FLEXIGROUP LIMITED
ABN 75 122 574 583

Interim Report – For the half-year ended 31 December 2014

Contents

The interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the Annual Report for the year ended 30 June 2014 and any public announcements made by FlexiGroup Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Your directors present their report on the consolidated entity consisting of FlexiGroup Limited and the entities it controlled at the end of, or during, the half-year ended 31 December 2014.

Directors

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

Chris Beare (appointed on 1 July 2014) (Chairman)
Margaret Jackson (resigned on 23 July 2014)
Tarek Robbiati
Andrew Abercrombie
Rajeev Dhawan
R John Skippen
Anne Ward

Company Secretary

Matthew Beaman

OPERATING AND FINANCIAL REVIEW

The Board presents its December 2014 Interim Operating and Financial Review, which is designed to provide shareholders with a clear and concise overview of FlexiGroup's operations, financial position, business strategies and prospects for future financial years. The review 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.
- 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.
- Consumer and SME (Leases) which offers leasing products through key partners including major Australian retailers. The Consumer and SME business also includes Blink which offers mobile broadband services and Paymate, which offers online and mobile credit card payments without an expensive merchant facility issued by a bank, a secure website or gateway processor service.
- The New Zealand business offers leasing products primarily to small and medium sized businesses and was 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 was expanded in financial year 2014 through the acquisition of Think Office Technology ('TOT') which provides a full suite of office equipment, tailored print services, cloud computing solutions and traditional technology services throughout regional Queensland.

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.

Half Year ended 31 December Operating Results

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

	No Interest Ever		Interest Free Cards		Consumer &SME Leasing - Australia (Inc Ireland)		New Zealand Leasing		Enterprise		Group	
Summary of Results	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013
	$m	$m	**$m**	$m	**$m**	$m	**$m**	$m	**$m**	$m	**$m**	$m
Net portfolio income	**45.0**	41.6	**16.1**	15.2	**45.5**	43.8	**8.3**	6.7	**15.3**	11.8	**130.2**	119.1
Impairment losses on loans & receivables	**(6.7)**	(6.4)	**(3.5)**	(2.5)	**(8.1)**	(6.5)	**(0.3)**	(0.4)	**(1.5)**	(1.1)	**(20.1)**	(16.9)
Amortisation of acquired intangible assets	**-**	(0.3)	**(1.1)**	(0.6)	**(0.3)**	(0.1)	**-**	-	**(0.5)**	-	**(1.9)**	(1.0)
Operating expenses	**(14.6)**	(13.6)	**(4.2)**	(9.4)	**(20.2)**	(21.8)	**(3.6)**	(2.5)	**(10.3)**	(4.2)	**(52.9)**	(51.5)
Profit before tax	**23.7**	21.3	**7.3**	2.7	**16.9**	15.4	**4.4**	3.8	**3.0**	6.5	**55.3**	49.7
Income tax expense	**(7.1)**	(6.5)	**(2.6)**	(0.8)	**(5.0)**	(4.5)	**(1.2)**	(1.2)	**(0.9)**	(2.1)	**(16.8)**	(15.1)
Profit after tax	**16.6**	14.8	**4.7**	1.9	**11.9**	10.9	**3.2**	2.6	**2.1**	4.4	**38.5**	34.6
Adjustments for underlying profit (i)	**-**	0.3	**0.9**	3.2	**0.3**	0.9	**-**	-	**2.8**	-	**4.0**	4.4
Cash NPAT (ii)	**16.6**	15.1	**5.6**	5.1	**12.2**	11.8	**3.2**	2.6	**4.9**	4.4	**42.5**	39.0
Basic earnings per share (EPS) (cents)	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**12.7**	11.4
Cash earnings per share (Cash EPS) (cents)	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**13.9**	12.9
Volume ($)	**286**	262	**116**	95	**95**	93	**27**	19	**63**	68	**587**	537
Closing receivables	**476**	445	**218**	195	**317**	303	**72**	58	**262**	226	**1,345**	1,227

(i) *Cash NPAT reflects the reported net profit after tax adjusted for items highlighted in Note 2 Segment Information on page 18. The analysis of results below is primarily based on Cash NPAT so as to align the information that is given to users of financial reports to the way the Directors view the business and to assist better understanding of the Group's performance. The Directors believe that Cash NPAT is the most appropriate measure of maintainable earnings of the Group and therefore best reflects the core drivers and ongoing influences upon those earnings. Cash NPAT is used by the Directors for purposes of providing market guidance to shareholders and the market, and is calculated on a consistent basis each year.*

FlexiGroup recorded a statutory profit for the half year to 31 December 2014 of $38.5m, an increase of 11% year on year. Cash NPAT was $42.5m, an increase of 9% year on year. A 10% growth in receivables and 9% volume growth underpins the Cash NPAT growth over the period.

