

# Notice of Annual General Meeting 2015

**22 October 2015**

**Dear Shareholder**

**Annual General Meeting 2015**

On behalf of the Directors of FlexiGroup Limited, I am pleased to invite you to attend FlexiGroup Limited's 2015 Annual General Meeting ("2015 AGM"). Enclosed is the Notice of Meeting setting out the business of the 2015 AGM.

FlexiGroup's 2015 AGM will be held on Monday 23 November 2015 commencing at 4.00pm (AEDT) in the Adelaide Room, Lobby Level, the Sofitel Sydney Wentworth, 61-101 Phillip Street, Sydney NSW.

If you are attending the 2015 AGM, please bring your Proxy Form with you to facilitate a faster registration. If you are unable to attend the 2015 AGM, I encourage you to complete and return the enclosed Proxy Form no later than 4.00pm (AEDT) on Thursday 19 November 2015 in one of the ways specified in the Notice of Meeting and Proxy Form.

I also encourage you to read the Notice of Meeting (including the Explanatory Notes) and the Proxy Form and consider directing your proxy how to vote on each resolution by marking either the "for" box, the "against" box or the "abstain" box on the Proxy Form.

The Directors of FlexiGroup Limited recommend that shareholders vote in favour of resolutions 2, 3 and 4 and against resolution 2A, as set out in the enclosed Notice of Meeting, Explanatory Notes and Proxy Form.

I look forward to welcoming you at the 2015 AGM.

Yours sincerely



**Andrew Abercrombie**  
Chairman

**FlexiGroup Limited** ABN 75 122 574 583

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# Notice of Annual General Meeting

Notice is hereby given that the ninth Annual General Meeting of FlexiGroup Limited (the Company) will be held on Monday 23 November 2015 at the Adelaide Room, Lobby Level, the Sofitel Sydney Wentworth, 61-101 Phillip Street, Sydney, New South Wales commencing at 4.00pm AEDT.

## Agenda

### Ordinary Business

#### 1 Financial Report, Directors' Report and Auditor's Report

To receive and consider the Financial Report, Directors' Report and Auditor's Report of the Company for the financial year ended 30 June 2015.

#### 2 Remuneration Report

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

"That the Remuneration Report (which forms part of the Directors' Report) for the financial year ended 30 June 2015 be adopted".

Note: The vote on this resolution is advisory only and does not bind the Directors or the Company.

#### 2A Spill Resolution (Conditional)

**IMPORTANT NOTE: This resolution will only be put to the Annual General Meeting if more than 25% of votes validly cast on the resolution in item 2 are cast against that resolution.**

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

"That:

- a meeting of shareholders of the Company be held within 90 days of this Annual General Meeting (Spill Meeting);
- all of the Company's Directors who were Directors when the resolution to approve the Remuneration Report (which forms part of the Directors' Report) was passed (other than a managing director of the Company (if applicable) who may, in accordance with the ASX Listing Rules, continue to hold office indefinitely without being re-elected to the office), cease to hold office immediately before the end of the Spill Meeting; and
- resolutions to appoint persons to the offices that will be vacated immediately before the end of the Spill Meeting be put to the vote at the Spill Meeting".

Note: Information about this spill resolution is included in the Explanatory Notes.

#### 3 Re-election of John Skippen

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

"That John Skippen, who retires in accordance with ASX Listing Rule 14.5 and Rule 10.3(c) of the Company's Constitution, and being eligible, be re-elected as a Director of the Company".

## Special Business

### 4 Approval of Proposed Amendments to Conditions of Existing Performance Rights Issued Pursuant to the Flexigroup Long Term Incentive Plan

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

"That for the purpose of ASX Listing Rule 6.23.4 and for all other purposes, approval be given for the conditions of Performance Rights, which were issued pursuant to the FlexiGroup Long Term Incentive Plan ("LTIP") following the 2014 Annual General Meeting, to be amended as described in the Explanatory Notes to this Notice of Annual General Meeting".

Further information about each item of business is set out in the Explanatory Notes accompanying and forming part of this Notice of Annual General Meeting.

## Voting Exclusion Statements

### Items 2 and 2A

In accordance with sections 250R and 250BD of the *Corporations Act 2001* (Cth) (Corporations Act), subject to paragraph 2, a vote must not be cast (in any capacity) on the resolution in item 2 or item 2A:

1. by or on behalf of a member of the Company's key management personnel (KMP) (including the Directors) details of whose remuneration are included in the Remuneration Report or their closely related parties (such as close family members or any controlled entities), regardless of the capacity in which the votes are cast except that a vote may be cast on the resolution in item 2 or item 2A by a KMP, or a closely related party of a KMP if (a) the vote is cast as a proxy appointed in writing that specifies how the proxy is to vote on the resolution in item 2 or item 2A; and (b) the vote is not cast on behalf of a KMP or their closely related parties.
2. If you appoint the Chairman of the Annual General Meeting as your proxy, and you do not direct your proxy how to vote on the resolution in item 2 and/or item 2A on the proxy form, you will be expressly authorising the Chairman of the Meeting to exercise your proxy, even though the resolutions in item 2 and item 2A are connected directly or indirectly with the remuneration of the Company's KMP, which includes the Chairman.

