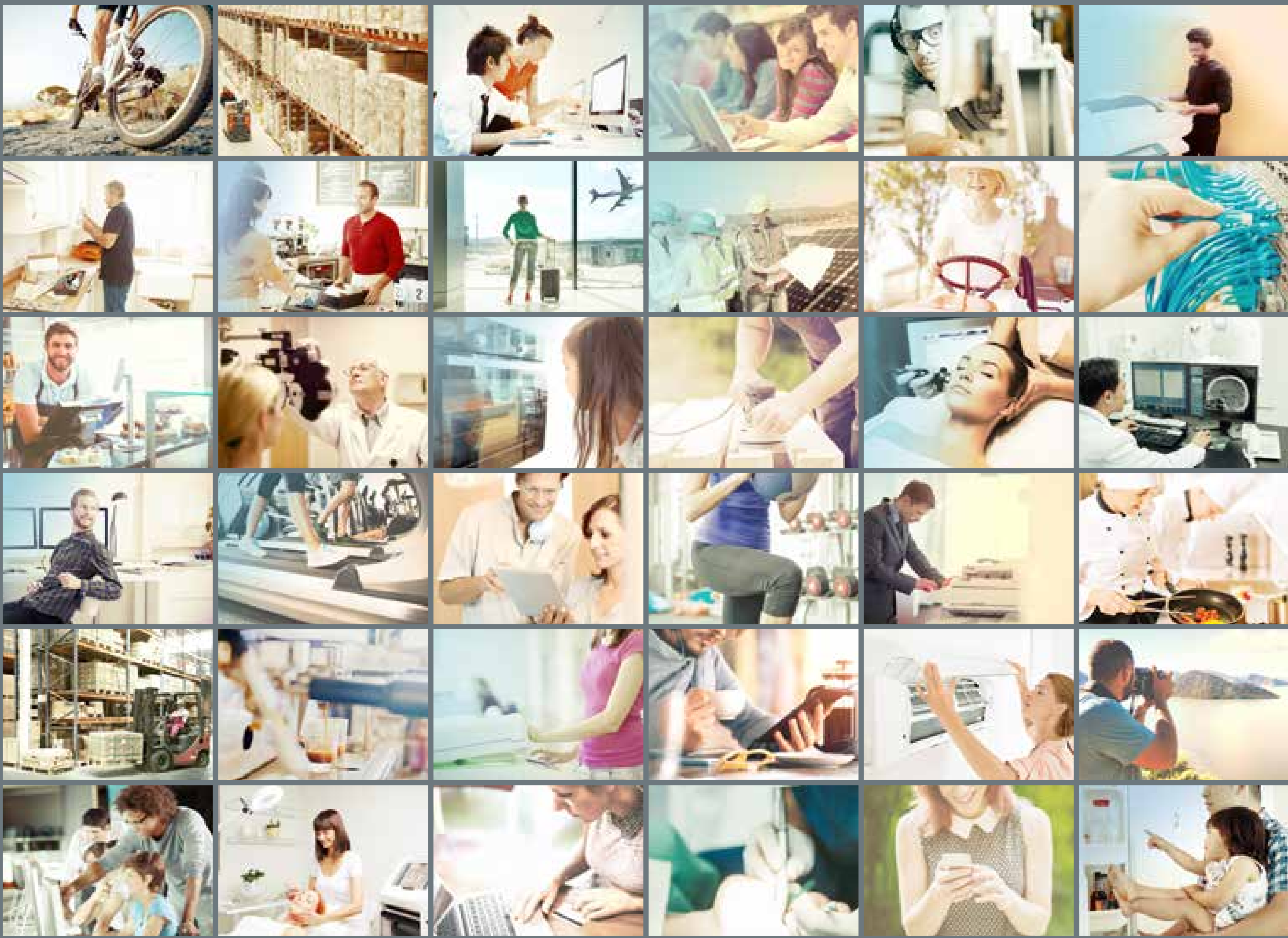

FLEXIGROUP

Annual Report 2015

Annual Report Contents

Directors' Report

Your Directors present their report on the consolidated entity (referred to hereafter as the Group or Company) consisting of FlexiGroup Limited ("the Company") and the entities it controlled at the end of, or during, the year ended 30 June 2015.

Directors

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

Chris Beare (resigned 10 August 2015)

Tarek Robbiati (resigned 7 August 2015)

Andrew Abercrombie

Rajeev Dhawan

R John Skippen

Anne Ward (resigned 10 August 2015)

Company secretary

Matthew Beaman(*) (resigned 23 April 2015)

Julianne Lyall-Anderson (appointed 23 April 2015)

(*) Matthew Beaman continues in his role as Group General Counsel

Principal activities

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

- Lease and rental financing services
- No Interest ever loans
- Interest free cards

During the year, the Group acquired Telecom Rentals Limited ("TRL"), a wholly owned subsidiary of Spark New Zealand Limited. The acquisition will enable the Company to consolidate its distribution footprint and provide significant scale for our existing business in New Zealand. Other than the acquisition of TRL, there were no significant changes in the nature of activities that occurred during the year. Also refer below on Key Developments section of the Operating and Financial Review.

OPERATING AND FINANCIAL REVIEW

The Board presents its 2015 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 16,000 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.
- 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. The recently acquired TRL business is reported as part of the New Zealand segment.
- Enterprise offers leases (typically larger sized commercial transactions) through vendor programs and direct to medium and large businesses. Enterprise was expanded in 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 and controlling cost of funds and operating expenses.

2015 Operating Results
The table below shows the key operational metrics for the 2015 financial year for FlexiGroup and its segments:

	No Interest Ever		Interest Free Cards		Leasing Australia		Leasing New Zealand		Enterprise		Unallocated		Group	
Summary of Results	**2015 $m**	**2014 $m**	**2015 $m**	**2014 $m**	**2015 $m**	**2014 $m**	**2015 $m**	**2014 $m**	**2015 $m**	**2014 $m**	**2015 $m**	**2014 $m**	**2015 $m**	**2014 $m**
Net portfolio income	**93.4**	85.1	**33.6**	32.8	**89.5**	89.4	**18.4**	14.3	**38.3**	29.0	**–**	–	**273.2**	250.6
Operating expenses	**(29.7)**	(25.5)	**(9.1)**	(15.3)	**(37.4)**	(52.7)	**(8.3)**	(6.1)	**(24.1)**	(11.4)	**–**	–	**(108.6)**	(111.0)
Impairment losses on loans & receivables	**(14.4)**	(13.5)	**(6.7)**	(5.3)	**(19.6)**	(12.3)	**(1.0)**	(0.6)	**(2.8)**	(2.4)	**–**	–	**(44.5)**	(34.1)
Amortisation of acquired intangible assets	**(0.1)**	(0.3)	**(2.1)**	(1.7)	**(4.1)**	(0.5)	**–**	–	**(1.9)**	(0.3)	**–**	–	**(7.2)**	(2.8)
Impairment of goodwill and other intangible assets	**–**	–	**–**	–	**–**	(12.5)	**–**	–	**–**	–	**–**	–	**–**	(12.5)
Cancelled share based payments	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	(5.2)	**–**	(5.2)
Profit before tax	**49.2**	45.8	**15.7**	10.5	**28.4**	11.4	**9.1**	7.6	**10.5**	14.9	**–**	(5.2)	**112.9**	85.0
Income tax expense	**(14.8)**	(13.8)	**(5.2)**	(4.4)	**(4.5)**	(2.1)	**(2.2)**	(2.1)	**(3.5)**	(5.0)	**–**	–	**(30.2)**	(27.4)
Profit after tax	**34.4**	32.0	**10.5**	6.1	**23.9**	9.3	**6.9**	5.5	**7.0**	9.9	**–**	(5.2)	**82.7**	57.6
Adjustments for underlying profit(1)	**–**	0.3	**1.8**	4.9	**2.3**	16.6	**0.1**	0.2	**3.2**	0.2	**–**	5.2	**7.4**	27.4
Cash NPAT(ii)	**34.4**	32.3	**12.3**	11.0	**26.2**	25.9	**7.0**	5.7	**10.2**	10.1	**–**	–	**90.1**	85.0
Basic earnings per share (EPS) (cents)	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**27.2**	19.0
Cash earnings per share (Cash EPS) (cents)	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**29.6**	28.0
Volume ($)	**552**	507	**237**	200	**180**	189	**62**	38	**105**	149	**–**	–	**1,136**	1,083
Closing Net Receivables	**478**	453	**232**	210	**302**	326	**166**	66	**250**	263	**–**	–	**1,428**	1,318

(i) Cash NPAT reflects the reported net profit after tax adjusted for items highlighted in Note 3 Segment Information on page 57. The analysis of results below is primarily based on Cash NPAT so as to align the information that is given to users of financial reports to the way the Directors view the business and to assist better understanding of the Group's performance. The Directors believe that Cash NPAT is the most appropriate measure of maintainable earnings of the Group and therefore best reflects the core drivers and ongoing influences upon those earnings. Cash NPAT is used by the Directors for purposes of providing market guidance to shareholders and the market, and is calculated on a consistent basis each year.

FlexiGroup recorded a statutory profit of $82.7m, an increase of 44% year on year. Cash NPAT was $90.1m, an increase of 6% year on year. The increase in statutory profit was driven by the non-recurrence of several one off, non-recurring expenses relating to impairment of goodwill and IT software, acquisition of business costs and related integration expenses and strategic review expenses that were incurred in prior year and general growth in the business.

Cash EPS increased by 6% to 29.6 cents per share on the prior comparative period, in line with the 6% increase in Cash NPAT in 2015.

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

- Net portfolio income increased by 9% to $273.2m, underpinned by an 8% increase in receivables. The increase in receivables is driven by strong growth in Interest free cards and Certegy, and also due to the acquisition of TRL during the year. The Enterprise business saw a 30% decrease in volume primarily driven by internal structural changes that led to a decrease in current year.
- Impairment losses increased by 30% to $44.5m. When measured as percentage of average receivables, impairment losses increased to 3.3% from 2.7% in prior year. The increase in losses is as a result of a higher portion of the book being consumer which has higher losses and the run off of the acquired RentSmart book.
- Operating expenses decreased by 2% to $108.6m, however, excluding several net one off costs incurred in prior year of circa $14m, expenses increased by 14% driven by the full year consolidation of TOT and Equico.
- Sales volume grew by 5% to $1,136m. The New Zealand segment recorded growth of 63% underpinned by the acquisition of TRL and organic growth. Increased investment in the Interest Free Cards business has seen significant volume growth of 19% and increased card activation. Certegy recorded steady volume growth of 9% with solar volumes remaining stable. The Consumer and SME business recorded a 5% decline in volume. Enterprise volume declined due to internal changes that are aimed towards long term sustainability for the business.

