfolio). At 30 June 2014, 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 (2013: 120 and 180 days past due) depending on the portfolio.

d. Liquidity risk

Liquidity risk is the risk that the Group cannot meet its financial liabilities or take advantage of investment opportunities at a reasonable cost in a timely manner. Treasury is responsible for ensuring that the Group has continuous access to funds in accordance with policies established and monitored by the Board.

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.

26. FINANCIAL RISK MANAGEMENT (CONTINUED)

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 17.

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

For the current year, the Group raised funding of $525m through the asset-backed securitisation program and proceeds from its operating cash flows.

For the year ending 30 June 2015, the Group has sufficient unused facilities to fund its growth and will continue to raise funding through the asset-backed securitisation program.

Contractual maturity of financial liabilities on an undiscounted basis

The table below shows cashflows associated with financial liabilities including derivative financial liabilities within relevant maturity Groupings based on the earliest date in which the Group may be required to pay.

The balances in the table will not agree to amounts presented in the balance sheet as amounts incorporate net cashflows on an undiscounted basis and include both principal and associated future interest payments.

It should be noted this is not how the Group manages its liquidity risk, which is detailed above.

	Less than 1 year $'000	1 to 2 years $'000	2 to 5 years $'000	5 years plus $'000	Total $'000
At 30 June 2014					
Non-derivative financial liabilities					
Payables	**44,508**	**–**	**–**	**–**	**44,508**
Borrowings	**742,875**	**284,764**	**193,585**	**–**	**1,221,224**
Derivative financial instruments					
Interest rate swaps	**2,759**	**1,126**	**89**	**–**	**3,974**
Total undiscounted financial liabilities	**790,142**	**285,890**	**193,674**	**–**	**1,269,706**
At 30 June 2013					
Non-derivative financial liabilities					
Payables	35,901	–	–	–	35,901
Borrowings	649,527	324,688	116,502	–	1,090,717
Derivative financial instruments					
Interest rate swaps	2,968	1,077	84	–	4,129
Total undiscounted financial liabilities	688,396	325,765	116,586	–	1,130,747

e. Fair value of financial assets and financial liabilities

Fair value reflects the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Quoted prices or rates are used to determine fair value where an active market exists. If the market for a financial instrument is not active, fair values are estimated using present value or other valuation techniques, using inputs based on market conditions prevailing on the measurement date.

Financial instruments measured at fair value are categorised under a three level hierarchy as outlined below:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Group has assessed its financial instruments recorded at fair value and concluded that all of them are categorised as Level 2.

The table below summarises the carrying amount and fair value of financial assets and financial liabilities held at amortised cost. The methodology and assumptions used in determining fair values are as follows:

Cash and cash equivalents

The carrying amount of cash and cash equivalents is an approximation of fair value as they are short term in nature or are receivable on demand.

Receivables and customer loans

The fair value of lease receivables and customer loans are estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group. The nominal value (including unamortised initial direct transaction costs) less estimated credit adjustments of lease receivables and customer loans are assumed to approximate their fair values.

Payables

The carrying amount of payables is an approximation of fair values as they are short term in nature.

Borrowings

The fair value of borrowings is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group.

	Note	Carrying amount $'000	Fair value $'000
2014			
Financial assets			
Cash and cash equivalents	**7**	**106,608**	**106,608**
Receivables	**9**	**692,979**	**692,979**
Customer loans	**10**	**654,299**	**654,299**
Financial liabilities			
Payables	**15**	**44,508**	**44,508**
Borrowings(1)			
– Floating interest rate(1)		**977,528**	**977,528**
– Fixed interest rate		**181,281**	**185,308**
Total borrowings before loss reserves	**17**	**1,158,809**	**1,162,836**
2013			
Financial assets			
Cash and cash equivalents	7	122,750	122,750
Receivables	9	590,879	590,879
Customer loans	10	601,898	601,898
Financial liabilities			
Payables	15	35,901	35,901
Borrowings(1)			
– Fixed interest rate		166,029	167,586
– Floating interest rate		867,336	867,336
Total borrowings before loss reserves	17	1,033,365	1,034,922

(1) Refer Note 26(a) for further information on how the Group manages its interest rate risk.