### Item 4

For the purpose of ASX Listing Rule 14.11, the Company will disregard any votes cast on item 4 by any person who holds an option or Performance Right that is the subject of the approval and an associate of any such person. However, the Company need not disregard a vote if:

- (a) it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (b) it is cast by the person chairing the 2015 AGM as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

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

1. a vote must not be cast on item 4 by a KMP, or a closely related party of a KMP, acting as proxy, if their appointment does not specify the way the proxy is to vote on item 4. However, this voting exclusion does not apply if the KMP is the Chairman of the 2015 AGM acting as proxy and their appointment expressly authorises the Chairman of the 2015 AGM to exercise the proxy even if that item is connected directly or indirectly with the remuneration of a member of the KMP; and
2. if you appoint the Chairman of the 2015 AGM as your proxy, and you do not direct your proxy how to vote on item 4 on the proxy form, you will be expressly authorising the Chairman of the 2015 AGM to exercise your proxy even if item 4 is connected directly or indirectly with the remuneration of a member of the KMP, which includes the Chairman of the 2015 AGM.

#### Entitlement to Attend and Vote

The Board has determined that, for the purposes of determining voting entitlements at the 2015 AGM, those persons who are registered as holding shares in the Company at 7.00pm (AEDT) on Thursday 19 November 2015 will be entitled to vote.

#### Proxies

A shareholder entitled to attend and vote at the 2015 AGM is entitled to appoint a proxy to attend and vote instead of the shareholder. A shareholder may appoint not more than two proxies. A proxy need not be a shareholder of the Company, and may be an individual or a body corporate.

If a shareholder appoints a body corporate as a proxy, that body corporate will need to ensure that it:

- appoints an individual as its corporate representative to exercise its powers at the 2015 AGM, in accordance with section 250D of the *Corporations Act*; and
- provides satisfactory evidence of the appointment of its corporate representative prior to commencement of the 2015 AGM.

If such evidence is not received before the 2015 AGM, then the body corporate (through its representative) will not be permitted to act as a proxy.

A shareholder who is entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes which each proxy is appointed to exercise. If you wish to appoint a proxy, please complete and submit the Proxy Form accompanying this Notice of Annual General Meeting, by following the instructions contained in the Proxy Form.

On a show of hands, every person present and entitled to vote shall have one vote. If you have appointed a proxy and the proxy appointed is also a shareholder, or proxy for another shareholder, any direction to the proxy on how to vote may not be effective on a show of hands. Your directions will be effective if a poll is held, subject to any applicable voting exclusions.

Shareholders can direct their proxy how to vote by following the instructions on the Proxy Form, and are encouraged to do so.

The Chairman of the Meeting intends to vote all available proxies **in favour of** the resolutions in items 2, 3 and 4. The Chairman of the Meeting intends to vote all available proxies **against** the resolution in item 2A.

#### Lodgement of Proxy Forms

Proxy Forms may be lodged with the Company's Share Registry:

- (a) by hand at Link Market Services Limited, Level 12, 680 George Street, Sydney New South Wales 2000;
- (b) by post to Link Market Services Limited in the enclosed reply paid envelope;
- (c) by fax to Link Market Services Limited +61 2 9287 0309; or
- (d) submitted online at [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au).

To be effective, your Proxy Form and the Power of Attorney or other authority (if any) under which it is signed (or a copy of the Power of Attorney or other authority, certified as a true copy by Statutory Declaration), must be received no later than 48 hours prior to the 2015 AGM (i.e. no later than 4.00pm (AEDT) on Thursday 19 November 2015) in one of the ways specified above.

Dated 22 October 2015

By order of the Board



**Julianne Lyall-Anderson**  
Company Secretary

# Explanatory Notes

These Explanatory Notes have been prepared to help shareholders understand the business to be put to shareholders at the 2015 Annual General Meeting. These Explanatory Notes form part of the Notice of Annual General Meeting and should be read with the Notice of Annual General Meeting.

## Ordinary Business

### Item 1 – Financial Report, Directors’ Report and Auditor’s Report

As required by section 317 of the Corporations Act, the Financial Report, Directors’ Report and Auditor’s Report of the Company for the financial year ended 30 June 2015 will be laid before the Annual General Meeting. Shareholders will be provided with the opportunity to ask questions or raise comments about the Reports or on the management of the Company. Also, a reasonable opportunity will be given to shareholders to ask the Company’s auditor questions relevant to the conduct of the audit, the preparation and content of the Auditor’s Report, the accounting policies adopted by the Company in relation to the preparation of the Financial Report and the independence of the auditor in relation to the conduct of the audit.

As there is no requirement for a formal resolution on this item, a resolution will not be put to the meeting.

### Item 2 – Remuneration Report

Under the Corporations Act, the Company is required to include, in the Directors’ Report, a detailed Remuneration Report setting out certain prescribed information relating to Directors’ and executives’ remuneration, and submit this for adoption by resolution of shareholders at the Annual General Meeting.

The Company’s Remuneration Report for the financial period ended 30 June 2015 is set out in the Directors’ Report which forms part of the Company’s 2015 Annual Report, a copy of which was provided to shareholders with this Notice of Annual General Meeting.

The Remuneration Report discusses matters including the remuneration policy of the Company, the remuneration paid to Directors and executives who are members of the Company’s KMP, and the relationship between the remuneration of those Directors and executives and performance.

The vote on this resolution is advisory only and does not bind the Directors or the Company.

### Board recommendation

The Directors recommend that shareholders vote in favour of the resolution to adopt the Remuneration Report.

### Item 2A – Spill Resolution

At the 2014 Annual General Meeting, more than 25% of the votes validly cast were voted against the adoption of the Remuneration Report presented at that Annual General Meeting. This constituted a “first strike” under the “two strikes rule” in the Corporations Act. Under that rule, if 25% or more of votes cast are voted against the adoption of the Remuneration Report at two consecutive annual general meetings (the first and second “strikes”), a “spill resolution” must be put to shareholders at the second annual general meeting as to whether a further meeting should be held at which all Directors (other than the Managing Director (if applicable)) who were directors when the resolution to approve the Remuneration Report (which forms part of the Directors’ Report) was passed cease to hold office but may stand for re-election (**Spill Meeting**).