DIRECTORS' REPORT (CONTINUED)

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

Key developments (incorporating significant changes in the state of affairs)

On 30 April 2015, the Company announced the acquisition of Telecom Rentals Limited, a wholly owned subsidiary of Spark New Zealand Limited for a total Enterprise value of $108.4m, comprised of net tangible assets of $95.6m and goodwill of $12.8m. The acquisition provides the Company with significant scale for the existing New Zealand business and allows the Company to penetrate new distribution channels through the Spark Digital channel and leveraging the already established Equico brand in the education sector. This offers the Company the opportunity to tender for all government IT leasing contracts with a wide range of partners.

SEGMENT RESULTS ANALYSIS

No Interest Ever (Certegy)
Certegy's Cash NPAT is $34.4m, an increase of 7% on the prior comparative period, driven by:

- Net portfolio income increased by 10% to $93.4m which was driven by a 6% growth in receivables. Cost of funds also reduced by 6% compared to prior year. VIP loyalty program initiatives continue to contribute significantly to volume growth.
- Impairment losses of $14.4m are in line with expectations and receivables growth. This reflects the ongoing work on Certegy's risk controls and the effectiveness of new collection initiatives.
- Operating expenses increased by 16.5% to $29.7m, primarily driven by costs to support volume growth initiatives, such as VIP campaign and direct consumer marketing.
- Sales volume increased by 9% to $552m with solar volumes remaining stable. The 9% volume growth in the second half of the financial year was supported by higher internal and external promotional activity, VIP marketing and new sales generation.
- Closing receivables increased by 6% to $478m, in line with volume growth that was achieved through new relationships and industry diversification.

Interest Free Cards
Interest Free Cards' Cash NPAT is $12.3m, an increase of 12% on prior year driven by growth in the receivables book of 10%, achieved through the online investment program. Other drivers include:

- Net portfolio income increased by 2% to $33.6m, attributable to an increase in receivables, lower funding costs and the adoption of a new simplified fee structure for new interest free accounts.
- Impairment losses were $6.7m a 26% increase on prior year. The increase reflects the growth in the receivables portfolio.
- Operating expenses decreased by 41% on prior year to $9.1m. The decrease is as a result of pre-tax $5m one off integration costs incurred in prior year. Excluding the impact of integration costs, expenses are relatively stable for the business.
- Sales volume increased by 19% to $237m and receivables increase to $232m reflect a strong focus towards driving interest free volumes through strategic partnerships in Retail and Homeowner segments, delivering an uplift in interest free volumes of 8%. The launch of new compelling card propositions into the Once Credit brand has delivered increased card activation, utilisation and card spend. Increased investment in cards portfolio management campaigns has contributed to 30% uplift in card spend.

Consumer and SME Leasing – Australia (including Ireland)
Cash NPAT was $26.2m, an increase of 1% on prior year, driven by:

- Net portfolio income increased by 0.1% to $89.5m. This has been driven by improved product yield mix which includes the impact of improved end of term processes which are also driving increased customer engagement and trade up rates.
- Impairment losses increased by 59% to $19.6m, driven by higher mix of Consumer within the portfolio and the resulting provision increase required in addition to higher losses experienced on acquired RentSmart portfolio which is running off rapidly.
- Operating expenses decreased by 29% to $37.4m. This decrease is due to significant acquisition and integration costs of $9.9m pre-tax in prior year compared to $2.5m in current year. The company continues to realise cost efficiencies as a result of the consolidation of the Manila operations and ongoing projects delivered to create operating efficiencies. Cost control remains a key area for the company in driving profitability.
- Sales volume decreased by 5% to $180m. This is a result of competition pressures in a challenging SME market. This has been partly offset by strong performance within the consumer business both in established channel partners and channels added through the RentSmart acquisition. This business is beginning to see positive return from its digital investment both through increasing numbers of transactions, improved customer experience and reversing the trend of declining average deal sizes.
- Closing receivables were $302m, a 7% decrease on prior year. This has been impacted by both the declining volumes in SME and run off on the acquired RentSmart portfolio.

New Zealand Leasing
New Zealand's Cash NPAT is $7.0m, an increase of 23% on the prior comparative period. The increase was driven by:

- Net portfolio income increased by 29% to $18.4m which was mainly due to full year of Equico income which contributed strong end of term performance.
- Acquisition of TRL whose results are consolidated from May 2015.
- Operating expenses increased by 36% to $8.3m due to full year Equico costs and part year incremental TRL costs and costs incurred to drive volume growth.
- Sales volume increased by 63% to $62m with growth predominantly from lower risk Education and SME segments.
- Closing receivables increased by 152% to $166m due to TRL acquisition and strong organic growth in existing channels.
- Further volume opportunities exist through signing of an exclusive agreement with Apple for commercial and education leasing.

Enterprise

Enterprise's Cash NPAT of $10.2m represents a 1% increase on the prior comparative period, driven by:

- Net portfolio income increased by 32% to $38.3m, largely driven by a full year consolidation of TOT results.
- Impairment losses increased by 17% to $2.8m, however remained flat measured against average net receivables at 1.1%. The Enterprise portfolio continues to demonstrate a low impairment loss ratio, largely driven by continued focus on assets with higher credit quality.
- Operating expenses increased by 111% to $24.1m driven by full year consolidation of TOT.
- Sales volume decreased by 30% to $105m due to a senior management restructure during the year.
- Closing receivables decreased by 5% to $250m, due to the slow volume growth as explained above. Volumes are expected to increase in 2016 via new distribution channels and broker programs.

FINANCIAL POSITION AND CASH FLOWS

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

	June 2015 $m	June 2014 $m
Summary financial position		
Cash at bank	**130.3**	106.6
Receivables and customer loans	**1,451.5**	1,347.2
Inventories	**4.2**	2.8
Other assets	**5.2**	6.1
Goodwill and intangibles	**195.0**	161.8
Total assets	**1,786.2**	1,624.5
Borrowings	**1,274.5**	1,132.6
Other liabilities	**101.2**	106.9
Total liabilities	**1,375.7**	1,239.5
Equity	**410.5**	385.0
Gearing(ii)	**21%**	20%
ROE(iii)	**23%**	23%
Cash inflows from operating activities	**121.2**	124.3

(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 8% to $1,451.5m. The increase is primarily driven by significant growth in the Interest free cards business and the acquisition of TRL in New Zealand. Volume growth of 5% sustained receivables. The Company continues to expand its distribution network and the acquisition of TRL has added significant scale, which will see the Company continue to grow receivables in the future in a sustainable way.

RETURN ON EQUITY ('RoE')

The Company has continued to achieve consistently high returns underpinned by growth in profitability. Increases in equity have been complimented by continual earnings accretive acquisitions. The Company continues to have a strong ROE of 23%.

GEARING

FlexiGroup continues to maintain a conservative capital structure with corporate debt gearing of 21% (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, the level is within the Company's long term financial strategy. The Company continues to fund value accretive acquisitions through a combination of debt, equity and its own cash resources. Non-recourse borrowings are secured against the Company's receivables and the contract terms are matched, with future interest cash flows generally fixed through use of interest rate swaps.

DIRECTORS' REPORT (CONTINUED)

CASH FLOWS

Cash inflows from operating activities are steady on prior year, with a slight decrease of 2% to $121.2m. The Company continues to generate substantial operating cash flows to support its investment activities and returns to shareholders.

Cash outflows from investing activities decreased by 49% to $97.6m, driven primarily by a reduction in net investments in receivables. However over the same period, capital expenditure increased by 49% to $26.4m due to expenditure on capital projects to support the Company medium to long term strategy. Cash outflows due to business combinations reduced by 43% to $21.8m.

Cash inflows from financing activities decreased by 99% to $0.6m, driven mainly by a decrease in borrowings and higher dividends payment.

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 2015 financial year the Group;

- completed two ABS issues, the $210m Flexi ABS Trust 2015-1 in April 2015 and the $285m Flexi ABS Trust 2015-2 in June 2015, and
- implemented an additional $110m funding in New Zealand following the acquisition of TRL Limited.

At balance sheet date the Group had $1,735.5m of wholesale debt facilities, with $482.6m undrawn and no indications that facilities will not be extended. Wholesale facilities have no bullet repayment on maturity, with outstanding balances repaying in line with receivables if availability periods were not to be extended. These facilities are secured against underlying pools of receivables with no credit recourse back to FlexiGroup.

The Group's $100m of corporate debt facilities were drawn to $45m at balance date. These facilities are secured by the assets of the Group, and with a maturity date in 2017.

BUSINESS STRATEGIES AND PROSPECTS

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

FlexiGroup continues to be focused on growing receivables and profitability through targeting lower 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 New Zealand business has become a niche growth engine for the Company following the acquisition of TRL. The Company will consolidate 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 continue to benefit from accessing new retailer relationships and enhancement of distribution channels. TOT acquisition has started contributing and the Company will continue leveraging the channel to drive growth in the Enterprise business.

The company is actively executing its strategy, with $26.4m spent during the year on replacing and upgrading core systems to support future growth. The Company realises that its future growth is hinged on its online capability hence is pursuing the digital growth strategy as part of the overall capital expenditure program. The company is largely driven by:

- having a clear strategy as communicated in May 2014, and
- quality of execution, underpinned by wholesale improvements in core financial systems and online capability.

Volume

The Company will continue to grow volume by leveraging existing merchant relationships and pursuing new sales channels in the future. The increased capacity through the acquisition of RentSmart has allowed the Company to mitigate headwinds within the Consumer and SME business. The New Zealand business will benefit from the opportunities provided by the Ministry of Education and the Spark Digital channels that result from the TRL acquisition.

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

Acquisitions

As part of the Company's growth strategy, FlexiGroup continues to look at potential acquisition targets that suit its diversification strategy and only considers targets that are value accretive. The TRL acquisition completed on 30 April 2015 fits the overall strategic and commercial direction that the Company is pursuing and the company will continue in that direction.

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 are to ensure that the Company continues its growth trajectory in the foreseeable future. FlexiGroup has invested in its investment program to facilitate generating significant value for its shareholders in future years, subject to macro-economic conditions remaining stable. The Group will continue to selectively acquire Consumer and Commercial finance businesses that provide additional scale in existing segments or a highly scalable platform in a new segment of the market.