Cash EPS increased by 8% to 13.9 cents per share on the prior comparative period, reflecting the impact of higher Cash NPAT in 2014.

The key drivers of profit growth over the period were:

- Net portfolio income increase of 9% to $130.2m, underpinned by a 10% increase in group receivables and 9% increase in volume, primarily driven by growth in New Zealand and Enterprise segments. Excluding a non-recurring one-off loss on residual values relating to a single commercial contract, with an underlying $3.5m pre-tax impact on net portfolio income, underlying net portfolio income grew by 12%.

- Impairment losses increased to $20.1m due to the increasing size of the receivables book. When measured as percentage of average receivables, impairment losses are stable at 3.0%.

- Operating expenses increased by 3% to $52.9m.

- Sales volume increase of 9% to $587m. This growth is mainly from NZ Leases, No Interest Ever and Interest Free Cards. Consumer and SME – Australia (including Ireland) is stable compared to prior year.

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

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

There are no significant developments during the period.

Segment Results Analysis

No Interest Ever (Certegy)

Certegy's Cash NPAT is $16.6m (2013: $15.1m), an increase of 10% driven by:

- Net portfolio income increased by 8% to $45.0m (2013: $41.6m) which was driven by volume growth of 9% and receivables growth of 7%. Cost of funds also reduced by 5% compared to prior year, reflecting low funding costs due to the securitisation in financial year 2014.
- Impairment losses increased by 5% to $6.7m, an increase consistent with receivables growth.
- Operating expenses increased by 7% to $14.6m (2013: $13.6m) as a result of the VIP campaign and direct consumer marketing for the retail stimulus and costs to support the New Zealand start up.
- Sales volume increased by 9% to $286m. Strong VIP sales sustained growth year on year. Extensive marketing, website and app launch has increased reach of the Certegy product.
- Closing receivables increased by 7% to $476m, in line with growth in volume.

Interest free cards

Interest Free Cards' Cash NPAT is $5.6m (2013: $5.1m), an increase of 10% driven by growth in the receivables book and synergies as a result of the integration of Lombard Finance and Once Credit. Other drivers include:

- Net portfolio income increased by 6% to $16.1m (2013: $15.2m), attributable to higher card application approval rate and an increase in both volume (22%) and receivables (12%).
- Impairment losses are $3.5m (2013: $2.5m). The increase on prior year is generally in line with growth in receivables.
- Operating expenses decreased by 55% to $4.2m (2013: $9.4m) as a result of cost reductions from Lombard and Once synergies. Prior period expenses include one off pre-tax integration costs of $4m.
- Sales volume of $116m (2013: $95m) and Closing receivables of $218m (2013: $195m) reflect a strong focus towards driving interest free volumes through strategic partnerships in Retail and Homeowner segments. The introduction of the Agile card and various promotional activities, including 12 months interest free period, in the period contributed to volume and receivables growth.

Consumer and SME Leasing – Australia (including Ireland)

Cash NPAT was $12.2m (2013: $11.8m), an increase of 3% driven by:

- Net portfolio income increased by 4% to $45.5m (2013: $43.8m). The increase is reflective of the engagement of new channels as part of the RentSmart acquisition and strong performance from existing relationships.
- Impairment losses increased by $1.6m to $8.1m.
- Operating expenses decreased by 7% to $20.2m. The company continues to realise cost efficiencies as a result of the consolidation of the Manila operations. Cost control remains a key area for the company in driving profitability.
- Sales volume increased slightly by 2% to $95m. The result is pleasing given the prevailing retail sector conditions. SME volume decreased compared to prior year. The company is driving volume through the sales channels acquired as part of RentSmart and this has mitigated the decline in the underlying Consumer and SME business.