Accordingly, if 25% or more of votes cast on item 2 are voted against the adoption of the Remuneration Report at the 2015 AGM, this would constitute a “second strike” and a “spill resolution” as set out in item 2A must be put to shareholders. The Board considers that the concerns raised at the last Annual General Meeting have been addressed, including as set out in the Annual Report.

If a Spill Meeting is required to be held, the Directors who will cease to hold office immediately before the end of the Spill Meeting (unless they resign before the Spill Meeting) will be:

- Mr Andrew Abercrombie;
- Mr John Skippen\*; and
- Mr Rajeev Dhawan.

\*This assumes Mr Skippen is re-elected at the 2015 AGM.

This is because these Directors were directors when the resolution to approve the Remuneration Report (which forms part of the Directors’ Report) was passed.

To the extent that there is a Spill Meeting, the Spill Meeting will be subject to separate notice in accordance with the Constitution of the Company and the Corporations Act. Nominations for director appointments at the Spill Meeting may be made in accordance with the Constitution of the Company and may include the Directors listed above. Each of these Directors is eligible to stand for re-election at the Spill Meeting and will seek re-election.

### Board recommendation

The Directors recommend that shareholders vote **AGAINST** this resolution.

### Item 3 – Re-election of John Skippen

ASX Listing Rule 14.5 requires the Company to hold an election for at least one director of the Company each year.

In accordance with Rule 10.3(c) of the Company's Constitution, John Skippen retires, and being eligible, offers himself for re-election.

The experience, qualifications and other information about Mr Skippen are set out below.

Mr Skippen was appointed a Director of the Company in November 2006. Mr Skippen was the Finance Director and Chief Financial Officer of Harvey Norman Holdings Limited for 12 years. Mr Skippen was involved in the establishment of the original agreement between Flexirent Holdings Pty Limited and Harvey Norman in 1995. Mr Skippen has over 34 years' experience as a chartered accountant and has extensive experience in mergers and acquisitions, strategy, international expansion, property and taxation.

#### Board recommendation

The Directors (with Mr Skippen abstaining) recommend that shareholders vote in favour of the re-election of Mr Skippen as a Director.

### Special Business

#### Item 4 – Approval of proposed amendments to conditions of existing Performance Rights issued pursuant to the Long Term Incentive Plan

##### Overview of the LTIP

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

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

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

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

### Background to proposed amendments

Performance Rights were issued in 4 tranches to a number of FlexiGroup executives and employees following FlexiGroup's 2014 Annual General Meeting, which was held on 20 November 2014 ("**2014 AGM**"). The Performance Rights were issued on substantially similar terms to the Performance Rights issued to the former Managing Director and Chief Executive Officer ("**CEO**") of FlexiGroup, Mr Tarek Robbiati, which were approved at the 2014 AGM. The Performance Rights issued in tranche 1 have lapsed in accordance with FlexiGroup's LTIP Rules ("**Rules**"). Accordingly, only the Performance Rights that were issued in tranches 2, 3 and 4 remain on issue.

As announced on 6 August 2015, Mr Robbiati resigned as Managing Director and CEO of FlexiGroup with effect from 7 August 2015, and as a consequence all his unvested Performance Rights and vested but unexercised Performance Rights have now lapsed in accordance with the LTIP Rules. Accordingly, Performance Rights are currently held by executives and other employees of FlexiGroup, but not by any Directors of FlexiGroup.

Following feedback received from various stakeholders after the 2014 AGM, FlexiGroup has taken external advice from Mercer (Australia) Pty Ltd ("**Mercer Australia**"), specialist remuneration consultants, regarding FlexiGroup's remuneration arrangements. In particular, the structure of the LTIP, along with the terms and conditions of the existing Performance Rights, have been reviewed. The Board has carefully considered the recommendations made by Mercer Australia, which include the proposed amendments to conditions of existing Performance Rights set out in these Explanatory Notes. The Board considers that the implementation of these proposed amendments will better align the existing Performance Rights to the Company's remuneration strategy and the ongoing generation of shareholder value, and will act as an appropriate incentive for future strong performance.

### ASX Listing Rule requirements

Performance rights, including Performance Rights issued pursuant to the LTIP, are a type of option for the purposes of the ASX Listing Rules.

ASX Listing Rule 6.23.3 provides that a change to the terms of an option which has the effect of reducing the exercise price, increasing the period for exercise or increasing the number of securities received on exercise cannot be made.

ASX Listing Rule 6.23.4 provides that so long as the relevant change is not prohibited by ASX Listing Rule 6.23.3, a listed company may amend the terms of an option if those amendments have been approved by an ordinary resolution of shareholders.

The approval of shareholders is sought to permit the Company to amend the conditions of the existing Performance Rights issued pursuant to the LTIP following the 2014 AGM, being the Performance Rights issued in tranches 2, 3 and 4. Details of these proposed amendments, and other relevant information relating to item 4, are as follows.

### Summary of proposed amendments

Details of the proposed amendments to the conditions of the existing Performance Rights are set out in Schedule 1 to these Explanatory Notes.