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

Shareholder returns

	2015	2014	2013	2012	2011	2010
		Years ended 30 June				
TSR	**(14%)**	(26%)	92%	18%	76%	73%
Dividends per share (cents)	**17.75**	16.50	14.50	12.50	11.50	7.50
Cash EPS (cents)	**29.64**	28.04	25.10	22.40	20.00	17.50
Share price (high)	**$4.00**	$4.99	$4.74	$2.65	$2.39	$1.78
Share price (low)	**$2.70**	$2.98	$2.55	$1.60	$1.17	$0.66
Share price (close)	**$2.91**	$3.17	$4.36	$2.60	$2.07	$1.38

Earnings per share

	2015 cents	2014 cents
Basic earnings per share	**27.2**	19.0
Diluted earnings per share	**27.1**	18.9
Cash earnings per share	**29.6**	28.0

Dividends on ordinary shares

	2015		2014	
	cents	$m	cents	$m
Final dividend for the year – payable October	**9.00**	**27.40**	8.50	25.80
Dividends paid during the year				
Interim dividend for the year – paid in April	**8.75**	**26.70**	8.00	24.80
Final dividend for 2014 (PY:2013) – paid in October	**8.50**	**25.80**	7.50	22.80
Total dividends paid during the year	**17.25**	**52.50**	15.50	47.10
Total dividends declared for the financial year	**17.75**	**54.10**	16.50	50.20

The final dividend for 2015 has a record date of 11 September 2015 and is expected to be paid on 16 October 2015.

Matters subsequent to end of the financial year

No other matter or circumstance has arisen since 30 June 2015 that has significantly affected, or may significantly affect:

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

Environmental regulation

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

DIRECTORS' REPORT (CONTINUED)

INFORMATION ON DIRECTORS

CHRIS BEARE

(Age 64)

Chairman, Independent, Non-Executive

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

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

Chris has significant experience in international business, technology, strategy, finance and management and as an independent director. Chris joined investment bank Hambros Australia in 1991, became Head of Corporate Finance in 1994 and joint Chief Executive in 1995. After Hambros was acquired by Société Générale in 1998 Chris remained a Director of SG Australia until 2002. Prior to Hambros, Chris was Executive Director of Melbourne based Venture Capital firm Advent Management Group which he joined in 1987 after various roles in Telecom Australia culminating in the position of Head of Strategy. Chris has strong interests in technology. In 1998 he helped form Radiata, a technology start-up in Sydney and Silicon Valley, and as Chair and Chief Executive Officer steered it to a successful sale to Cisco Systems in 2001. He has been a Director of a number of other technology companies. Chris is also Chairman Saluda Medical Pty Ltd and Cohda Wireless Pty Ltd. Chris resigned from the Company on 10 August 2015.

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

Former directorships in last three years
None

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

Interests in shares and options
Nil

TAREK ROBBIATI

(Age 50)

Non-Independent, Executive, Chief Executive Officer (resigned 7 August 2015)

Experience
Tarek was appointed CEO of FlexiGroup on 1 November 2012 and commenced work at FlexiGroup on 21 January 2013. He was appointed a Director of the Company on 28 January 2013. Prior to joining FlexiGroup, from 2009-2012 Tarek was Group Managing Director of Telstra International Group and Chairman of CSL Ltd, the mobile service provider of Telstra International Group based in Hong Kong. From 2007-2009, Tarek was CEO of CSL Ltd in Hong Kong, and prior to that between 2005-2007 he was Deputy Chief Financial Officer of Telstra Corporation Ltd in Melbourne. On 23 June 2015, Tarek gave notice of his resignation from the Group and he officially resigned on 7 August 2015.

Other current directorships
None

Former directorships in last three years
None

Special responsibilities
Chief Executive Officer

Interests in shares and options
None

ANDREW ABERCROMBIE

(Age 59)

Founding Director
Non-Independent, Non-Executive

BEc, LLB, MBA

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

Other current directorships
None

Former directorships in last three years
None

Special responsibilities
Member of the Nomination Committee

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

RAJEEV DHAWAN

(Age 49)

Independent, Non-Executive

BCom, ACA, MBA

Experience
Rajeev represented Colonial First State Private Equity managed funds ("CFSPE") on the Board of Flexirent Holdings Pty Limited from February 2003 to December 2004. Upon CFSPE's exit from Flexirent Holdings in December 2004, Rajeev continued in an advisory capacity to the Flexirent business. Currently a partner of Equity Partners, Rajeev has 22 years' venture capital and private equity experience and has been a Director of a number of listed and unlisted portfolio companies.

Other current directorships
None

Former directorships in last three years
None

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

Interests in shares and options
208,048 ordinary shares in FlexiGroup Limited

R JOHN SKIPPEN

(Age 67)

Independent, Non-Executive, ACA

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

Other current directorships
Super Retail Group Limited
Slater & Gordon Limited

Former directorships in last three years
Emerging Leaders Investment Limited

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

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

ANNE WARD

(Age 55)

Independent, Non-Executive

B.A., LLB (Melb), FAICD

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

Prior to becoming a professional director, Anne was a commercial lawyer for 28 years advising major corporations on strategic transactions, mergers and acquisitions, capital markets, contract law and regulation and corporate governance. She was General Counsel for National Australia Bank for Australia and Asia and was a partner at national law firms Minter Ellison and Herbert Geer. Anne resigned from the Company on 10 August 2015.

Other current directorships
MYOB Group Limited

Former directorships in last three years
None

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

Interests in shares and options
None

DIRECTORS' REPORT (CONTINUED)

MEETINGS OF DIRECTORS

	FlexiGroup Limited							
	Board meetings		Audit and Risk Committee		Nomination Committee		Remuneration Committee	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
C Beare	9	9	3	3	8	8	4	4
T Robbiati	9	9	3	3	+	+	+	+
A Abercrombie	9	9	+	+	8	8	+	+
R Dhawan	9	9	3	3	8	8	4	4
R J Skippen	9	9	3	3	8	8	4	4
A Ward	9	9	3	3	8	8	4	4

+ Not a member of the relevant committee

COMPANY SECRETARY

Julianne Lyall-Anderson LLB (Hons), Grad Dip Legal Practice, has 19 years' experience as a Company Secretary. Prior to joining FlexiGroup, Julianne was Group Company Secretary at McWilliam's Wines Group Limited, Wattyl Limited and Dyno Nobel Limited. Julianne was appointed Group Company Secretary on 23 April 2015.

Matthew Beaman LLB (Hons), B.Comm, was appointed as Company Secretary on 20 November 2013 and resigned on 23 April 2015, and continues as Group General Counsel. Matt joined FlexiGroup in September 2013, bringing more than 15 years' private practice and in-house legal experience in banking and finance with a focus on small and large-ticket asset finance transactions. Prior to joining FlexiGroup, Matt held roles in private-practice environments with leading domestic and international law firms. Matt was the Chief Legal Counsel for CIT Group Asia-Pacific from 2005–2009. From October 2009, Matt was Deputy General Counsel of Lloyds Banking Group Australia (Lloyds International) and was elevated to the position of General Counsel in March 2012.

MESSAGE FROM THE REMUNERATION COMMITTEE CHAIRMAN

Dear Shareholder,

The 2015 financial year was another year of strong performance as the Group continued to deliver against its strategy in challenging market conditions. The 2015 financial year has built on the performance of 2014, balancing a strong focus on business results for this year in parallel with a significant program of work that is focused on investing in the success of the Group in the coming years.

Significant improvements have been made across the organisation to ensure greater return on investment for shareholders in the next five years. These improvements have been delivered via the implementation of technology and infrastructure that improves productivity, and enhances the customer experience. The investment in customer experience is reflected in the positive trend in our Net Promoter Scores (NPS) across the majority of our products during the last twelve months.

While the 2015 financial year has set a strong platform to support future growth, the achievement this year has delivered in line with market guidance. As a result, remuneration for both the Executive Team and employees across the organisation was set at an average increase in line with CPI.

Awards under the Annual Short Term Incentive (STI) Scheme were determined based on a scorecard containing both financial and non-financial metrics. These metrics included stretch goals. Further details about the STI plan for this year have been included in this report. The key difference to last year's measures was the addition of a customer metric within the corporate component of the plan. This year, the maximum payments made to any Executive under the STI scheme was 87%.

Details on the Long Term Incentive Plan (LTIP) and the outcomes are contained on pages 19-28 of the Remuneration Report.

During the year, we have reviewed our Executive Remuneration Framework, with the assistance of an external remuneration advisor. The purpose of this review is to ensure that our remuneration aligns to market expectations, balancing our focus on retention of key personnel and creation of shareholder value.

Our CEO resigned on 23 June 2015 and left the Company on 7 August 2015. He was only paid his 6 month notice period, some of which we asked him to serve. He received no other resignation benefit, no LTIP award, he had no outstanding performance rights or options and he held no equity in the company. He elected to forfeit any STI award for the year ended 30 June 2015.

The Board is committed to ensuring the Remuneration Report presents an accurate and concise view of executive remuneration, complying with requirements under the *Corporations Act 2001*. We are confident that FlexiGroup's remuneration policies support the Group's strategic and financial goals and we will continue to monitor this alignment in the coming year.

Voting and comments made at the company's 2014 Annual General Meeting

FlexiGroup received 50.3% of "yes" votes on its remuneration report for the 2014 financial year. We take this vote seriously. Since that time we have met widely with Proxy Advisors and several of our major shareholders to better understand their concerns.

As a result, we have taken external advice from Mercers and re-examined the structure of our LTIP. The revised LTIP we introduced this financial year has four tranches with testing and awards in each year, but based only on the performance in that year. We have set this with a sales restriction of up to three years on each award for each employee. This ensured that employees were introduced to holding equity early and by having to hold the equity under a sales restriction were more rapidly aligned with shareholders. Our alternative was to move to a more conventional 3 or 4 year performance award system. There are varying opinions regarding the use of a one year performance measure, but the more conventional approach would not have seen key employees holding equity for some time.

With the help of our advisers we are planning to transition our one year hurdles with sales restrictions to two year hurdles and then 3 year hurdles with gradually reducing sales restrictions. We are examining transitioning that award into a 2 year award spanning 1 July 2014 to 30 June 2016 against appropriately set hurdles. An award for the period 1 July 2015 to 30 June 2017 would also be granted, again against appropriate hurdles. We will report on this in next year's Remuneration report.

Thank you for your continued interest in FlexiGroup.

Yours sincerely,

Rajeev Dhawan

Remuneration Committee Chairman.

DIRECTORS' REPORT (CONTINUED)

Remuneration Report

The directors are pleased to present the company's 2015 remuneration report which sets out remuneration information for FlexiGroup Limited's non-executive directors, executive directors and other key management personnel.