- Closing receivables were $317m (2013: $303m), a 5% increase. As mentioned above, the retail computer leasing for personal use market continued to fall over recent years as a result of falling asset prices and emergence of the tablet market. The decrease in SME in current year is not expected to be long term.

New Zealand Leasing

New Zealand's Cash NPAT is $3.2m (2013: $2.6m), an increase of 23% driven by:

- Net portfolio income increased by 24% to $8.3m (2013: $6.7m) due to strong volume and receivables growth. The segment has started generating some volume through the Equico channel.

- Impairment losses decreased by $0.1m, 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 $1.1m (44%) indicating the increased cost base due to the acquisition of Equico and costs incurred in driving the 42% increase in volume over the period.

- Closing receivables increased by 24% to $72m (2013: $58m) driven by the 42% increase in volume.

Enterprise

Enterprise's Cash NPAT is $4.9m (2013: $4.4m), an increase of 11%. TOT was acquired in March 2014 and is included in this segment. The drivers of growth are:

- Net portfolio income increased by 30% to $15.3m (2013: $11.8m), largely driven by the inclusion of the TOT results in the current period. Senior management change within this segment resulted in a 7% decrease in volume. The results also include a one-off pre-tax loss of $3.5m on residual values on a single commercial contract.

- Impairment losses increased by $0.4m. The increase in losses is in line with growth in the receivables portfolio.

- Operating expenses increased by $6.1m driven by TOT expenditure (not included in prior year numbers) and costs incurred to support volume and receivables growth.

- Sales volume decreased by 7% to $63m (2013: $68m) due to challenges in this sector for the half year.

- Closing receivables increased by 16% to $262m (2013: $226m).

Financial Position and Cash Flows

Set out below is a summary of the financial position of the group.

	Dec 2014 $'m	June 2014 $'m
Summary financial position		
Cash at bank	**119.7**	106.6
Receivables and customer loans	**1,369.9**	1,347.2
Inventories	**2.8**	2.8
Other assets	**17.3**	18.2
Goodwill and intangibles	**172.3**	161.8
Total assets	**1,682.0**	1,636.6
Borrowings	**1,173.3**	1,132.6
Other liabilities	**109.8**	119.0
Total liabilities	**1,283.1**	1,251.6
Equity	**398.9**	385.0
Gearing (i)	**23%**	20%
ROE (ii)	**22%**	23%
Cash inflows from operating activities (Dec 2013 comparative)	**58.2**	54.4

(i) Gearing is recourse borrowings as a percentage of equity excluding intangible assets.
(ii) Calculated based on Cash NPAT as detailed on page 3 as a percentage of average equity.

Receivables

Receivables (including other debtors) increased by 2% to $1,369.9m from June 2014. Compared to December 2013, receivables increased by 10%. The increase is attributable to an effective growth strategy in Interest Free Card business, strong growth in New Zealand and Certegy.

Return on Equity ("RoE")

The Company has continued to achieve consistently high returns underpinned by growth in profitability. Acquisitions continue to perform well and have been shareholder value accretive, with consistent EPS increases and ROE averaging 23% over the last 3 years.

Gearing

FlexiGroup continues to maintain a conservative capital structure with recourse corporate debt gearing of 23% (June 2014:20%). The Company continues to optimise its capital structure to ensure that its sources of funding maximise shareholder value. Although the leverage ratio increased over the period, the level is within the company 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 7% to $58.2m (2013: $54.4m). 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 decreased by 27% to $58.8m (2013: $80.6m) primarily driven by a reduction in the net investments in receivables. However over the same period, capital expenditure increased by 158% to $12.9m due to expenditure on capital projects to support the Company medium to long term strategy announced to the market in May 2014.

Cash inflows from financing activities decreased by 38% to $13.3m (2013: $21.4m), driven mainly by the cash inflows in borrowings, partly offset by a higher dividend.

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 period, no significant developments occurred within the funding structure of the Group. The Company will be looking at continuously managing cost of funds through potential securitisation issuance in the second half of the financial year.

At balance date the Group had $1,562m of wholesale debt facilities, with $362m 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 $52m 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.