In summary, the effect of the proposed amendments to the conditions of the existing Performance Rights would be to:

- (a) amend the percentage of Performance Rights where vesting is linked to the Cash EPS Growth vesting condition and apply a new Volume Growth vesting condition to test the vesting of a percentage of Performance Rights. Currently, the vesting of 60% of each tranche of Performance Rights is linked to the Cash EPS Growth vesting condition and the vesting of 40% of each tranche of Performance Rights is linked to the total shareholder return (“**TSR**”) vesting condition. It is proposed that:
- the vesting of 40% of each tranche of Performance Rights will be linked to the Cash EPS vesting condition;
  - the vesting of 40% of each tranche of Performance Rights will be linked to the TSR vesting condition; and
  - the vesting of 20% of each tranche of Performance Rights will be linked to the new Volume Growth vesting condition.

The Volume Growth vesting condition will assess volume growth for the Company with respect to the Performance Period applicable to the relevant tranche of Performance Rights, based on performance indicators set by the Board from time to time. This vesting condition will be tested by reference to a combination of volume/product mix and other measures as determined by the Board from time to time. As volume is a lead indicator of future profitability for the Company’s business, the Board is of the view that a Volume Growth vesting condition, in conjunction with the Cash EPS Growth vesting condition and the TSR vesting condition, are appropriate measures to assess performance and to align the interests of executives and other employees with the long term profitability of the Company. Participants will be notified of the applicable terms of the Volume Growth vesting condition as determined by the Board;

- (b) amend the Cash EPS Growth vesting condition so that:
- this condition is measured by comparing the Cash EPS of the financial year immediately preceding the conclusion of the relevant Performance Period against the Cash EPS of the financial year immediately preceding the commencement of the relevant Performance Period;
  - the target percentages referred to in each Cash EPS Growth vesting condition are lowered; and
  - the Board has the discretion to vary the target percentages referred to in the Cash EPS Growth vesting condition by 1.5% provided that the target percentages referred to in the Cash EPS Growth vesting condition cannot be varied to a percentage lower than 4.5%. The Board considers that it is appropriate to have this discretion so that the Cash EPS Growth vesting condition continues to provide an incentive for superior performance and commitment to executives and other employees in accordance with the Company’s overall remuneration strategy.

- (c) amend the TSR vesting condition so that the TSR of the Company is tested in relation to a 90 day volume weighted average price (“**VWAP**”) for the Shares rather than a 30 day VWAP for the Shares;

- (d) amend the Cash EPS Growth vesting condition and TSR vesting condition to refer to new proposed Performance Periods applicable to each tranche of Performance Rights as follows:
- in relation to the Performance Rights issued in tranches 2 and 3, it is proposed to extend the Performance Period applicable to those Performance Rights from one year to two years; and
  - in relation to the Performance Rights issued in tranche 4, it is proposed to extend the Performance Period applicable to those Performance Rights from one year to three years;

- (e) as a consequence:
- amend the testing date applicable to each Performance Right issued in tranche 4 so that it occurs after the applicable new Performance Period for the Performance Rights issued in tranche 4;
  - amend the vesting date applicable to each Performance Right issued in tranche 4 so that it occurs after the applicable new testing date for the Performance Rights issued in tranche 4; and
  - amend the exercise period applicable to the Performance Rights issued in tranche 4 so that it occurs after the applicable new vesting date for the Performance Rights issued in tranche 4, and so that the Performance Rights issued in tranche 4 must be exercised within one month after they vest (rather than within six months after they vest) but prior to their current expiry date,

(together, the “**New Conditions**”).

None of the New Conditions are prohibited amendments for the purposes of ASX Listing Rule 6.23.3. In particular, there is no proposal to change the expiry date applicable to any existing Performance Right, meaning that none of the exercise periods applicable to the Performance Rights are being extended.

If the New Conditions are approved by shareholders, the Board also intends to make the following amendments to the terms on which Shares, which are allocated following the exercise of vested Performance Rights, can be dealt with:

- (a) vary the number of Shares that would be released on certain restriction end dates and amend some of the restriction end dates; and
- (b) apply an additional release condition to Shares which are allocated on the exercise of vested Performance Rights issued under tranche 4. This new release condition would require the relevant participant to be employed by FlexiGroup on the relevant restriction end date in order for their Shares to be released from the applicable disposal restrictions on that restriction end date,

(“**Disposal Restrictions**”).

There is an existing discretion in the LTIP Rules which permits the Board to implement the Disposal Restrictions. Specifically, Rule 8.1 in Schedule 2 of the LTIP Rules permits the Board to amend or waive any restriction on the disposal of Shares granted on the exercise of vested Performance Rights if, in the Board's opinion, it is appropriate to do so taking into account the participant's circumstances. The Board will also seek each participant's consent to the application of the Disposal Restrictions to Shares allocated following the exercise of vested Performance Rights. The Disposal Restrictions are not required to be approved by shareholders for the purposes of the ASX Listing Rules, as the ASX Listing Rules do not apply to shares allocated on the exercise of vested Performance Rights.

#### Purpose and recommendation

The purpose of the proposed amendments to the conditions of the existing Performance Rights is to:

- ensure that FlexiGroup can align the interests of its executives and other employees with those of FlexiGroup's shareholders;
- ensure that FlexiGroup can provide long-term incentives for the participation of its executives and other employees in FlexiGroup's future growth; and
- therefore assist with retaining the services of key executives and other employees.

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

The Directors recommend that shareholders vote in favour of the resolution in item 4 on the basis that the proposed amendments to the conditions of the existing Performance Rights on the terms described in these Explanatory Notes:

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

# Schedule 1

This schedule sets out the details of the proposed amendments to the conditions of existing Performance Rights issued in tranches 2, 3 and 4. The Performance Rights issued in tranche 1 have lapsed and as such, those Performance Rights are not reflected in this schedule.