Fair value hierarchy

The fair value hierarchy is determined by reference to observability of inputs into the fair value models.

Receivables and customer loans

Unobservable inputs such as historic and current product margins are considered to determine the fair value. These are classified as level 3.

Borrowings

These are classified as level 2 as the inputs into the fair value models used to determine fair value are observable.

Other financial assets and financial liabilities are classified as Level 1.

27. BUSINESS COMBINATION

Acquisition 2014

(a) Summary of acquisition – RentSmart

On 31 January 2014 the Group completed the acquisition of 100% of the issued share capital of the entities making up the Australian and New Zealand operations of ThinkSmart Limited (RentSmart ANZ). RentSmart is a Consumer and SME leasing provider, which expands the distribution network of the Group's existing business. Details of the purchase consideration, the net assets acquired and goodwill are as follows:

Purchase consideration	$'000
Cash paid	42,375
	42,375

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

	Carrying value $'000	Provisional fair value[1] $'000
Cash and cash equivalents	13,676	13,676
Receivables	46,964	41,535
Other assets	222	114
Plant and equipment	432	–
Other intangible assets	4,216	–
Deferred tax assets	1,545	2,006
Trade and other payables	(3,393)	(3,485)
Loans and borrowings	(36,592)	(36,592)
Deferred tax liabilities	(479)	(514)
Net carrying value	26,591	16,740
Consideration		42,375
Goodwill and intangible assets recognised		25,635
Comprising:		
– Goodwill		23,872
– Merchant relationships		1,713
– IT Software		50
		25,635

(1) The initial accounting of the acquisition of RentSmart is stated on a provisional basis due to finalisation of tax values associated with this acquisition.

The acquired business contributed total portfolio income of $4,549,000 and net profit after tax of $666,000 to the Group from 31 January 2014 to 30 June 2014. If the acquisition had occurred on 1 July 2013, total portfolio income and profit at June 2014 would have been $11,345,000 and $349,000 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 2013, together with the consequential tax effects.

Purchase Consideration – Cash Outflow	2014 $'000
Outflow of cash to acquire business, net of cash acquired	
Cash consideration	(42,375)
Less: Balances acquired	
Cash and cash equivalents	13,676
Outflow of cash – Investing activities	28,699

Acquisition related costs of $2,728,000 are included in other expenses in the income statement and in operating cash flows in the statement of cash flows.

(b) Summary of acquisition – Queensland Print Holdings Pty Limited (trading as Think Office Technology ('TOT'))

On 12 March 2014 the Group completed the acquisition of 100% of the issued share capital of Queensland Print Holdings Pty Limited, a photocopier and equipment finance specialist. Details of the purchase consideration, the net assets acquired and goodwill are as follows:

Purchase consideration	$'000
Cash paid	6,000
Deferred and contingent consideration[1]	8,960
	14,960

(1) Included in this amount is a contingent consideration of $310,000 to be equity settled which has been disclosed in Note 21 under Share capital reserve. Part of the purchase consideration is contingent upon TOT management meeting certain performance hurdles over a period covering financial years commencing on date of acquisition and ending on 30 June 2017. The contingent consideration is payable in both cash and fully paid equity instruments. The performance hurdles are based on TOT's contribution to Cash NPAT and an appropriate return on any amounts invested by FlexiGroup. In calculating the value of the contingent consideration, we have assumed a probability of achievement ranging between 50% to 80% over the relevant performance periods. The outcomes have not been probability weighted and are largely dependent on strategic initiatives that TOT management will put in place. The maximum amounts that are payable on the arrangements are a cash settlement of $5m and 200,000 fully paid FlexiGroup equity instruments. The contingent consideration included above is $3.3m at 30 June 2014.