The company is actively executing its strategy, with $12.9m spent during the period on replacing and upgrading core systems to support future growth. The success of the company is largely driven by:

- having a clear strategy as communicated in May 2014
- increasing income from new and existing channels and maintaining merchant relationships, and
- quality of execution, underpinned by wholesale improvements in core financial systems and online capability.

The company's long term future prospects remain unchanged as per prior communications to the market in May 2014.

Volume

The Company will continue to grow volume by leveraging existing merchant relationships and opening new sales channels in the future. The increased capacity through the acquisition of RentSmart ANZ has allowed the Company to mitigate headwinds within the Consumer and SME business.

Additionally, the completion of the consolidation and alignment of sales forces 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. There were no acquisitions during the period.

Innovation

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

Prospects for future financial years

The business strategies put in place will ensure that the Company continues on its growth trajectory in the foreseeable future. FlexiGroup is primed to continue generating significant value to its shareholders in future years, subject to macro-economic conditions remaining stable. The Group will continue to selectively assess and 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, potential deterioration of credit quality or impairments and strategy execution risk which may impact on its ability to achieve its targets.

Shareholder returns

	Half year ended 31 December		Year ended 30 June				
	2014	**2013**	**2014**	**2013**	**2012**	**2011**	**2010**
TSR	**n/a**	n/a	(26%)	92%	18%	76%	73%
Dividends per share (cents)	**8.75**	8.0	16.5	14.5	12.5	11.5	7.5
Cash EPS (cents)	**13.9**	12.9	28.0	25.1	22.4	20.0	17.5
Share price (high)	**$4.00**	$4.99	$4.99	$4.74	$2.65	$2.39	$1.78
Share price (low)	**$2.81**	$3.99	$2.98	$2.55	$1.60	$1.17	$0.66
Share price (close)	**$3.00**	$4.47	$3.17	$4.36	$2.60	$2.07	$1.38

Earnings per share

	Half year 2014 cents	Half year 2013 cents
Basic earnings per share	**12.7**	11.4
Diluted earnings per share	**12.6**	11.3
Cash earnings per share	**13.9**	12.9

Dividends on ordinary shares

	2014		**2013**	
	cents	**$m**	**cents**	**$m**
Interim dividend for the year - payable April	**8.75**	**26.6**	**8.0**	**24.3**
Dividends paid during the half year				
Final dividend for 2014 (PY: 2013) - paid in October	**8.5**	**25.8**	7.5	22.8
Total dividend paid during the half year	**8.5**	**25.8**	7.5	22.8
Total dividends declared for the half year	**8.75**	**26.6**	8.0	24.3

The interim dividend for 2015 has a record date of 13 March 2015 and is expected to be paid on 17 April 2015.

Matters subsequent to end of the financial year

As at the date of this report the directors are not aware of any matter or circumstance that has arisen since 31 December 2014 that has significantly affected, or may significantly affect:

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

Environmental regulation

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

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 10.

Rounding of amounts

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

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

Chris Beare

Chairman
Sydney

4 February 2015

Auditor’s Independence Declaration

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

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

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

SJ Smith
Partner
PricewaterhouseCoopers

Sydney
4 February 2015

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	Consolidated	
	31 Dec 14	31 Dec 13
	$m	$m
Total portfolio income	**164.4**	151.5
Interest expenses	**(34.2)**	(32.4)
Net portfolio income	**130.2**	119.1
Employment expenses	**(32.1)**	(27.6)
Receivables and customer loan impairment expenses	**(20.1)**	(16.9)
Depreciation and amortisation expenses	**(4.2)**	(4.5)
Operating expenses	**(18.5)**	(20.4)
Profit before income tax	**55.3**	49.7
Income tax expense	**(16.8)**	(15.1)
Profit for the year attributable to shareholders of FlexiGroup Limited	**38.5**	34.6

Earnings per share for profit attributable to the ordinary equity holders of the Company:	**cents**	cents
Basic earnings per share	**12.7**	11.4
Diluted earnings per share	**12.6**	11.3