## Performance Periods:

Current Performance Periods applicable to Performance Rights issued following the 2014 AGM	Proposed Performance Periods applicable to Performance Rights issued following the 2014 AGM
Tranche 2: 1 July 2015 – 30 June 2016	Tranche 2: 1 July 2014 – 30 June 2016
Tranche 3: 1 July 2016 – 30 June 2017	Tranche 3: 1 July 2015 – 30 June 2017
Tranche 4: 1 July 2017 – 30 June 2018	Tranche 4: 1 July 2016 – 30 June 2019

## vesting conditions:

### Cash EPS Growth vesting condition

Current Cash EPS Growth vesting condition applicable to Performance Rights issued following the 2014 AGM	Proposed Cash EPS Growth vesting condition applicable to Performance Rights issued following the 2014 AGM*
Cash EPS growth less than 7.5% on FY14.	Compound annual growth in Cash EPS less than 4.5% during the relevant Performance Period tested by comparing the Cash EPS of the financial year immediately preceding the conclusion of the relevant Performance Period against the Cash EPS of the financial year immediately preceding the commencement of the relevant Performance Period.
Cash EPS growth of 7.5% on FY14.	Compound annual growth in Cash EPS of 4.5% during the relevant Performance Period tested by comparing the Cash EPS of the financial year immediately preceding the conclusion of the relevant Performance Period against the Cash EPS of the financial year immediately preceding the commencement of the relevant Performance Period.
Cash EPS growth greater than 7.5% but less than 10% on FY14.	Compound annual growth in Cash EPS greater than 4.5% but less than 6% during the relevant Performance Period tested by comparing the Cash EPS of the financial year immediately preceding the conclusion of the relevant Performance Period against the Cash EPS of the financial year immediately preceding the commencement of the relevant Performance Period.
Cash EPS growth of 10%.	Compound annual growth in Cash EPS of 6% during the relevant Performance Period tested by comparing the Cash EPS of the financial year immediately preceding the conclusion of the relevant Performance Period against the Cash EPS of the financial year immediately preceding the commencement of the relevant Performance Period.
Cash EPS growth greater than 10% but less than 12.5% on FY14.	Compound annual growth in Cash EPS greater than 6% but less than 7.5% during the relevant Performance Period tested by comparing the Cash EPS of the financial year immediately preceding the conclusion of the relevant Performance Period against the Cash EPS of the financial year immediately preceding the commencement of the relevant Performance Period.
Cash EPS growth equal to or greater than 12.5%.	Compound annual growth in Cash EPS equal to or greater than 7.5% during the relevant Performance Period tested by comparing the Cash EPS of the financial year immediately preceding the conclusion of the relevant Performance Period against the Cash EPS of the financial year immediately preceding the commencement of the relevant Performance Period.

The Board has the discretion to vary the target percentages referred to in the Cash EPS Growth vesting condition by 1.5% provided that the target percentages referred to in the Cash EPS Growth vesting condition cannot be varied to a percentage lower than 4.5%.

\*This vesting condition is measured by comparing the Cash EPS of the financial year immediately preceding the conclusion of the relevant Performance Period against the Cash EPS of the financial year immediately preceding the commencement of the relevant Performance Period.



**TSR vesting condition**

The TSR vesting condition compares FlexiGroup's TSR performance against FlexiGroup's peers.

**Current TSR vesting condition applicable to existing Performance Rights**

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

- (1) the **30 day** VWAP for Shares in the period up to and including 30 June at the end of the relevant Performance Period; and
- (2) the dividends paid on a Share during the relevant Performance Period, exceeds the **30 day** VWAP for the Shares in the period up to and including 1 July at the beginning of the relevant Performance Period, expressed as a percentage.

**Proposed TSR vesting condition to apply to Performance Rights**

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

- (1) the **90 day** VWAP for Shares in the period up to and including 30 June at the end of the relevant Performance Period; and
- (2) the dividends paid on a Share during the relevant Performance Period, exceeds the **90 day** VWAP for the Shares in the period up to and including 1 July at the beginning of the relevant Performance Period, expressed as a percentage.

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

Relative TSR target	Percentage of Performance Rights available in given year satisfying condition
Less than 50th percentile of companies in S&P/ASX 200 Index (excluding Materials and Energy companies)	Nil
50th percentile of companies in S&P/ASX 200 Index (excluding Materials and Energy companies)	50%
Greater than 50th percentile but less than the 75th percentile of companies in S&P/ASX 200 Index (excluding Materials and Energy companies)	Pro-rata straight line between 50% and 100%
Greater than or equal to 75th percentile of companies in S&P/ASX 200 Index (excluding Materials and Energy companies)	100%

**% of Performance Rights that vesting conditions are applicable to:**

Current % of tranche of Performance Rights that vesting condition is applicable to	Proposed % of tranche of Performance Rights that vesting condition is applicable to
Cash EPS Growth vesting condition – 60% of each tranche of Performance Rights	Cash EPS Growth vesting condition – 40% of each tranche of Performance Rights
TSR vesting condition – 40% of each tranche of Performance Rights	TSR vesting condition – 40% of each tranche of Performance Rights
Not applicable	Volume Growth vesting condition – 20% of each tranche of Performance Rights

**testing dates:**

Current testing date applicable to Performance Rights issued following the 2014 AGM	Proposed testing date applicable to Performance Rights issued following the 2014 AGM
Tranche 2: Results announcement date in 2016	Tranche 2: No change
Tranche 3: Results announcement date in 2017	Tranche 3: No change
Tranche 4: Results announcement date in 2018	Tranche 4: Results announcement date in 2019