	Carrying value $'000	Provisional fair value[2] $'000
Cash and cash equivalents	1,200	1,200
Receivables	1,892	1,842
Inventories	1,548	1,548
Other assets	15	15
Plant and equipment	2,014	2,014
Goodwill	8,678	–
Trade and other payables	(4,021)	(4,021)
Borrowings	(2,189)	(2,189)
Deferred tax liabilities	–	(1,784)
Net carrying value	9,137	(1,375)
Consideration		14,960
Goodwill and intangible assets recognised		16,335
Comprising:		
– Goodwill		9,869
– Merchant relationships and supplier agreements		5,947
– IT Software		82
– Brand name		437
		16,335

(2) The initial accounting of the acquisition of TOT is stated on a provisional basis due to finalisation of tax values associated with this acquisition.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

27. BUSINESS COMBINATION (CONTINUED)

The acquired business contributed total portfolio income of $6,020,000 and net profit after tax of $900,000 to the Group from 13 March 2014 to 30 June 2014. If the acquisition had occurred on 1 July 2013, net portfolio income and profit at June 2014 would have been $14,570,000 and $2,756,000 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 2013, together with the consequential tax effects.

Purchase Consideration – Cash Outflow	2014 $'000
Outflow of cash to acquire business, net of cash acquired	
Cash consideration	(6,000)
Less: Balances acquired	
Cash and cash equivalents	1,200
Outflow of cash – Investing activities	4,800

Acquisition related costs of $638,000 are included in other expenses in the income statement and in operating cash flows in the statement of cash flows.

(c) The Group also acquired certain assets and the business of Equico Limited, a New Zealand based leasing company on 21 March 2014. The purchase consideration consisted of an outright cash payment of $4,518,000. The consideration resulted in a goodwill amount of $1,580,000 being recognised.

Acquisition 2013

(d) 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 acquired business contributed total 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.

Changes to provisional fair value – Once Credit Pty Limited	$'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 liabilities	743
Merchant relationships	(2,427)
Brand name	(50)
Final goodwill balance at 30 June 2014	12,701

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

28. LEASE COMMITMENTS

	2014 $'000	2013 $'000
Lease commitments for property, plant and equipment		
Operating leases are entered into to meet the business needs of the entities in the Group. Leases are for premises and plant and equipment. Lease rentals are determined in accordance with market conditions when leases are entered into or on rental review dates.		
Non-cancellable operating leases contracted for but not capitalised in the financial statements due:		
– within one year	**4,211**	2,981
– later than one year but not later than five years	**6,987**	1,310
	11,198	4,291
Sub-lease payments		
Future minimum lease payments expected to be received in relation to non-cancellable sub-leases of operating leases	**–**	536

FlexiGroup entered into a call centre service agreement, where the Group will receive call centre services for an initial period of 3 years. At 30 June 2014, the minimum future commitment on this agreement was approximately $1.8 million. Additionally, in the normal course of the business at 30 June 2014 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.

29. CONTINGENT LIABILITIES

There are no material contingent liabilities at the date of this report (2013: $nil).

30. GROUP ENTITIES

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

Entity name	Country of incorporation	Footnote	Percentage of shares held 2014	Percentage of shares held 2013
FlexiGroup SubCo Pty Limited	Australia	(2)	**100%**	100%
Flexirent Holdings Pty Limited	Australia	(2)	**100%**	100%
Flexirent Capital Pty Limited	Australia	(2)	**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	(2)	**100%**	100%
Flexirent SPV No 6 Pty Limited	Australia		**100%**	100%
Subfinco Pty Limited	Australia		**100%**	100%
Certegy Ezi-Pay Pty Ltd	Australia	(2)	**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%