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

	Consolidated	
	31 Dec 14	31 Dec 13
	$m	$m
Profit for the half-year	**38.5**	34.6
Other comprehensive income		
Items that may be reclassified to profit and loss		
Exchange differences on translation of foreign operations	**1.3**	3.4
Changes in the fair value of cash flow hedges, net of tax	**(1.2)**	0.6
Other comprehensive income for the half-year, net of tax	**0.1**	4.0
Total comprehensive income for the half-year	**38.6**	38.6

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

		Consolidated	
		31 Dec 14	30 Jun 14
	Note	**$m**	$m
Assets			
Current assets			
Cash and cash equivalents		**119.7**	106.6
Receivables		**306.5**	307.5
Customer loans		**514.9**	492.7
Inventories		**2.8**	2.8
Total current assets		**943.9**	909.6
Non-current assets			
Receivables		**377.7**	385.4
Customer loans		**170.8**	161.6
Plant and equipment		**6.3**	6.1
Deferred tax assets		**11.0**	12.1
Goodwill		**136.0**	134.1
Intangible assets		**36.3**	27.7
Total non-current assets		**738.1**	727.0
Total assets		**1,682.0**	1,636.6
Liabilities			
Current liabilities			
Payables		**33.5**	44.5
Borrowings		**718.9**	680.4
Current tax liabilities		**15.3**	9.0
Provisions		**4.6**	4.7
Deferred and contingent consideration		**5.8**	8.7
Total current liabilities		**778.1**	747.3
Non-current liabilities			
Borrowings		**454.4**	452.2
Deferred tax liabilities		**44.3**	47.7
Provisions		**0.8**	0.7
Derivative financial instruments		**5.5**	3.7
Total non-current liabilities		**505.0**	504.3
Total liabilities		**1,283.1**	1,251.6
Net assets		**398.9**	385.0
Equity			
Contributed equity	4	**161.2**	161.2
Reserves		**3.6**	2.4
Retained earnings		**234.1**	221.4
Total equity		**398.9**	385.0

The above consolidated statement of financial position should be read in conjunction with the accompanying notes
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Consolidated	**Contributed equity $m**	**Reserves $m**	**Retained earnings $m**	**Total $m**
2013				
Balance at the beginning of the half-year	153.1	0.6	210.9	364.6
Profit for the year	-	-	34.5	34.5
Other comprehensive income	-	4.0	-	4.0
Total comprehensive income for the half-year	-	4.0	34.5	38.5
Share based payments expense	-	1.4	-	1.4
Transfer from share based payments on issue of shares under Long Term Incentive Plan	2.6	(2.6)	-	-
Shares issued for Lombard acquisition	2.6	(2.6)	-	-
Transfer to share capital	1.8	(1.8)	-	-
Other changes in share based payments	-	(0.1)		(0.1)
Dividends provided for or paid	-	-	(22.8)	(22.8)
Balance at the end of the half-year	160.1	(1.1)	222.6	381.6
2014				
Balance at the beginning of the half-year	**161.2**	**2.4**	**221.4**	**385.0**
Profit for the year	**-**	**-**	**38.5**	**38.5**
Other comprehensive income	**-**	**0.1**	**-**	**0.1**
Total comprehensive income for the half-year	**-**	**0.1**	**38.5**	**38.6**
Share based payments expense	-	**1.2**	-	**1.2**
Cash settlement on vesting of options	-	**(0.1)**	-	**(0.1)**
Dividends provided for or paid	-	-	**(25.8)**	**(25.8)**
Balance at the end of the half-year	**161.2**	**3.6**	**234.1**	**398.9**

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

	Consolidated	
	31 Dec 14	31 Dec 13
	$m	$m
Cash flows from operating activities		
Interest received	**112.5**	107.9
Fees and other non-interest income received	**57.8**	47.8
Payments to suppliers and employees	**(63.7)**	(52.7)
Borrowing costs	**(34.0)**	(33.9)
Taxation paid	**(14.4)**	(14.7)
Net cash inflows from operating activities	**58.2**	54.4
Cash flows from investing activities		
Payment for purchase of plant & equipment and software	**(12.9)**	(5.0)
Loans to related parties	**-**	(0.8)
Payment for deferred consideration relating to business acquisitions	**(2.9)**	-
Net movement in:		
Customer loans	**(42.3)**	(39.6)
Receivables due from customers	**(0.7)**	(35.2)
Net cash outflows from investing activities	**(58.8)**	(80.6)
Cash flows from financing activities		
Dividends paid	**(25.8)**	(22.8)
Net movement in borrowings	**40.0**	27.8
Net movement in loss reserves on borrowings	**(0.8)**	16.4
Cash settlement on vesting of options	**(0.1)**	-
Net cash inflows from financing activities	**13.3**	21.4
Net increase/(decrease) in cash and cash equivalents	**12.7**	(4.8)
Cash and cash equivalents at the beginning of the half-year	**106.6**	122.8
Effects of exchange rate changes on cash and cash equivalents	**0.4**	0.9
Cash and cash equivalents at end of the half-year	**119.7**	118.9