*Vesting dates:*

<b>Current vesting date applicable to Performance Rights issued following the 2014 AGM</b>	<b>Proposed vesting date applicable to Performance Rights issued following the 2014 AGM</b>
Tranche 2: 1 September 2016	Tranche 2: No change
Tranche 3: 1 September 2017	Tranche 3: No change
Tranche 4: 1 September 2018	Tranche 4: 1 September 2019

*Exercise periods:*

<b>Current exercise period applicable to Performance Rights issued following the 2014 AGM</b>	<b>Proposed exercise period applicable to Performance Rights issued following the 2014 AGM</b>
Tranche 2: 1 September 2016 – 31 March 2017	Tranche 2: No change
Tranche 3: 1 September 2017 – 31 March 2018	Tranche 3: No change
Tranche 4: 1 September 2018 – 31 March 2019	Tranche 4: 1 September 2019 – 15 October 2019

*Expiry dates:*

<b>Current expiry date applicable to Performance Rights issued following the 2014 AGM</b>	<b>Proposed expiry date applicable to Performance Rights issued following the 2014 AGM</b>
Tranche 2: 15 October 2018	Tranche 2: No change
Tranche 3: 15 October 2019	Tranche 3: No change
Tranche 4: 15 October 2021	Tranche 4: No change

*Restriction end dates:*

<b>Current restriction end date applicable to Performance Rights issued following the 2014 AGM</b>	<b>Proposed restriction end date applicable to Performance Rights issued following the 2014 AGM</b>
Tranche 2: 50% on 15 October 2018 50% on 15 October 2019	Tranche 2: 33% on 15 October 2016 33% on 15 October 2017 33% on 15 October 2018
Tranche 3: 25% on 15 October 2019 75% on 15 October 2020	Tranche 3: 33% on 15 October 2017 33% on 15 October 2018 33% on 15 October 2019
Tranche 4: 100% on 15 October 2021	Tranche 4: 60% on 15 October 2019 40% on 15 October 2020

# Schedule 2

## Summary of the LTIP Rules

The LTIP is part of the Company's remuneration strategy and is designed to align the interests of the Company's management and shareholders and assist the Company in the attraction, motivation and retention of executives. In particular, the LTIP is designed to provide relevant executives with an incentive for future performance thereby encouraging those executives to remain with the Company and contribute to the future performance of the Company.

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.

A grant of Options or Performance Rights is subject to both the LTIP Rules and the terms of the specific grant as determined by the Board. The Board is responsible for administering the LTIP in accordance with the LTIP Rules and the terms and conditions of specific grants of Options and/or Performance Rights to participants in the LTIP.

### Eligibility and Participation

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

### Options and Performance Rights

A person participating in the LTIP (**Executive**) may be granted Options and/or Performance Rights on terms and conditions, including tenure conditions and performance hurdles, determined by the Board. The Board will determine the exercise price payable on exercise of a vested Option and may determine the exercise price (if any) payable on exercise of a vested Performance Right. The LTIP Rules provide that a Performance Right has a nil exercise price unless determined otherwise by the Board. The Board may also determine the exercise period of an Option or a Performance Right.

### Consideration for Grant

The Board may determine the amount (if any) payable for the grant of an Option or a Performance Right from time to time.

### Vesting

Following the satisfaction of the performance hurdles applying to an Option or a Performance Right, the Option or the Performance Right vests on, and becomes exercisable on or after, a date predetermined by the Board (**Vesting Date**), provided that the Executive remains employed by the Company as at that date.

### Automatic and Accelerated Vesting

Unless the Board determines otherwise, early vesting (prior to the relevant Vesting Date) of an Option or a Performance Right will automatically occur if there is a change of control, reconstruction or amalgamation, winding up or delisting of the Company for the purposes of the LTIP Rules.

The Board may, in its discretion, decide to accelerate the vesting of all or part of the Options or Performance Rights held by an Executive in specified circumstances including the death, total and permanent disablement, or cessation of employment for other reasons (e.g. retirement, redundancy or the Executive's employer ceasing to be an entity in FlexiGroup or its business being transferred to a non-FlexiGroup entity) of that Executive.

### Lapse

An unvested Option or Performance Right will lapse on the earliest of:

- (a) the expiry of the exercise period applicable to that Option or Performance Right;
- (b) the Board determining that the performance hurdles in respect of the Option or Performance Right are not satisfied and not capable of being satisfied on the relevant testing date or retesting date (as the case may be) and that the Option or Performance Right has lapsed;
- (c) 30 days after the Executive's death or total and permanent disablement, if death or total and permanent disablement occurs;
- (d) 30 days after the Executive ceases to be employed by the Company (including where the Executive's employer ceases to be an entity in FlexiGroup or its business has been transferred to a non-FlexiGroup entity) unless the Board makes a determination that the Option or Performance Right has vested; or
- (e) the Board determining that the Executive has committed (or it is evident that the Executive intends to commit) any act of dishonesty, fraud, wilful misconduct or breach of duty, serious and wilful negligence or incompetence in the performance of the Executive's duties, or is convicted of a criminal offence (other than minor/trivial offences) or is guilty of wilful or recklessly indifferent conduct which may injure the reputation or business of a FlexiGroup entity, and that the Option or Performance Right has lapsed.

Upon the occurrence of any of the events set out in (c), (d) (excluding termination of employment with cause) or (e) above, any vested Option or Performance Right held by the Executive may be exercised during a specified period unless that Option or Performance Right lapses on the expiry date applicable to it prior to the end of that specified period. In the event of an Executive's termination of employment with cause, all the Executive's vested Options and Performance Rights that have not been exercised will lapse on the date of termination (excluding any notice period), unless otherwise determined by the Board.