Directors and key management personnel disclosed in this report

Name	**Position**
Non-executive and executive directors – see pages 8-9	
Other key management personnel ("KMP")	
David Stevens	Chief Financial Officer
Rob May	General Manager – Certegy
Peter Lirantzis	Chief Operating Officer
Michael Burke	General Manager – Consumer and SME
Anthony Roberts	General Manager – Enterprise

Anthony Roberts resigned as KMP on 5 September 2014, the date he ceased being a KMP. Nicholle Lindner was disclosed as KMP in the prior year comparative period and ceased being KMP at the beginning of the 2015 financial year upon her resignation.

SECTION A – GOVERNANCE AND PRINCIPLES OF REMUNERATION AT FLEXIGROUP

Remuneration Committee

The Remuneration Committee is responsible for reviewing and making recommendations to the FlexiGroup Board, on the remuneration philosophy, framework and policies for the group. The Committee is responsible for making recommendations to the Board on remuneration policies and Directors, and Executives' remuneration.

The Remuneration Committee undertakes the following activities for the Group:

- Reviews and provides recommendations to the Board on remuneration, recruitment and retention policies for Executives;
- Reviews and provides advice regarding the Key Performance Indicators (KPIs) for the Group and for individual Executives that underpin the Short Term Incentive program;
- Reviews and provides recommendations to the Board on remuneration policies for the broader organisation (non-executives);
- Reviews Remuneration Policies annually to ensure that the policies comply with the Group's objectives and risk management framework;
- Provides annual recommendations to the Board on the individual remuneration arrangements for the CEO, Executive Team and any other Key Management Personnel;
- Approves overall Group remuneration budgets and Short Term Incentive Scheme payments for non-Executive Group employees; and
- Reviews and provides recommendations to the Board regarding remuneration for Non-Executive Directors.

The Remuneration Committee regularly reviews the Remuneration Framework to ensure that it adheres to the Group's overall risk management framework and that any risks identified are addressed in a timely manner.

The Remuneration Committee is made up of independent Non-Executive Directors and consists of the following members:

- Rajeev Dhawan (Chairman);
- Chris Beare;
- John Skippen; and
- Anne Ward.

Independent Remuneration Consultant

In consultation with external remuneration consultants, the Group aims to provide an executive remuneration framework that is market competitive and complementary to the reward strategy of the organisation. During the year, FlexiGroup Limited's Remuneration Committee engaged the services of Mercer to review our executive remuneration framework with a view to making recommendations for 2016 financial year.

Mercer was paid $37,000 to provide advice on Executive remuneration. Mercer has confirmed that the draft recommendations have been made free from undue influence by members of the group's key management personnel.

The following arrangements were made to ensure that the remuneration recommendations were free from undue influence:

- Mercer was engaged by, and reported directly to, the chair of the remuneration committee. The agreement for the provision of remuneration consulting services was executed by the chair of the remuneration committee and the chair of the company.

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

Remuneration Strategy, Policy and Principles

The objective of our Remuneration policies is to attract, motivate and retain the most talented employees and become an employer of choice in the Australasian marketplace. We recognise that having the right people in place within the organisation is a key competitive advantage and determinant of the Group's success. As such, it is important to us that our market rates and benefits are competitive with similar sized organisations, while also ensuring that we retain our focus on managing our operational expenditures to drive the best possible outcome for our customers and shareholders.

We have a number of key principles that underpin our Remuneration Policy:

- To provide competitive remuneration packages that enable the Group to attract high calibre candidates who will make a positive impact on the performance of the Group;
- To ensure that our people are focusing on driving the short and long term goals of the Group, within the appropriate risk framework;
- All remuneration structures must be aligned to FlexiGroup's business strategy and reinforce our culture and values – payment of incentives must be directly linked to the achievement of specific, measurable strategic business objectives and reward must only be allocated where achievement against Key Performance Indicators (KPIs) can be demonstrated;
- Any decisions made regarding remuneration variations must be commercially responsible, and considerate of budget, as well as business requirements and shareholder interests;
- Our employees should be rewarded consistently for like work against market relativities, irrespective of gender, age or other irrelevant demographic factors – the key differentiator in pay for individuals should be performance.

Alignment to shareholders' interests is a key principle for the Group when considering Executive remuneration. When considering the design of the Executive Remuneration Framework and in particular, any incentive arrangements, the Board aims to ensure that all arrangements have profitability as a core component of plan design and focus on sustained growth in shareholder wealth as measured by growth in earnings per share and other financial and non-financial performance indicators.

This is balanced with a focus on ensuring that participants' interests are also represented in considering incentive design, by focusing on rewarding capability and experience while also providing recognition for participant contribution and effort.

SECTION B – EXECUTIVE REMUNERATION FRAMEWORK AT FLEXIGROUP

The remuneration framework in place for the Executive team (including the CEO) is consistent with the Group's Remuneration Policy which is based on a Total Remuneration approach. This comprises of a mix of fixed and variable pay in the form of cash and performance rights. The framework aligns executive rewards with achievement of strategic objectives and the creation of value for shareholders and conforms to market best practice for delivery of reward.

Total Remuneration for our Executive team is comprised of three elements:

- **Fixed remuneration** – which includes cash salary and employer superannuation components. This amount takes into consideration a number of factors including the size and complexity of the role; the requirements of the role; the skills and experience the individual brings to the role; as well as the market relativity for like roles in the financial services industry
- **Short Term Incentive** – this payment is a percentage of the fixed remuneration amount and is set against risk-adjusted financial targets and non-financial targets that support the Group's strategy. These targets are usually a mix of group and individual performance objectives for the year
- **Long Term Incentive** – this is comprised of performance share rights which vest over a fixed period if performance hurdles are achieved. The performance hurdles are a combination of earnings per share and total shareholder return targets set by the Board at inception of the incentive plans

Fixed Remuneration

The Executive team are offered competitive fixed remuneration amounts that reflect the key performance requirements of their roles. Fixed Remuneration is reviewed annually in line with the financial year (1 July to 30 June). Any increases to Executive Remuneration need to be approved by the Board and come into effect from 1 July, following an annual performance review which is conducted at the end of the financial year.

Remuneration is benchmarked against market data provided by remuneration consultants for companies that are similar to the Group in terms of industry, size and complexity.

In line with our focus on driving a pay for performance culture, a key determinant of whether any increases to Fixed Remuneration will apply year to year is performance against specific financial and non-financial metrics that are set for each individual at the beginning of the financial year.

The Fixed Remuneration for KMPs is set out in page 24 of this report.

Short Term Incentive

The Executive team participate in a Short Term Incentive scheme that is based on performance against key financial and non-financial measures.

The STI opportunity for the CEO is fixed at 100% of fixed remuneration and Senior Executives range between 30% and 50% of fixed remuneration ('target') depending on role type. The Board has set the maximum opportunity available to the CEO and Senior Executives to 150% of target. In 2015, the maximum STI achieved against their target by any of the KMP was 87%.

The structure of the STI is designed to achieve alignment of organisational performance to our strategic goals. The STI contains both Corporate Shared Goals (based on the Group's strategic objectives) as well as individual goals that are aligned to the Group's strategic objectives but unique to each department. The Corporate Shared Goals are consistent across the Group and were introduced in 2014 to drive a collaborative approach within the organisation to achieve business success and shareholder value within the financial year.

For the Shared Corporate Goals, there are three performance levels against which outcomes will be assessed to determine the amount of any STI payment:

- Gateway (a minimum performance outcome that must be achieved before any STI payment will be made regarding the measure);
- Target (achievement of the Business Plan goal set in the relevant year); and
- Stretch (a stretch goal that that can only be achieved by outstanding business results).

For the 2015 financial year, the executive team STI was weighted at 45% for the Corporate Shared Goals and 55% for the goals that their departments contribute to the Group's strategy. The goals were a mix of financial and non-financial goals, but all of the goals were linked to the Group's strategy. Payments are made in September, and payment amounts are recommended after the annual performance review process.

The maximum payment amount for the STI was capped at 150% and the final payment of the STI is at the discretion of the Board.

Long Term Incentive

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

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

The Board is responsible for administering the LTIP in accordance with the LTIP Rules and the terms and conditions of specific grants of options and/or performance rights to participants in the LTIP. The Board may determine which persons will be eligible to participate in the LTIP from time to time. Eligible persons may be invited to apply to participate in the LTIP. The Board may in its discretion accept such applications.

SECTION C – LINKING REMUNERATION TO PERFORMANCE (THE OPERATION OF INCENTIVE BASED PLANS AT FLEXIGROUP)

The remuneration framework is designed to attract and retain Executives by rewarding them for goals that are directly aligned to the Group's business strategy. All FlexiGroup incentives are linked to both short term and long term performance goals, as outlined below.

Short Term Incentive for 2015

Outlined below is the structure of the financial year 2015 Short Term Incentive scheme.

FY15 Short Term Incentive scheme		
Financial measures (Cash NPAT, Operating cash flows, Receivables and Volumes)	35%	These measures represent the company's key performance metrics. Receivables and volumes are key value drivers for the company.
NPS	5%	Net Promoter Score (NPS) is a survey based measure of how strongly our customers promote the services of our products in preference to our competitors.
Engagement	5%	Our Engagement score for 2015 was derived from a survey undertaken by AON Hewitt. The target for 2015 was a stretch target requiring improvement against the 2014 survey and favourable performance against external benchmarks.
Individual Objectives	55%	Individual objectives are set at the beginning of the financial year and are aligned to the Group strategy. They are focused on Department contributions to the strategy as well as implementation of core Technology projects and other key activities aligned to shareholder returns.

The Board identified these measures as they are a critical link between achieving the Group's strategic objectives and increasing shareholder value. The financial measures were set in order to support delivery of the 2015 forecast; the NPS measure was set in line with our strategic objective to improve our customers' experience with us; and our engagement measure is included to ensure we drive productivity improvements via employee satisfaction.

Each of the Corporate Shared Goals within the STI plan operate independently from each other, however, given the importance of Cash NPAT for shareholders, a minimum threshold level of Cash NPAT performance must be delivered by the Group in order for any bonus to be paid to Executives. Failure to achieve the threshold will result in a nil payment to Executives.

Outlined below is the 2015 Short Term Incentive opportunity at target for each of the Executive Team as a percentage of their Fixed Remuneration.

Role	Opportunity
CEO	0 – 100%
GMs, COO, CFO	0 – 50%
Other Senior Executives	0 – 30%

Long Term Incentive Arrangements for 2015

The Company has three LTIPs currently in place. The old plans awarded in 2011 and 2013 financial years will be tested against the 2015 financial year performance and will wind down or remain unexercised based on the results of that testing. The 2015 plan was awarded in December 2014 and is the primary plan that is in place going forward.