Entity name	Country of incorporation	Footnote	Percentage of shares held	
			2014	2013
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	(2)	**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%**	100%
Flexi ABS Trust 2012-1	Australia		**100%**	100%
Flexi LCAL Warehouse Trust	Australia		**100%**	100%
Once Credit Pty Limited	Australia	(2)	**100%**	100%
Lighthouse Warehouse Trust No.9	Australia		**100%**	100%
Flexirent SPV No 8 Pty Limited	Australia		**100%**	100%
Flexi ABS Trust 2013-1	Australia		**100%**	100%
RentSmart Unit Trust	Australia	(1)	**100%**	–
RentSmart Pty Limited	Australia	(1) (2)	**100%**	–
SmartCheck Pty Limited	Australia	(1) (2)	**100%**	–
RentSmart Finance Limited	Australia	(1) (2)	**100%**	–
RentSmart Servicing Pty Limited	Australia	(1) (2)	**100%**	–
RentSmart Trust	Australia	(1)	**100%**	–
RentSmart (NZ) Pty Limited	New Zealand	(1)	**100%**	–
Queensland Print Holdings Pty Limited	Australia	(1)	**100%**	–
TOT CNE Pty Limited	Australia	(1) (2)	**100%**	–
TOT TSV Pty Limited	Australia	(1) (2)	**100%**	–
TOT MKY Pty Limited	Australia	(1) (2)	**100%**	–
TOT GNE Pty Limited	Australia	(1) (2)	**100%**	–
TOT SC Pty Limited	Australia	(1) (2)	**100%**	–
TOT TBA Pty Limited	Australia	(1) (2)	**100%**	–
ICT Finance Pty Limited	Australia	(1) (2)	**100%**	–
FlexiGroup NZ SPV 3 Limited	New Zealand		**100%**	–
Flexi ABS Trust 2014-1	Australia	(1)	**100%**	–

(1) Controlling interest acquired during the year ended 30 June 2014.

(2) These controlled entities have entered into a deed of cross guarantee (refer Note 34) with the Company pursuant to ASIC Class order 98/1418 dated 13 August 1998. These controlled entities and the Company form a closed group (closed group is defined as Group of entities comprising a holding entity and its related wholly owned entities). Relief was granted to these controlled entities from the *Corporations Act 2001* (Cth) requirements for preparation, audit and publication of an annual financial report.

31. 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	Executive Director
A Abercrombie	Non-Executive Director
R J Skippen	Non-Executive Director
R Dhawan	Non-Executive Director
A Ward	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	Chief Executive Officer
D Stevens	Chief Financial Officer
R May	General Manager – Certegy
A Roberts	General Manager – Enterprise
N Lindner	General Manager – Consumer and SME
P Lirantzis (effective 1 July 2013)	Chief Information and Operations Officer

c. Key management personnel compensation

	2014 $	2013 $
Short-term employee benefits	**4,421,601**	4,356,106
Post-employment benefits	**195,818**	213,734
Long-term benefits	**18,267**	11,449
Share-based payments	**1,448,374**	2,224,161
Total earnings(1)	**6,084,060**	6,805,450
Share-based payments cancellation	**4,761,972**	–
Total	**10,846,032**	6,805,450

(1) Total earnings represent total KMP compensation excluding share based payments cancellation. Accounting standards require that a cancellation of equity instruments be accounted for as an acceleration of vesting, therefore recognising immediately the amount that would otherwise have been recognised for services received over the remainder of the vesting period. The result of the cancellation is included as an expense in the income statement for accounting purposes but has been excluded from total earnings above on the basis that the amounts have not vested to the individuals.

Further remuneration disclosures are provided in sections A-E of the Remuneration Report on pages 11 to 26.

d. Other transactions with related parties

Rental of Melbourne premises

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.

	2014 $	2013 $
Rental of Melbourne premises	**162,302**	157,575

Loan to key management personnel

	2014 $'000	2013 $'000
Opening balance	**–**	–
Loan advanced	**800**	–
Interest charged	**26**	–
Loan forgiveness	**(826)**	–
Closing balance	**–**	–

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 is A$800,000 to be drawn once at commencement of the Loan;

(b) (Loan security) – the Loan is unsecured;

(c) (interest payable on Loan) - the Loan is interest bearing and interest accrues 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; and

(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. The loan, including interest was subsequently forgiven on 24 June 2014.

32. RELATED PARTY TRANSACTIONS

a. Parent entity

The parent entity of the Group is FlexiGroup Limited.

b. Subsidiaries

Interests in Group entities are set out in note 30.

Transactions with related parties

There were no transactions between the Group and related parties other than those disclosed in note 31(e).

33. 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.