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

Note 1 Basis of preparation and summary of significant accounting policies

(a) Basis of preparation

The condensed interim consolidated financial statements for the half-year ended 31 December 2014 have been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001.*

The condensed interim consolidated financial statements do not include all the information and disclosures required in the annual financial statements. As a result, should be read in conjunction with the annual consolidated financial statements for the year ended 30 June 2014 and any public announcements made in the period by FlexiGroup Limited ('the Group') in accordance with the continuous disclosure requirements of the *Corporations Act 2001* and the *ASX Listing Rules.*

Where necessary comparative information has been reclassified to be consistent with current period disclosures.

(i) New standards, interpretations and amendments adopted

The accounting policies adopted in the preparation of the condensed interim consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 30 June 2014, except for the adoption of new standards and interpretations as set out below.

The following Australian Accounting Standards amendments have become mandatory from 1 January 2014, but have not had any material effect on the financial position or performance of the Group:

- AASB 1031 (2013) *Materiality*
- AASB 1048 (2013) *Interpretation of Standards*
- AASB 2013-3 *Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets*
- AASB 2013-4 *Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting*
- AASB 2013-5 *Amendments to Australian Accounting Standards – Investment Entities*
- AASB 2013-9 *Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments*
- Interpretation 21 *Levies*

(ii) New standards issued but not yet effective

- 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 2019; however early application is permitted in certain circumstances. The financial impact to the Group of adopting AASB 9 has not yet been quantified.

- AASB 15 Revenue from contracts with customers. The new comprehensive standard for revenue recognition, replaces AASB 111 *Construction contracts*, AASB 118 *Revenue* and AASB 1004 *Contributions*. This standard is mandatory for adoption by the Group for the year ending 30 June 2018; however early application is permitted. The financial impact to the Group of adopting AASB 15 has not yet been quantified.

(b) Use of judgement, estimates and assumptions

The preparation of condensed interim consolidated financial statements require management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed interim consolidated financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual consolidated financial statements for the year ended 30 June 2014.

Note 2 Segment information

(a) Description of segments

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

The Chief Executive Officer considers the business from a product perspective and has identified 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 New Zealand and Ireland.

The segment information provided to the Chief Executive Officer for the reportable segments for the half year ended 31 December 2014 is as below:

(b) Segment information

Half year 31 December 2014	**No Interest Ever $m**	**Interest Free Cards $m**	**C&SME Leasing - Aust (Inc Ire) $m**	**NZ Leasing $m**	**Enterprise $m**	**Total $m**
Total portfolio income	**56.0**	**20.6**	**57.2**	**9.9**	**20.7**	**164.4**
Interest expenses	**(11.0)**	**(4.5)**	**(11.7)**	**(1.6)**	**(5.4)**	**(34.2)**
Net portfolio income	**45.0**	**16.1**	**45.5**	**8.3**	**15.3**	**130.2**
Impairment losses on receivables and customer loans	**(6.7)**	**(3.5)**	**(8.1)**	**(0.3)**	**(1.5)**	**(20.1)**
Amortisation of acquired other intangible assets	**-**	**(1.1)**	**(0.3)**	**-**	**(0.5)**	**(1.9)**
Other expenses	**(14.6)**	**(4.2)**	**(20.2)**	**(3.6)**	**(10.3)**	**(52.9)**
Profit before income tax	**23.7**	**7.3**	**16.9**	**4.4**	**3.0**	**55.3**
Income tax expense	**(7.1)**	**(2.6)**	**(5.0)**	**(1.2)**	**(0.9)**	**(16.8)**
Statutory profit for the year	**16.6**	**4.7**	**11.9**	**3.2**	**2.1**	**38.5**
Recurring non-cash adjustments						
Amortisation of acquired other intangible assets	**-**	**0.9**	**0.3**	**-**	**0.3**	**1.5**
One-off non-cash adjustments						
Residual value loss	**-**	**-**	**-**	**-**	**2.5**	**2.5**
Cash net profit after tax	**16.6**	**5.6**	**12.2**	**3.2**	**4.9**	**42.5**
Total segment assets at 31 Dec 2014	**574.0**	**249.2**	**489.6**	**92.8**	**276.4**	**1,682.0**
Half year 31 December 2013						
Total portfolio income	53.1	19.7	54.4	8.1	16.2	151.5
Interest expenses	(11.5)	(4.5)	(10.6)	(1.4)	(4.4)	(32.4)
Net portfolio income	41.6	15.2	43.8	6.7	11.8	119.1
Impairment losses on receivables and customer loans	(6.4)	(2.5)	(6.5)	(0.4)	(1.1)	(16.9)
Amortisation of acquired other intangible assets	(0.3)	(0.6)	(0.1)	-	-	(1.0)
Other expenses	(13.6)	(9.4)	(21.8)	(2.5)	(4.2)	(51.5)
Profit before income tax	21.3	2.7	15.4	3.8	6.5	49.7
Income tax expense	(6.5)	(0.8)	(4.5)	(1.2)	(2.1)	(15.1)
Statutory profit for the year	14.8	1.9	10.9	2.6	4.4	34.6
Recurring non-cash adjustments						
Amortisation of acquired other intangible assets	0.3	0.4	0.1	-	-	0.8
One-off non-cash adjustments						
Acquisition and integration costs	-	2.8	0.8	-	-	3.6
Cash net profit after tax	15.1	5.1	11.8	2.6	4.4	39.0
Total segment assets at 30 June 2014	535.6	223.5	536.0	77.9	263.6	1,636.6

Note 3 Dividends

	Half-year ended 31 Dec 2014	Half-year ended 31 Dec 2013
	$m	$m
Ordinary shares		
Dividends provided for or paid during the half-year	**25.8**	22.8

On 4 February 2015 the Directors have recommended the payment of an interim dividend of 8.75 cents per fully paid ordinary share, fully franked based on tax paid at 30%. The interim dividend totalling $26.6m is expected to be paid on 17 April 2015 out of retained profits at 31 December 2014 and has not been recognised as a liability at the end of the half-year.

Note 4 Contributed equity

	For the six month period 31 Dec 2014		For the twelve month period 30 June 2014	
	No. of Shares (m)	**$m**	No. of Shares (m)	$m
Movements in issued capital				
Balance at the beginning of the period	**303.9**	**161.2**	301.1	153.1
Transfer from capital reserve	-	-	0.7	2.6
Issue of shares to executives under Long Term Incentive Plan	-	-	1.8	2.2
Issue of shares from Treasury shares	-	-	0.3	0.4
Transfer from Treasury shares	-	-	-	1.8
Expired prior-period options	-	-	-	1.1
Balance at the end of the period	**303.9**	**161.2**	303.9	161.2
Movements in 'treasury shares'				
Balance at the beginning of the period	**0.2**	**-**	0.5	2.2
Transfer of shares to ordinary shares	**-**	**-**	(0.3)	(0.4)
Transfer to share capital	**-**	**-**	-	(1.8)
Balance at the end of the period	**0.2**	**-**	0.2	-

Note 5 Business Combinations

Acquisition 2014

(a) Summary of acquisition – RentSmart

At 30 June 2014, provisional business combinations accounting was disclosed. Following finalisation of tax values, deferred tax liabilities have been adjusted and are disclosed below as final value.