Subject to the Listing Rules, the Board may, in its discretion, extend a period during which an Executive may exercise an Option or Performance Right, provided that the Board does not extend the Exercise Period beyond the expiry date. If the Board exercises its discretion to extend the period during which an Executive may exercise an Option or Performance Right, the Board will give written notice of such extension to the Executive as soon as reasonably practicable.

### Exercise

Following the Vesting Date or the automatic or accelerated vesting of an Option or Performance Right, the vested Option or Performance Right may be exercised by the Executive subject to any exercise conditions and the payment of the exercise price (if any), and the Executive will then be allocated or issued Shares according to the number of Shares comprised in each vested Option or Performance Right exercised by the Executive.

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

The Board has the discretion to have Shares issued or transferred to an Executive or to the Trustee (on behalf of an Executive) on the exercise of vested Options or Performance Rights. Any Shares issued under the LTIP will rank equally with those Shares traded on the ASX at the time of issue except for any rights attaching to those Shares by reference to a record date prior to the date of issue.

### Adjustment

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

### Restrictions on Disposal of Shares

An Executive (or any person holding a Share on behalf of an Executive) may not dispose of, deal in, or grant a security interest over any interest in, a Share allocated to the Executive on exercise of a vested Option or Performance Right for any relevant period determined by the Board. This disposal restriction may be imposed by the Board at the time of grant or at any time after the date of grant prior to the exercise of the Option or Performance Right (subject to the Executive's agreement). The Board may implement such arrangements (including a holding lock) as it determines are necessary to enforce this restriction.

The Board may amend or waive any disposal restriction imposed if in the Board's opinion it is appropriate to do so taking into account the Participant's (or any other person holding Shares on behalf of the Participant, including the Trustee) circumstances or the Group's circumstances.

Once the restriction is removed, and subject to the Company's Trading Policy, Shares acquired on exercise of vested Options or Performance Rights may be dealt with freely.

### Restrictions on Transfer of Options or Performance Rights

An Executive may not dispose of, deal in, or grant a security interest over any interest in, an Option or Performance Right without the prior written consent of the Board, which may be given subject to such conditions as the Board sees fit in relation to the proposed dealing. The transfer or transmission of an Option or Performance Right is permitted where it is effected by force of law, on death or legal incapacity of an Executive to the Executive's legal representative.

### Transfer of Vested Options to a Broker

The Company may, by written notice, invite an Executive to offer to transfer the Executive's vested Options to a broker in accordance with terms and conditions determined by the Company and the LTIP Rules. The broker may refuse the offer if it considers, acting reasonably, that the market value or price of any Shares that will be delivered on exercise of a vested Option is less (or reasonably likely to be less) than the relevant vested Option's exercise price. If a broker acquires a vested Option, it must exercise the vested Option and then deal with the Shares delivered to it in accordance with the terms and conditions contained in the Company's written notice.

### Administration of the LTIP

Any power or discretion of the Board conferred under the LTIP Rules will be administered in the interests and for the benefit of the Company. Any power or discretion of the Board conferred under the LTIP Rules may be delegated by the Board to a committee consisting of the Company's officers and/or employees, a related body corporate and/or a third party for such periods, and on such conditions, as the Board sees fit.

The Board may at any time, by written instrument, amend all or any of the provisions of the LTIP Rules including with retrospective effect. Any amendment to the LTIP Rules must not materially reduce the rights of any participant as those rights existed before the date of the amendment (with limited exceptions).

The Board may suspend or terminate the LTIP at any time. The suspension or cancellation of the LTIP must not prejudice the existing rights (if any) of Executives. The Board may also amend the LTIP Rules, provided that subject to specified exceptions, there is no reduction of the rights of Executives in respect of Shares allocated or Options or Performance Rights granted under the LTIP prior to the date of such amendment.

## LODGE YOUR VOTE

-  **ONLINE**  
www.linkmarketservices.com.au
-  **BY MAIL**  
FlexiGroup Limited  
C/- Link Market Services Limited  
Locked Bag A14  
Sydney South NSW 1235 Australia
-  **BY FAX**  
+61 2 9287 0309
-  **BY HAND**  
Link Market Services Limited  
1A Homebush Bay Drive, Rhodes NSW 2138; or  
Level 12, 680 George Street, Sydney NSW 2000
-  **ALL ENQUIRIES TO**  
Telephone: +61 1800 881 432 (free call within Australia)

## PROXY FORM

I/We being a member(s) of FlexiGroup Limited (Company) and entitled to attend and vote hereby appoint:

### APPOINT A PROXY

**the Chairman of the Meeting (mark box)** **OR** if you are **NOT** appointing the Chairman of the Meeting as your proxy, please write the name of the person or body corporate you are appointing as your proxy

or failing the person or body corporate named, or if no person or body corporate is named, the Chairman of the Meeting, as my/our proxy to act on my/our behalf (including to vote in accordance with the following directions or, if no directions have been given and to the extent permitted by the law, as the proxy sees fit) at the Annual General Meeting of the Company to be held at **4:00pm on Monday, 23 November 2015 at Adelaide Room, Lobby Level, the Sofitel Sydney Wentworth, 61-101 Phillip Street, Sydney, NSW** (the Meeting) and at any postponement or adjournment of the Meeting.


**Important for Resolution 2:** If the Chairman of the Meeting is your proxy, either by appointment or by default, and you have not indicated your voting intention below, you expressly authorise the Chairman of the Meeting to exercise your proxy in respect of Resolution 2, even though the Resolution is connected directly or indirectly with the remuneration of a member of the Company's Key Management Personnel (**KMP**).