	2014 $	2013 $
a. Audit and assurance services		
Audit Services		
PwC Australian firm:		
Audit and review of financial statements	**500,000**	550,762
Related practices of PwC Australian firm	**11,693**	11,453
Other assurance Services		
PwC Australian firm:		
Other assurance services including due diligence services	**411,763**	621,265
Total remuneration for audit and assurance services	**923,456**	1,183,480
b. Non-audit services		
Taxation services		
PwC Australian firm:		
Tax compliance and advice on transactions	**6,222**	5,800
Related practices of PwC Australian firm	**18,937**	–
Total remuneration for taxation services	**25,159**	5,800
Total remuneration for non-audit services	**25,159**	5,800
Total remuneration of PwC	**948,615**	1,189,280

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.

34. CLOSED GROUP

The table below presents the consolidated pro-forma income statement and balance sheet for the Company and controlled entities which are party to the deed of cross guarantee (referred to as a closed group). For further information refer Note 30, footnote (2).The effects of transactions between entities to the deed are eliminated in full in the consolidated income statement and balance sheet.

(a) Pro forma income statement

	2014 $'000	2013 $'000
Profit before income tax	**60,441**	44,282
Income tax expense	**(2,263)**	(338)
Net profit for the year	**58,178**	43,944

(b) Pro forma balance sheet

	2014 $'000	2013 $'000
Assets		
Current assets		
Cash and cash equivalents	**33,690**	39,127
Receivables and customer loans	**75,629**	51,407
Inventories	**2,042**	–
Total current assets	**111,361**	90,534
Non-current assets		
Receivables and customer loans	**59,285**	34,479
Plant and equipment	**5,768**	6,029
Deferred tax assets	**8,731**	6,111
Goodwill	**132,511**	86,884
Other intangible assets	**27,578**	17,110
Other financial assets	**92,358**	137,062
Total non-current assets	**326,231**	287,675
Total assets	**437,592**	378,209
Liabilities		
Current liabilities		
Payables	**39,939**	119,569
Borrowings	**93,878**	28,160
Current tax liabilities	**8,521**	8,785
Provisions	**4,459**	3,378
Deferred and contingent consideration	**8,650**	–
Total current liabilities	**155,447**	159,892
Non-current liabilities		
Borrowings	**45,000**	–
Deferred tax liabilities	**35,683**	30,702
Provisions	**710**	567
Total non-current liabilities	**81,393**	31,269
Total liabilities	**236,840**	191,161
Net assets	**200,752**	187,048
Equity		
Contributed equity	**159,805**	155,541
Reserves	**866**	2,523
Retained profits	**40,081**	28,984
Total equity	**200,752**	187,048

35. PARENT ENTITY FINANCIAL INFORMATION

(a) Summary financial information

The parent entity financial information is presented as follows:

	2014 $'000	2013 $'000
Balance sheet		
Current assets	**134,383**	136,158
Total assets	**331,719**	329,033
Current liabilities	**(9,904)**	(10,104)
Total liabilities	**(9,904)**	(10,104)
Shareholders' equity		
Issued share capital	**563,081**	563,081
Share based payment reserve	**(10,083)**	(10,083)
Retained earnings	**(231,183)**	(234,069)
	321,815	318,929
Profit for the year	**49,967**	78,722
Total comprehensive income	**49,967**	78,722

(b) Guarantees entered into by the parent entity

Pursuant to Australian Securities and Investment Commission Class Order 98/1418 dated 13 August 1998, relief was granted to certain controlled entities (Note 30, footnote (2)) from the *Corporations Act 2001* (Cth) requirements for preparation, audit and publication of annual financial reports. It is a condition of the Class Order that the Company and each of the controlled entities enter into a deed of cross guarantee. The effect of the deed is that the Company guarantees to each creditor payment in full of any debt in the event of winding up of any of the controlled entities under certain provisions of the *Corporations Act 2001* (Cth).

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 2014 (2013: $nil).