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:

	$m
Purchase consideration	
Cash paid	42.4
	42.4

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

	Carrying value $m	**Provisional fair value $m**	**Final fair value $m**
Cash and cash equivalents	13.7	13.7	13.7
Receivables	47.0	41.5	41.5
Loans and borrowings	(36.6)	(36.6)	(36.6)
Other assets	0.2	0.1	0.1
Plant and equipment	0.4	-	-
Other intangible assets	4.2	-	-
Deferred tax assets	1.5	2.0	2.0
Trade and other payables	(3.4)	(3.5)	(3.5)
Deferred tax liabilities	(0.5)	(0.5)	(2.3)
Net carrying value	26.5	16.7	14.9
Consideration		42.4	42.4
Goodwill and intangible assets recognised		25.7	27.5
Comprising:-			
- Goodwill		23.9	25.7
· Merchant relationships		1.7	1.7
· IT software		0.1	0.1
		25.7	27.5

Acquisition 2014 (continued)

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

At 30 June 2014, provisional business combinations accounting was disclosed. These have now been finalised and there are no material changes to the goodwill.

On 12 March 2014 the Group completed the acquisition of 100% of the issued share capital of Australian 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	**$m**
Cash paid	6.0
Deferred and contingent consideration	9.0
	15.0

	Carrying value	**Final fair value**
	$m	**$m**
Cash and cash equivalents	1.2	1.2
Receivables	1.9	1.8
Inventories	1.5	1.5
Plant and equipment	2.0	2.0
Goodwill	8.7	-
Trade and other payables	(4.0)	(4.0)
Borrowings	(2.2)	(2.2)
Deferred tax liabilities	-	(1.7)
Net carrying value	9.1	(1.4)
Consideration		15.0
Goodwill and intangible assets recognised		16.4
Comprising:-		
- Goodwill		9.9
- Merchant relationships and supplier agreements		5.9
- IT software		0.1
- Brand name		0.5
		16.4

(c) The Group finalised the fair values of assets of Equico Limited, a New Zealand based leasing company that it acquired on 21 March 2014. No material changes to goodwill recorded on 30 June 2014 occurred.

Note 6 Related party transactions

Rental of Melbourne premises

A related company in the Group has rented premises in Melbourne owned by entities associated with a director; Mr A Abercrombie. The rental arrangements for the Melbourne premises are based on market terms.

	Half-year ended 31 Dec 2014 $m	Half-year ended 31 Dec 2013 $m
Rental of Melbourne premises	**0.1**	0.1

Note 7 Contingencies

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

Note 8 Fair value of financial assets and financial liabilities

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.

Set out below is a comparison of the carrying amounts and fair values of financial assets and liabilities as at 31 December 2014 and 30 June 2014:

	Carrying amount 31 Dec 14 $m	**Fair value 31 Dec 14 $m**	Carrying amount 30 Jun 14 $m	Fair value 30 Jun 14 $m
Financial assets				
Cash and cash equivalents	**119.7**	**119.7**	106.6	106.6
Receivables	**684.2**	**684.2**	692.9	692.9
Customer loans	**685.7**	**685.7**	654.3	654.3
Financial liabilities				
Payables	**33.5**	**33.5**	44.5	44.5
Borrowings				
- Floating interest rate	**1,059.2**	**1,059.2**	1,022.5	1,022.5
- Fixed interest rate	**140.5**	**142.3**	136.3	137.3
Total borrowings before loss reserves	**1,199.7**	**1,201.5**	1,158.8	1,159.8

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 and customer creditworthiness 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 (being current market rates) used to determine fair value are observable.

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

Note 9 Events occurring after balance sheet date

As at the date of this report the directors are not aware of any matter or circumstance that has arisen since 31 December 2014 that has significantly affected, or may significantly affect:

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

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In accordance with a resolution of directors of FlexiGroup Limited, we state that:

In the opinion of the directors:

a) the financial statements and notes of the Group are in accordance with the *Corporations Act 2001*, including:

   (i) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and

   (ii) giving a true and fair view of the Group's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and

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

On behalf of the Board

Chris Beare
Chairman

Sydney
4 February 2015

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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of FlexiGroup Limited (the company), which comprises the consolidated statement of financial position as at 31 December 2014, the consolidated income statement and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for FlexiGroup Limited (the consolidated entity). The consolidated entity comprises the company and the entities it controlled during that half-year.

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of FlexiGroup Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

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

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date;

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

PricewaterhouseCoopers

PricewaterhouseCoopers

SJ Smith
Partner

Sydney
4 February 2015