Details of the performance rights awarded on 1 December 2014 to the CEO and Senior Executives

The following sets out the key features of the awards to the CEO and Senior Executives.

The Performance Rights are to be allocated in 4 equal tranches. The Performance Rights allocated in each tranche will vest on, and become exercisable on or after, the applicable Vesting Date to the extent that certain performance-based conditions are achieved in the relevant Performance Period and a tenure condition is satisfied.

The Performance Periods applicable to each of the performance-based Vesting Conditions are as follows:

Tranche	Performance period
1	2015 (1 July 2014 to 30 June 2015)
2	2016 (1 July 2015 to 30 June 2016)
3	2017 (1 July 2016 to 30 June 2017)
4	2018 (1 July 2017 to 30 June 2018)

The testing date ("Testing Date") for a Performance Period is the results announcement date for the financial year of that Performance Period.

The Performance Rights will be performance tested against the following performance-based Vesting Conditions:

Percentage of rights	Performance condition
60% of each Tranche of Performance Rights	Cash EPS growth targets for the relevant Performance Period are met
40% of each Tranche of Performance Rights	Relative TSR for the relevant Performance Period compared to the S&P/ASX 200 Index (excluding resources companies)

Cash EPS growth performance condition

The first performance-based Vesting Condition is based on growth on adjusted "Cash NPAT" earnings per shares measure used by the Company to track earnings per share on an underlying performance basis. This adjusted "Cash NPAT" earnings per share measure ("Cash EPS") is calculated by the Company for a financial year as:

- the reported statutory net profit after tax for the financial year, after adding back the amount of intangibles amortisation recorded in the annual accounts and after adjusting for any material one-off income or expense items the Board believes are appropriate to reflect underlying recurring earnings;
- divided by the weighted average number of ordinary shares on issue during the year.

This is consistent with how the Company reports its "Cash NPAT" in its investor presentations.

The performance condition tests the growth in Cash EPS for the relevant Performance Period financial year above the Cash EPS for the immediately preceding financial year, measured as a percentage, ("Cash EPS Growth").

The Cash EPS Growth condition will be satisfied for a Performance Period in accordance with the following table:

Cash EPS Growth target	Percentage of Performance Rights available in given year satisfying condition
Cash EPS growth less than 7.5%	Nil
Cash EPS growth of 7.5%	30%
Cash EPS growth greater than 7.5% but less than 10%	Pro-rata straight line between 30% and 60%
Cash EPS growth of 10%	60%
Cash EPS growth greater than 10% but less than 12.5%	Pro-rata straight line between 60% and 100%
Cash EPS growth equal to or greater than 12.5%	100%

Relative TSR performance condition

The second performance-based Vesting Condition for each tranche of Performance Rights relates to the Company's Total Shareholder Return ("TSR") for the relevant Performance Period when compared to the peer group of companies in the S&P/ASX 200 Index (excluding resources companies).

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

- the 3 month volume weighted average price ("VWAP") for FlexiGroup Shares in the period up to and including the 30 June at the end of the relevant Performance Period; and
- the dividends paid on a Company Share during the relevant Performance Period, exceeds the 3 month VWAP for the Company's Shares in the period up to and including 1 July at the beginning of the relevant Performance Period, expressed as a percentage.

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 resources companies)	Nil
50th percentile of companies in S&P/ASX 200 Index (excluding resources companies)	50%
Greater than 50th percentile but less than the 75th percentile of companies in S&P/ASX 200 Index (excluding resources 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 resources companies)	100%

The Board has the discretion to amend either the Cash EPS growth performance condition or the relative TSR performance condition at any time during the relevant Performance Period applicable to those Performance Rights if the Board believes it is appropriate to do so to reflect the Company's circumstances.

Vesting Date and Expiry Date		
Tranche	**Vesting date**	**Expiry date**
1	1 Sept 2015	15 Oct 2018
2	1 Sept 2016	15 Dec 2018
3	1 Sept 2017	15 Oct 2020
4	1 Sept 2018	15 Oct 2021

Vested Performance Rights that are not exercised before the relevant expiry date will lapse in accordance with the LTIP Rules.

Disposal restriction

The CEO and Senior Executives may not dispose of, deal in, or grant a security interest over any interest in, a 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 CEO and Senior Executives may not dispose of, deal in, or grant a security interest over any interest in, a Share allocated on exercise of a Vested Performance Right for any relevant period determined by the Board.

The Board has imposed a disposal restriction on the Shares the subject of this approval which will be granted on the exercise of any Vested Performance Rights. The disposal restriction will be enforced by allocating Shares that are allocated on the exercise of the Vested Performance Rights. The disposal restrictions on those Shares will be lifted at the relevant Restriction Period End Date as set out below:

Tranches of Shares allocated on exercise of Vested Performance Rights tranches	% of Shares allocated on vesting and exercise of Performance Rights	Restriction Period End Date
Tranche 1	33%	15 October 2016
	33%	15 October 2017
	33%	15 October 2018
Tranche 2	50%	15 October 2018
	50%	15 October 2018
Tranche 3	50%	15 October 2019
	50%	15 October 2020
Tranche 4	50%	15 October 2021

The Board may also implement any such other arrangements (including a holding lock) as it determines are necessary to enforce this restriction.

The Board has the discretion to amend or waive any disposal restrictions on the Shares the subject of this approval which will be granted on the exercise of any Vested Performance Rights at any time until the disposal restriction ends, if the Board believes it is appropriate to do so to reflect the Company's or the employee's circumstances.

Once any Board imposed restriction is removed, and subject to the Company's Trading Policy, Shares acquired on exercise of Vested Performance Rights may be dealt with freely.

Retention rights

At the beginning of the 2015 financial year, the Board approved an issuance of one off special retention rights. The rights were on the following terms:

- A one off offer based on a service condition of 15 October 2015. No performance conditions (Cash EPS or TSR) are attached to these retention rights.

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

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

Instrument	Each performance right and option ('award') represents an entitlement to one ordinary share.
Performance hurdles/ vesting conditions	Awards will vest on, and become exercisable on or after, the Vesting Date to the extent that certain performance conditions that are based on the financial performance of FlexiGroup are met. The measures used to determine FlexiGroup's financial performance is Earnings Per Share growth targets ('Cash EPS hurdle') and Total Shareholder Return ('TSR hurdle'). Each tranche is broken down into Cash EPS and TSR hurdles as set out in the table below. Each award's tranches consists of 50% Cash EPS performance hurdle and 50% TSR hurdle.
Cash EPS performance target	The first performance-based Vesting Condition is based on adjusted Cash NPAT earnings per share measure used by the Company to track earnings per share on an underlying performance basis. This adjusted Cash NPAT earnings per share measure ('Cash EPS') is calculated by the Company for a financial year as: • the reported statutory net profit after tax for the financial year, after adding back the amount of acquired intangibles amortisation recorded in the annual accounts and after adjusting for any material one-off income or expense items the Board believes appropriate to reflect underlying recurring earnings; • divided by the weighted average number of ordinary shares on issue during the year. Performance testing ('testing date') against the Cash EPS hurdle will take place on the date of announcement of the relevant annual financial results of FlexiGroup. The Board has the discretion to vary at any time the Cash EPS hurdle applicable to all or part of the performance rights and options.

The Cash EPS hurdles for the various awards between June 2011 and August 2012 are summarised in the table below.

					Vesting scale			
Award date	Tranche	% Cash EPS	Relevant performance period	Cash EPS hurdle (cents)	Below threshold	At threshold	Maximum threshold	Retesting
Jun 11	3	50%	2015	(a)28.0	0%	50%	refer (b)	No
				(b)28.4	50%-100%	100%	100%	No
Jun 11	1	50%	2015	(a)28.0	0%	100%	100%	No
				(b)28.4	50%-100%	100%	100%	No
Aug 12	1	50%	2015	(a)25.1	0%	66%	refer (b)	No
				(b)25.8	66%-100%	100%	100%	No
	2	50%	2015	(a)28.0	0%	50%	refer (b)	No
				(b)28.4	50%-100%	100%	100%	No

DIRECTORS' REPORT (CONTINUED)

TSR performance target	The second performance hurdle set by the Board in relation to each Tranche is based on TSR growth of the Company measured against other companies in the S&P/ASX 300 Index (not including resources companies). The TSR for FlexiGroup will be determined by calculating the amount by which the sum of: • the 30 day volume weighted average price ('VWAP') for FlexiGroup Shares in the period up to and including 30 June at the end of the relevant Performance Period; and • the dividends paid on a FlexiGroup Share during the relevant performance period, exceeds the 30 day VWAP for FlexiGroup Shares in the period up to and including 1 July at the beginning of the relevant performance period, expressed as a percentage. The relative TSR performance condition will be satisfied in accordance with the following: **Nil** – if the Company's TSR ranked in the 4th quartile (i.e. 76th to 100th ranking) of companies in S&P/ASX 300 Index (excluding resources companies). **25%** – if the Company's TSR equals performance of the 75th ranking company in S&P/ASX 300 Index (excluding resources companies). **Pro rata between 25% and 50%** – if the Company's TSR ranked in the 3rd quartile (i.e. 51st to 75th ranking) of companies in S&P/ASX 300 Index (excluding resources companies). **Pro rata between 50% and 100%** – if the Company's TSR ranked in the 2nd quartile (i.e. 26th to 50th ranking) of companies in S&P/ASX 300 Index (excluding resources companies). **100%** if the Company's TSR ranked in the 1st quartile (i.e. 1st to 25th ranking) of companies in S&P/ASX 300 Index (excluding resources companies).
Why vesting conditions were chosen	The vesting conditions were chosen as performance conditions as they reflect, at the date they were granted, the generation of significant shareholder value.

Vesting & Exercise date	Award Date	Tranche	Vesting date	Expiry date
	Jun 2011	3	1 Dec 2014	31 Dec 2016
	Jun 2011	1	1 Dec 2014	31 Dec 2016
	Aug 2012	1	1 Dec 2014	31 Mar 2016
		2	1 Dec 2014	31 Mar 2016

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

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

Retesting – Cash EPS & TSR

There will be no testing of these instruments beyond the 2015 financial year results.

SECTION D – REMUNERATION OUTCOMES FOR 2015

Incentives paid to the CEO and Group Executives are directly linked to the Group's financial performance. Outlined below are details for the CEO and KMP payments relating to incentives.