36. SECURITISATION AND SPECIAL PURPOSE VEHICLES

The Group sells receivables and customer loans to securitisation vehicles through its asset-backed securitisation program and other special purpose vehicles . The securitisation and special purpose vehicles are controlled by the Group and are therefore consolidated as set out in Note 30. The Group may serve as a sponsor, server, liquidity provider, purchaser of notes and/or purchaser of residual interest units.

37. EVENTS OCCURRING AFTER THE REPORTING PERIOD

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

Directors' Declaration

In the Directors' opinion:

(a) the financial statements and notes set out on pages 33 to 84 are in accordance with the *Corporations Act 2001*, including:
    (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements;
    (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the financial year ended on that date;

(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 closed group identified in note 34 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 34.

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.

Chris Beare
Chairman

Sydney
6 August 2014

Independent Auditor's Report

pwc

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 2014, the income statement, 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 gives 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 is 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 Statements*, that the financial statements 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. Those 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 is 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 consolidated 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.

Independence

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

Auditor's opinion

In our opinion:

PricewaterhouseCoopers, ABN 52 780 433 757
Darling Park Tower 2, 201 Sussex Street, GPO BOX 2650, SYDNEY NSW 1171
T: +61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au

(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 2014 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*.

(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 in pages 11 to 26 of the directors' report for the year ended 30 June 2014. 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 2014 complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers
PricewaterhouseCoopers

SJ Smith
Partner

Sydney
6 August 2014

Shareholder Information

The shareholder information set out below was applicable as at 31 July 2014.

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	2,118	1,202,394	–	–
1,001 – 5,000	3,672	9,938,780	–	–
5,001 – 10,000	1,322	9,871,267	–	–
10,001 – 50,000	1,095	22,301,136	–	–
50,001 – 100,000	107	7,501,485		
100,001 and over	111	253,280,998	–	–
Total		**304,096,060**	**–**	**–**

There were 214 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	64,552,568	21.23
The Abercrombie Group Pty Ltd	57,258,977	18.83
JP Morgan Nominees Australia Limited	37,693,560	12.40
HSBC Custody Nominees (Australia) Limited	18,515,111	6.09
Citicorp Nominees Pty Limited	14,887,059	4.90
BNP Paribas Noms Pty Ltd	11,985,121	3.94
UBS Wealth Management Australia Nominees Pty Ltd	7,004,017	2.30
Behan Superannuation Pty Ltd	4,990,000	1.64
AMP Life Limited	3,254,950	1.07
Citicorp Nominees Pty Limited (Colonial First State Inv A/C)	3,128,481	1.03
Mr Brendan Charles Behan & Mrs Dawn Helen Behan	2,746,394	0.90
RBC Investor Services Australia Nominees Pty Limited	2,063,197	0.68
BNP Paribas Noms (NZ) Ltd	1,735,859	0.57
Margaret Jackson	1,122,643	0.37
National Nominees Pty Ltd	910,255	0.30
Graemar Nominees Pty Ltd	803,369	0.26
Mr John Letcher Hocking & Mrs Jeannette Anne Hocking	800,000	0.26
Marich Nominees Pty Ltd	713,000	0.23
UBS Nominees Pty Ltd	712,225	0.23
Sandhurst Trustees Ltd	621,574	0.20
Total	**235,498,360**	**77.44**

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	2,546,668	36

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	25.24
National Australia Bank Limited	15,243,348	5.01
Total	**92,008,599**	**30.25**

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.

Shareholder Notes

Shareholder Notes

Corporate Directory

Directors
Chris Beare (*Chairman*)
Tarek Robbiati (*Chief Executive Officer*)
Andrew Abercrombie
Rajeev Dhawan
R John Skippen
Anne Ward

Secretary
Matthew Beaman

Notice of Annual General Meeting
The Annual General Meeting of FlexiGroup Limited will be held at
Sofitel Sydney Wentworth
61–101 Phillip Street
Sydney NSW 2000

Principal registered office in Australia
Level 8, The Forum
201 Pacific Highway
St Leonards NSW 2065
Australia

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 Exchanges listing
FlexiGroup Limited shares are listed on the Australian Stock Exchange

Website
www.flexigroup.com.au