The Chairman of the Meeting intends to **vote undirected proxies in relation to Resolutions 2, 3 and 4 in favour of those items**. The Chairman of the Meeting intends to **vote undirected proxies in relation to Resolution 2A against that item**. In exceptional circumstances, the Chairman of the Meeting may change their voting intention on any resolution in which case an ASX announcement will be made.

### VOTING DIRECTIONS

**Proxies will only be valid and accepted by the Company if they are signed and received no later than 48 hours before the Meeting. Please read the voting instructions overleaf before marking any boxes with an .**

Resolutions	For	Against	Abstain*
2 Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2A Spill Resolution	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3 Re-election of John Skippen	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4 Approval of proposed amendments to conditions of existing Performance Rights issued pursuant to the Long Term Incentive Plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

 \* If you mark the Abstain box for a particular Item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

### SIGNATURE OF SHAREHOLDERS – THIS MUST BE COMPLETED

Shareholder 1 (Individual)	Joint Shareholder 2 (Individual)	Joint Shareholder 3 (Individual)
<input style="width: 100%; height: 30px;" type="text"/>	<input style="width: 100%; height: 30px;" type="text"/>	<input style="width: 100%; height: 30px;" type="text"/>
Sole Director and Sole Company Secretary	Director/Company Secretary (Delete one)	Director

This Proxy Form should be signed by the shareholder. If a joint holding, either shareholder may sign. If signed by the shareholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this Proxy Form. If executed by a company, the Proxy Form must be executed in accordance with the company's constitution and the *Corporations Act 2001* (Cth).



STEP 1

STEP 2

STEP 3

## HOW TO COMPLETE THIS PROXY FORM

### YOUR NAME AND ADDRESS

This is your name and address as it appears on the Company's share register. If this information is incorrect, please make the correction on this Proxy Form. Shareholders sponsored by a broker should advise their broker of any changes. **Please note: you cannot change ownership of your shares using this Proxy Form.**

### APPOINTMENT OF PROXY

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box in Step 1. If you wish to appoint someone other than the Chairman of the Meeting as your proxy, please write the name of that individual or body corporate in Step 1. A proxy need not be a shareholder of the Company.

### DEFAULT TO CHAIRMAN OF THE MEETING

Any directed proxies that are not voted on a poll at the Meeting will default to the Chairman of the Meeting, who is required to vote those proxies as directed. Any undirected proxies that default to the Chairman of the Meeting will be voted according to the instructions set out in this Proxy Form, including where the Resolution is connected directly or indirectly with the remuneration of KMP.

### VOTES ON ITEMS OF BUSINESS – PROXY APPOINTMENT

You may direct your proxy how to vote by placing a mark in one of the boxes opposite each Resolution. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any resolution by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the resolutions, your proxy may vote as he or she chooses. If you mark more than one box on a resolution your vote on that resolution will be invalid.

### APPOINTMENT OF A SECOND PROXY

You are entitled to appoint up to two persons as proxies to attend the Meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the Company's share registry or you may copy this Proxy Form and return them both together.

To appoint a second proxy you must:

- (a) on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of shares applicable to that Proxy Form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded; and
- (b) return both Proxy Forms together.

### SIGNING INSTRUCTIONS

You must sign this Proxy Form as follows in the spaces provided:

**Individual:** where the holding is in one name, the holder must sign.

**Joint Holding:** where the holding is in more than one name, either shareholder may sign.

**Power of Attorney:** to sign under Power of Attorney, you must lodge the Power of Attorney with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this Proxy Form when you return it.

**Companies:** where the company has a Sole Director who is also the Sole Company Secretary, this Proxy Form must be signed by that person. If the company (pursuant to section 204A of the *Corporations Act 2001*) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this Proxy Form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

### CORPORATE REPRESENTATIVES

If a representative of the corporation is to attend the Meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission in accordance with the Notice of Meeting. A form of the certificate may be obtained from the Company's share registry or online at [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au).

### LODGEMENT OF A PROXY FORM

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below by **4:00pm on Saturday, 21 November 2015**, being not later than 48 hours before the commencement of the Meeting. Any Proxy Form received after that time will not be valid for the scheduled Meeting.

Proxy Forms may be lodged using the reply paid envelope or:



#### ONLINE

[www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)

Login to the Link website using the holding details as shown on the Proxy Form. Select 'Voting' and follow the prompts to lodge your vote. To use the online lodgement facility, shareholders will need their "Holder Identifier" (Securityholder Reference Number (SRN) or Holder Identification Number (HIN) as shown on the front of the Proxy Form).



#### BY MOBILE DEVICE

Our voting website is designed specifically for voting online. You can now lodge your proxy by scanning the QR code adjacent or enter the voting link [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au) into your mobile device. Log in using the Holder Identifier and postcode for your shareholding.

#### QR Code



To scan the code you will need a QR code reader application which can be downloaded for free on your mobile device.



#### BY MAIL

FlexiGroup Limited  
C/- Link Market Services Limited  
Locked Bag A14  
Sydney South NSW 1235  
Australia



#### BY FAX

+61 2 9287 0309



#### BY HAND

delivering it to Link Market Services Limited\*  
1A Homebush Bay Drive  
Rhodes NSW 2138  
  
or  
  
Level 12  
680 George Street  
Sydney NSW 2000

\* During business hours (Monday to Friday, 9:00am–5:00pm)

**IF YOU WOULD LIKE TO ATTEND AND VOTE AT THE ANNUAL GENERAL MEETING, PLEASE BRING THIS PROXY FORM WITH YOU.  
THIS WILL ASSIST IN REGISTERING YOUR ATTENDANCE.**