STI performance outcomes

Name	Position	STI target ($)	STI outcome ($)
Tarek Robbiati	Chief Executive Officer	900,000	–*
David Stevens	Chief Financial Officer	192,500	139,178
Rob May	General Manager – Certegy	131,381	114,165
Peter Lirantzis	Chief Operating Officer	218,958	158,337
Michael Burke	General Manager – Consumer and SME	69,000	44,666**

* At his election, Mr T Robbiati forfeited his 2015 STI outcome. This forfeiture was accepted by the Board. Upon his departure on 7 August 2015, Mr Robbiati was paid $332,301 for the remaining component of his 6 month notice period. No other termination benefits were paid to him.

** Pro rata for five months service.

LTI performance outcomes

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

	Years ended 30 June				
	2015	2014	2013	2012	2011
TSR (%)	**(14)**	(26)	92	18	76
Dividends per share (cents)	**17.75**	16.5	14.5	12.5	11.5
Cash EPS (cents)	**29.64**	28.04	25.1	22.4	20.0
Share price – high	**$4.00**	$4.99	$4.74	$2.65	$2.39
Share price – low	**$2.70**	$2.98	$2.55	$1.60	$1.17
Share price – close	**$2.91**	$3.17	$4.36	$2.60	$2.07

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

Type of Instrument	Commencement Date	Test date	TSR Quartile in Ranking Group	TSR Vested* %	EPS Vested %	Lapsed** %	Remain in Plan***
Options	3 Jun 2011	1 Dec 2014	4th Quartile	–	50	–	75%
Performance rights	3 Jun 2011	1 Dec 2014	4th Quartile	–	50	–	75%
Performance rights	5 Aug 2011	1 Dec 2014	4th Quartile	–	50	–	75%
Options	10 Aug 2012	1 Dec 2014	4th Quartile	–	50	4	71%

* 8% of the TSR hurdle lapsed, giving an overall 4% lapsing of the instruments on issue.

* all unvested instruments qualified for retesting based on the 2015 financial results.

** refers to outstanding instruments for both EPS & TSR hurdles.

DIRECTORS' REPORT (CONTINUED)

Options issued to top five remunerated Non–KMP officers

Details of performance rights granted to key management personnel are disclosed on page 21 below. In financial year 2015, no instruments were issued to an officer who is among the five highest remunerated officers of the company and the group, but not a key management person and hence not disclosed in the remuneration report.

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

Grant date	Tranche number	Date vested and exercisable	Expiry date	Exercise price* $	Value per option, performance right at grant date
3 June 2011	2	1 Dec 2013	31 Dec 2015	Nil	$1.645
	3	1 Dec 2014	31 Dec 2016	Nil	$1.455
3 June 2011	1	1 Dec 2014	31 Dec 2016	$2.11	$0.51
5 Aug 2011	2	1 Dec 2013	31 Dec 2015	Nil	$1.66
	2	1 Dec 2013	31 Dec 2015	Nil	$1.25
	3	1 Dec 2014	31 Dec 2016	Nil	$1.57
	3	1 Dec 2014	31 Dec 2016	Nil	$0.98
5 Aug 2011	1	1 Dec 2014	31 Dec 2016	$2.29	$0.48
	1	1 Dec 2014	31 Dec 2016	$2.29	$0.36
30 Nov 2011	2	1 Sep 2013	31 Dec 2014	Nil	$2.03
	2	1 Sep 2013	31 Dec 2014	Nil	$1.42
	3	1 Sep 2014	31 Dec 2015	Nil	$1.93
	3	1 Sep 2014	31 Dec 2015	Nil	$1.08
23 April 2012	1	1 Dec 2013	31 Dec 2015	Nil	$2.14
	1	1 Dec 2013	31 Dec 2015	Nil	$1.80
23 April 2012	1	1 Dec 2014	31 Dec 2016	$2.27	$0.48
	1	1 Dec 2014	31 Dec 2016	$2.27	$0.36
10 August 2012	1	1 Dec 2014	31 Dec 2016	$3.05	$0.58
	1	1 Dec 2014	31 Dec 2016	$3.05	$0.55
	2	1 Dec 2014	31 Dec 2016	$3.05	$0.58
	2	1 Dec 2014	31 Dec 2016	$3.05	$0.50
26 November 2012	1	1 Dec 2016	31 Mar 2017	Nil	$3.17
	1	1 Dec 2016	31 Mar 2017	Nil	$2.98
	2	1 Dec 2016	31 Mar 2017	Nil	$3.17
	2	1 Dec 2016	31 Mar 2017	Nil	$2.91
26 November 2012	1	1 Dec 2016	31 Dec 2020	$3.57	$1.02
	2	1 Dec 2016	31 Dec 2020	$3.57	$0.99
	1	1 Dec 2016	31 Dec 2020	$3.57	$1.02
	2	1 Dec 2016	31 Dec 2020	$3.57	$0.87
17 June 2013	1	1 Dec 2016	31 Dec 2020	$4.29	$1.02
	1	1 Dec 2016	31 Dec 2020	$4.29	$0.99
3 July 2014	1	15 Oct 2015	31 Mar 2016	–	$3.02
1 December 2014	1	1 Sep 2015	15 Oct 2018	Nil	$2.81
	1	1 Sep 2015	15 Oct 2018	Nil	$0.44
	2	1 Sep 2016	15 Oct 2018	Nil	$2.65
	2	1 Sep 2016	15 Oct 2018	Nil	$1.40
	3	1 Sep 2017	15 Oct 2019	Nil	$2.49
	3	1 Sep 2017	15 Oct 2020	Nil	$1.31
	4	1 Sep 2018	15 Oct 2021	Nil	$2.35
	4	1 Sep 2018	15 Oct 2021	Nil	$1.23

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

Details of options over ordinary shares in the company provided as remuneration to each Director of FlexiGroup Limited and each of the key management personnel of the parent entity and the group are set out below. When exercisable, each option and performance right is convertible into one ordinary share of FlexiGroup Limited. Further information on the options and performance rights is set out in Note 23 to the financial statements.

Name	Number of performance rights granted during the year	Value of performance rights granted during the year $	Number of options and performance rights vested during the year	Number of options and performance rights lapsed during the year	Financial year of issue of lapsed options and rights
Directors of FlexiGroup Limited					
C Beare	–	–	–	–	–
T Robbiati	1,280,000	2,538,240	–	1,280,000	2015
A Abercrombie	–	–	–	–	–
R Dhawan	–	–	–	–	–
R J Skippen	–	–	–	–	–
A Ward	–	–	–	–	–
Executives of FlexiGroup Limited					
D Stevens	360,000	732,200	76,350	2,400	2013
R May	320,000	652,880	163,750	5,000	2013
P Lirantzis	380,000	781,020	75,000	–	–
M Burke	300,000	592,480	–	–	–
A Roberts	–	–	–	168,333	2012 and 2013

The assessed fair value at grant date of performance rights granted to the individuals is allocated equally over the period from grant date to vesting date, and the amount is included in the remuneration table on page 24. Fair values at grant date are independently determined using a binomial tree option pricing methodology that takes into account the exercise price, the term of the options and performance rights, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the options and performance rights.

The model inputs for performance rights granted during the year ended 30 June 2015 included:

a) Exercise price: nil, performance rights issued
b) Grant date: 1 December 2014
c) Expiry date: various per performance rights granted, refer table on page 18
d) Share price at grant date: $2.94
e) Expected price volatility of the Company's shares: 30%
f) Expected dividend yield: 5.6% – 6%
g) Risk-free interest rate: 2.35% – 2.45%

Shares provided on exercise of remuneration options and performance rights

In current year, 53,647 ordinary shares in the Company were issued as a result of the exercise of remuneration options and performance rights.

DIRECTORS' REPORT (CONTINUED)

ADDITIONAL INFORMATION

Details of remuneration: STI cash payments and options and performance rights

For each STI cash payment and grant of options and performance rights, the percentage of the available bonus or grant that was paid, or that vested, in the financial year, and the percentage that was forfeited because the person did not meet the service and performance criteria is set out below. The options and performance rights vest in accordance with the vesting schedules detailed below. No options and/or performance rights will vest if the conditions are not satisfied, hence the minimum value of the rights yet to vest is nil.

The maximum value of the rights yet to vest has been determined as the amount of the fair value at grant date of the rights that are yet to be expensed.

Name	2015 STI Cash payment $	STI Outcome as % of target %	STI % of target forfeited %	LTI Year granted	Prior year equity awards Vested during 2015 %	Prior year equity awards Forfeited during 2015 %	Financial years in which options, performance rights may vest	Maximum total value of grant yet to vest $
Executive Directors of FlexiGroup Limited								
T Robbiati	–	–	100	2015	–	–	n/a	n/a
Executives of FlexiGroup								
D Stevens	139,178	72	28	2015	–	–	30/6/2016-30/6/2019	477,059
				2013	25	4	30/6/2015	–
				2011	25	–	30/6/2015	–
				2011	25	–	30/6/2015	–
R May	114,165	87	13	2015	–	–	30/6/2016-30/6/2019	419,149
				2013	25	4	30/6/2015	–
				2011	25	–	30/6/2015	–
				2011	25	–	30/6/2015	–
P Lirantzis	158,337	72	28	2015	–	–	30/6/2016-30/6/2019	483,949
				2012	100	–	–	–
M Burke	44,666	65	35	2015	–	–	30/6/2016-30/6/2019	432,109

Shares under options and performance rights

As at the date of this report, there were 6,437,724 unissued ordinary shares of FlexiGroup Limited subject to options or performance rights. Of those unissued ordinary shares, 1,513,975 are subject to option with expiry dates of 31 December 2016 and exercise prices ranging from $2.11 – $3.05, with a weighted average exercise price of $2.47. The remaining 4,923,749 unissued ordinary shares are the subject of performance rights with expiry dates between 31 December 2015 and 15 October 2021.

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

Non-Executive Directors

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

Non-Executive Directors' fees

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

The following fee structure was applicable for the 2015 financial year:

Base fees (per annum)	
C Beare (Chairman)	$250,000
A Abercrombie	$160,000
Other Non-Executive Directors	$120,000
Additional fees (per annum)	
Audit & Risk Committee – Chairman	$25,000
Remuneration Committee – Chairman	$25,000

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

A Director is entitled to reimbursement for reasonable travelling, accommodation and other expenses in attending meetings and carrying out their duties.

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

Amounts of remuneration

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

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

DIRECTORS' REPORT (CONTINUED)

2015	Short-term employee benefits			Post-employment benefits	Long-term benefits	Share-based payments expense***	
Name	Cash salary and fees $	STI cash payment $	Other benefits** $	Super-annuation $	Long service leave $	$	Total earnings $
Non-Executive Directors							
M Jackson*	20,833	–	–	1,979	–	–	**22,812**
C Beare (Chairman)*	250,000	–	–	18,783	–	–	**268,783**
A Abercrombie	160,000	–	–	15,200	–	–	**175,200**
R Dhawan	145,000	–	–	13,775	–	–	**158,775**
R J Skippen	145,000	–	–	13,775	–	–	**158,775**
A Ward	120,000	–	–	11,398	–	–	**131,398**
Subtotal non-executive directors	840,833	–	–	74,910	–	–	**915,743**
Executive Directors							
T Robbiati	900,000	–	–	–	–	–	**900,000**
Subtotal Executive Directors	900,000	–	–	–	–	–	**900,000**
Other key management personnel (refer to page 12 for positions)							
D Stevens	366,217	139,178	–	18,783	11,799	106,881	**642,858**
R May	259,298	114,165	28,939	22,496	6,498	113,712	**545,108**
P Lirantzis	415,757	158,337	–	22,159	–	125,398	**721,651**
M Burke****	126,027	44,666	–	11,973	–	39,519	**222,185**
A Roberts*****	45,502	–	139,301	4,323	–	(73,043)	**116,083**
Subtotal other key management personnel	1,212,801	456,346	168,240	79,734	18,297	312,467	**2,247,885**
Total key management personnel compensation (group)	**2,953,634**	**456,346**	**168,240**	**154,644**	**18,297**	**312,467**	**4,063,628**

* Mr C Beare was appointed Chairman effective 24 July 2014, replacing Ms M Jackson, who ceased being Chairman on that date.

** Mr R May's other benefits include car, health, life insurances and FBT which are paid by the Company. Mr A Robert's benefits relate to his termination benefits and accumulated annual leave payments.

*** Remuneration for share-based payments represents amounts expensed during the year for accounting purposes.

**** Mr M Burke was appointed as General Manager – Consumer and SME with effect from 27 January 2015. Amounts shown above are effective from date of appointment.

***** Mr A Roberts ceased being a KMP on 5 September 2014 upon his resignation. Amounts shown in his remuneration include amounts earned up to that date and his termination benefits, which are included as other benefits above.

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

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

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

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

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

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

DIRECTORS' REPORT (CONTINUED)

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

	Fixed remuneration		At Risk – STI		At Risk – LTI			
	2015	2014	2015	2014	2015	2015	2014	2014
Name	%	%	%	%	Rights %	Options %	Rights %	Options %
Executives of FlexiGroup								
T Robbiati*	**100**	40	**–**	26	**–**	**–**	12	22
D Stevens	**62**	65	**22**	15	**14**	**2**	5	15
R May	**58**	45	**21**	19	**16**	**5**	12	24
P Lirantzis	**61**	70	**22**	16	**16**	**1**	7	7
M Burke	**62**	n/a	**20**	n/a	**18**	**–**	n/a	n/a
A Roberts*	**100**	69	**–**	14	**–**	**–**	3	14

* Mr T Robbiati's total remuneration for 2015 is reflected as 100% fixed remuneration due to his election to forfeit any STI for 2015, upon his departure on 7 August 2015. The performance rights that were awarded to him during 2015 financial year were also forfeited. Mr A Roberts did not earn any STI or LTI due to his resignation on 5 September 2014.

SERVICE AGREEMENTS

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

All employment agreements are unlimited in term but capable of termination at agreed notice by either the Company or the executive. The Company can make a payment in lieu of notice. The notice period for each Executive are listed in the table below.

In the event of retrenchment, the executives listed in the table on page 12 are entitled to the payment provided for in the service agreement. The employment of the executives may be terminated by the Company without notice by payment in lieu of notice. Upon termination of employment, the Board exercises its discretion on payment of a pro-rata STI entitlement and early vesting of any unvested LTIs held by the above KMP.

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

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

Name	Term of agreement and notice period*	Total Fixed Remuneration**	Termination payments***
T Robbiati	6 months	900,000	6 months
D Stevens	6 months	385,000	6 months
R May	6 months	322,500	6 months
P Lirantzis	6 months	438,000	6 months
M Burke	6 months	345,000	6 months

* Notice applies to either party.
** Base salaries are for financial year ended 30 June 2014. They are reviewed annually by the remuneration committee.
*** Base salary payable if the company terminates employee with notice, and without cause, (e.g., for reasons other than unsatisfactory performance).

Equity instrument disclosures relating to Directors and Key Management Personnel

Options and performance rights holdings

Name	Balance at start of year	Granted as compensation	Exercised	Other changes	Balance at end of year	Vested and exercisable	Unvested
2015							
Executive Director							
T Robbiati	–	1,280,000	–	(1,280,000)	–	–	–
Other Key Management Personnel							
D Stevens	225,000	360,000	(41,250)	(2,400)	541,350	35,100	506,250
R May	450,000	320,000	(6,250)	(5,000)	758,750	157,500	601,250
P Lirantzis	150,000	380,000	(75,000)	–	455,000	75,000	380,000
M Burke	–	300,000	–	–	300,000	–	300,000
A Roberts	168,334	–	–	(168,334)	–	–	–
2014							
Executive Directors							
T Robbiati	3,390,000	–	–	(3,390,000)	–	–	–
Other Key Management Personnel							
D Stevens	325,000	–	(100,000)	–	225,000	–	225,000
R May	625,000	–	(175,000)	–	450,000	–	450,000
A Roberts	201,667	–	(33,333)	–	168,334	–	168,334
N Lindner	1,000,000	–	–	(1,000,000)	–	–	–
P Lirantzis	250,000	–	(100,000)	–	150,000	50,000	100,000

DIRECTORS' REPORT (CONTINUED)

Shareholding disclosures relating to Directors and Key Management Personnel

Name	Balance at start of year	Received during the year on the exercise of performance rights options	Other changes during the year	Balance at end of year
2015				
Non-Executive Directors				
C Beare (Chairman)	–	–	–	–
A Abercrombie	76,765,251	–	–	76,765,251
R Dhawan	391,048	–	(183,000)	208,048
R J Skippen	115,000	–	–	115,000
A Ward	–	–	–	–
Executive Director				
T Robbiati	–	–	–	–
Other Key Management Personnel				
D Stevens	72,500	41,250	(93,750)	20,000
R May	32,000	6,250	(38,250)	–
P Lirantzis	100,000	75,000	(115,000)	60,000
M Burke	–	–	–	–
A Roberts	–	–	–	–
2014				
Non-Executive Directors				
M Jackson (Chairman)	1,926,012	–	–	1,926,012
A Abercrombie	76,765,251	–	–	76,765,251
R Dhawan	392,997	–	(1,949)	391,048
R J Skippen	115,000	–	–	115,000
A Ward	–	–	–	–
Executive Directors				
T Robbiati	–	–	–	–
Other Key Management Personnel				
D Stevens	–	100,000	(27,500)	72,500
R May	–	175,000	(143,000)	32,000
A Roberts	–	33,334	(33,334)	–
N Lindner	–	–	–	–
P Lirantzis	–	100,000	–	100,000

Corporate Governance Statement

Directors' indemnification

During the year ended 30 June 2015, the Company paid insurance premiums in respect of a Directors' and Officers' Liability insurance contract. Disclosure of the total amount of the premium and the nature of the liabilities in respect of such insurance is prohibited by the policy.

Indemnity of auditors

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

Proceedings on behalf of the Company

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

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

Non-audit services

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

Details of the amounts paid or payable to the auditor (PricewaterhouseCoopers) for audit and non-audit services provided during the year are set out in Note 31 of the financial statements.

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

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

Declaration of interests

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

Rounding of amounts

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

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 40 and forms part of this report.

Auditor

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

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

Andrew Abercrombie
Chairman

Sydney
17 August 2015

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

This Corporate Governance Statement sets out details of the Company's corporate governance practices for the financial year ended 30 June 2015 (Reporting Period) including the Company's position relating to each of the Australian Securities Exchange (ASX) Corporate Governance Council's (ASX CGC) Corporate Governance Principles and Recommendations 3rd Edition (Recommendations).

For the purpose of preparing this Corporate Governance Statement, the Company has reviewed its current corporate governance policies and practices against the Recommendations in respect of the Reporting Period. As recommended by the ASX CGC, further information in relation to corporate governance practices is publicly available on the Company's website at www.flexigroup.com.

FlexiGroup is committed to seeking to ensure that its policies and practices meet the highest levels of disclosure and the best practice in corporate governance in a manner that is appropriate to the particular circumstances of the Company.

The Board has established a framework of processes and guidelines for the governance of FlexiGroup that includes corporate policies and monitoring procedures, financial and operational business risk management and internal control systems and standards for ensuring lawful and ethical conduct.

On 23 June 2015, the Company announced that Mr Tarek Robbiati had given notice of his resignation as Managing Director and Chief Executive Officer to the Company. On 6 August 2015, the Company announced that it was releasing Tarek Robbiati from his position early and that Tarek Robbiati would be leaving the Company with effect from 7 August 2015. The Company also announced that Mr David Stevens (Chief Financial Officer (CFO)) and Mr Peter Lirantzis (Chief Operating Officer (COO)) would lead the Company until a new Chief Executive Officer (CEO) was appointed.

On 10 August 2015, the Company announced that Dr Chris Beare and Ms Anne Ward had resigned as Chairman and non-executive independent Director (respectively) and that Mr Andrew Abercrombie had been appointed as Chairman. Andrew Abercrombie is a non-executive Director but is not considered to be an independent Director because Andrew Abercrombie holds (indirectly) 25% of the shares currently on issue in the Company. Having regard to the current composition of the Board, the Board believes that Andrew Abercrombie is best placed to act as Chairman given his history with and understanding of the Company.

As such, as at the date of this Corporate Governance Statement, the Board and each Board Committee consists of Andrew Abercrombie, Mr John Skippen and Mr Rajeev Dhawan. The Board and each Board Committee is comprised of non-executive Directors and a majority of independent Directors. The Board had commenced a search earlier in the calendar year for additional non-executive Directors and the Board anticipates being able to make appointments in a relatively short period of time.

PRINCIPLE 1 – LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

RECOMMENDATION 1.1

Board responsibilities

The Board has overall responsibility for the conduct and governance of FlexiGroup including its strategic direction and supervision and review of the management of its businesses and affairs. The Board's roles and responsibilities are formalised in the Board Charter, which defines the matters reserved for the Board and its Committees and those responsibilities delegated to the CEO and management. A copy of the Board Charter is available on the Company's website at www.flexigroup.com.au/investorcentre/corporategovernance.

Within the scope of the governance framework established by the Board, management of the business and operations of FlexiGroup is delegated to the CEO subject to the oversight and supervision of the Board.

The Board's responsibilities include:

1. providing strategic direction for and approving corporate business strategies and objectives developed by management;
2. monitoring the operational and financial position and performance of the Company;
3. identifying the principal risks faced by the Company and requiring management to establish and implement appropriate internal controls and monitoring systems to manage and reduce the impact of these risks;
4. requiring that financial and other reporting mechanisms are put in place which result in accurate and timely information being provided to the Board and the Company's shareholders and the financial market as a whole being fully informed of all material developments relating to the Company;
5. appointing the CEO, approving other key executive appointments and planning for executive succession;
6. overseeing and evaluating the performance of the CEO and other senior executives of the Company;
7. reviewing and approving remuneration for the senior executives of the Company;
8. approving the Company's budgets and business plans and monitoring the management of the Company's capital, including the progress of any major capital expenditures, acquisitions or divestitures;
9. utilising procedures to ensure that financial results are appropriately and accurately reported on a timely basis in accordance with all legal and statutory requirements;
10. adopting appropriate procedures to ensure compliance with all laws, governmental regulations and accounting standards;
11. approving and reviewing from time to time, the Company's internal compliance procedures, including any codes of conduct and taking all reasonable steps to ensure that the business of the Company is conducted in an open and ethical manner; and
12. regularly reviewing and to the extent necessary, amending the Board and Committee Charters.

To facilitate the execution of its responsibilities, the Board has established Committees to oversee and report to the Board on particular areas of responsibility. All Directors receive all Committee papers and minutes and are entitled to attend any Committee meeting. Each Committee reports to the next Board meeting. The Board has established the following Committees:

Audit & Risk Committee

During the Reporting Period, the composition of the Audit & Risk Committee was as follows: Chair: John Skippen, Members: Anne Ward, Chris Beare and Rajeev Dhawan. As at the date of this Corporate Governance Statement, the composition of the Audit & Risk Committee was as follows: Chair: John Skippen. Members: Andrew Abercrombie, Rajeev Dhawan.

The Audit & Risk Committee oversees compliance with accounting and financial reporting obligations, and reviews internal financial controls, the role of the internal and external auditors (including the independence of the external auditors) and the Company's financial risk management activities.

Remuneration Committee

During the Reporting Period, the composition of the Remuneration Committee was as follows: Chair: Rajeev Dhawan. Members: Anne Ward, Chris Beare, John Skippen. As at the date of this Corporate Governance Statement, the composition of the Remuneration Committee was as follows: Chair: Rajeev Dhawan. Members: Andrew Abercrombie, John Skippen.

The Remuneration Committee supervises the Company's remuneration policies and executive and employee remuneration including superannuation and executive performance.
The Remuneration Committee also undertakes certain functions relating to the composition of the Board and members of the Board that Recommendation 2.1 prescribes for a Nomination Committee.

Nomination Committee

During the Reporting Period, the composition of the Nomination Committee was as follows: Chair: Chris Beare. Members: Andrew Abercrombie, Anne Ward, John Skippen and Rajeev Dhawan. As at the date of this Corporate Governance Statement, the composition of the Nomination Committee was as follows: Chair: Rajeev Dhawan. Members: Andrew Abercrombie, John Skippen.

The Nomination Committee assists and advises the Board on:

(a) Director selection and appointment practices;

(b) Director performance evaluation processes and criteria;

(c) Board composition; and

(d) succession planning for the Board and senior management, to ensure that the Board is of a size and composition conducive to making appropriate decisions, with the benefit of a variety of perspectives and skills, and in the best interests of the Company as a whole.

Under its Charter, the Nomination Committee is responsible for the functions specified in Recommendation 2.1.

Charters for all the Board Committees are available on the Company's website at www.flexigroup.com.au/investorcentre/corporategovernance.

Details of the number of meetings of the Board and of each Committee held during the Reporting Period and of each Director's attendance at those meetings are set out in the Directors' Report on page 10.

Management responsibilities

The management of the Company and its businesses and affairs is the responsibility of the CEO and the senior executives including:

1. developing business plans, budgets and strategies for the Board's consideration and, subject to the Board's approval, implementing these plans, budgets and strategies;
2. operating the Company within the business parameters set by the Board and, where the proposed transactions, commitments or arrangements exceed those parameters, referring the matter to the Board for consideration and approval;
3. identifying and managing operational and other risks, where those risks could have a material impact on the Company's business, formulating strategies for managing these risks for consideration by the Board and, subject to the Board's approval, implementing these strategies;
4. managing the Company's current financial and other reporting mechanisms together with managing day-to-day operations within the budget;
5. implementing the Company's internal controls and procedures for monitoring these controls and ensuring that these controls and procedures are appropriate and effective;
6. providing the Board with accurate and sufficient information regarding the Company's operations on a timely basis and in particular, that the Board is made aware of all relevant matters relating to the Company's performance (including future performance), financial condition, operating results and prospects and potential material risks so that the Board is in an appropriate position to fulfil its corporate governance responsibilities; and
7. implementing all policies, processes and codes of conduct approved by the Board.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Directors' Independent advice

Directors are empowered to seek independent external advice, as necessary, at the Company's expense, subject to prior consultation with the Chairman. Where appropriate, advice obtained at the Company's expense will be made available to the Company.

RECOMMENDATION 1.2

When a vacancy arises on the Board, the Nomination Committee manages the process for the selection and appointment of new Directors to the Board. The Nomination Committee identifies candidates with appropriate skills, knowledge, experience, independence and expertise and recommends them to the Board. The Company undertakes appropriate background and screening checks prior to nominating a Director for election. Shareholders are provided with all material information in the Company's possession concerning the Director standing for election or re-election in the explanatory notes accompanying the notice of meeting.

RECOMMENDATION 1.3

Directors appointed by the Board to fill a casual vacancy are engaged by a written letter of appointment setting out the terms and conditions of their appointment. They are required to stand for re-election by the shareholders at the next Annual General Meeting.

All non-executive Directors are engaged via a written letter of appointment setting out the terms and conditions of their appointment. All executive Directors and other senior executives enter into written agreements with the Company setting out the terms of their appointment and employment.

RECOMMENDATION 1.4

The Company Secretary attends all meetings of the Board and is accountable to the Board through the Chairman. The Company Secretary is responsible for ensuring that the Company complies with its statutory requirements.

PRINCIPLE 1.5

The Company has a formal Diversity Policy which ensures that the Company meets its diversity obligations which includes, but is not limited to, gender, ethnicity, cultural background, disability, age or educational experience.

The Board believes that diversity is a key business priority and creates a work environment which benefits from innovation by bringing together different perspectives to the business.

The Board:

(a) has established a Diversity Policy;

(b) has established measurable objectives for achieving gender diversity; and

(c) annually assesses both the measurable objectives for achieving gender diversity and the progress in achieving them.

The Diversity Policy is available on the Company's website at www.flexigroup.com.au/investorcentre/corporategovernance.

DIVERSITY AND INCLUSION AT FLEXIGROUP

FlexiGroup recognises the value of recruiting, developing and retaining employees from a diverse range of backgrounds, genders, knowledge, experience and abilities. By focusing on encouraging diversity within our team and ensuring that we have an inclusive work environment, FlexiGroup also recognises that a strong and diverse internal workforce is able to provide even better support for our customers.

We encourage diversity and inclusion across our business in a number of ways. We firmly embrace the principle of meritocracy with any recruitment, promotion or remuneration decisions being based on performance and capabilities, we ensure that we have robust readily available policies that support diversity which underpin our operating model, and we actively support programs within our business that support diversity and inclusiveness.

One of our key strategic goals is to be an employer of choice, which means that we are committed to the principles of Equal Employment and the provision of a work environment that is free from unlawful discrimination, harassment, and victimisation and bullying. The Company sees diversity as recognising and valuing the contribution of people from different backgrounds, with different perspectives and experiences. The focus of diversity and inclusion within FlexiGroup includes gender, age, sexual orientation, disability, ethnicity, religion and cultural background.

Measurable objectives for 2014-2015 and progress

As outlined in last year's report, the Diversity Policy that was communicated to the wider FlexiGroup community through internal structures set four broad measurable gender diversity objectives for the Reporting Period (three of these were consistent with the 2013-2014 financial year).

During the Reporting Period, the Board has focused on the following broad measurable objectives, with a specific focus on gender diversity:

- Achieve a diverse environment that drives engagement and inclusion;
- Undertake an annual review of trends across key metrics;
- Performance, career development, talent identification and succession planning; and
- Increase awareness and accessibility of Flexible Working Arrangements across the organisation.

Achieve a diverse environment that drives engagement and inclusion

One of our key focus areas for the Reporting Period was gender diversity. A significant body of work was completed on ensuring that our policies and practices internally were supportive of encouraging equal participation of women within the workplace. This included a refresh of our flexible work practices within the organisation as well as updating our maternity leave policies and recruitment processes. We also undertook our second gender pay equity review during 2015, with minimal action required to be taken as a result of this review. We are very pleased to advise that FlexiGroup was again compliant during the Reporting Period with the Workplace Gender Equality Act 2012.

The Company aims to ensure that its employee population reflects the diversity, in particular the gender diversity, of the communities in which we operate. As at the end of the Reporting Period:

- 37% of the Group's employees were women;
- females represented 31% of the Group's management staff;
- 20% of the executive level roles were held by women; and
- the Board had one female Director.

While the overall numbers of women within the organisation has remained consistent during the Reporting Period in line with last financial year's internal target (37%) and there has been some improvements in these statistics in the management numbers during the last financial year (up 3% to 31%), we still need to retain a focus on gender based initiatives to drive greater improvements over the next twelve months.

We have also continued to offer six weeks paid maternity leave to eligible employees in addition to the government paid parental leave scheme, which has helped us support women returning to work after taking maternity leave.

Annual review of trends across various metric measures

The Company measured and reviewed various gender metrics during the Reporting Period to identify issues that affect gender balance in the workplace. The results show a healthy mix based on industry wide trends. The following gender metrics were monitored across the Company during the Reporting Period:

- the workplace profile showing the split by gender at various levels up to Board level;
- parental leave statistics;
- statistics provided by our Employee Assistance Provider; and
- analysis from the Hewitt survey and other pulse survey results, which enabled us to identify the engagement levels of females within the organisation compared to the general population.

Performance, career development, talent identification and succession planning

FlexiGroup has various initiatives in place to assist female employees and ensure the provision of an equal opportunity to develop and progress to senior management positions. All employees are encouraged to develop and grow their performance and career through regular tailored conversations. FlexiGroup engages in a regular talent and succession planning process across all levels of the organisation. As part of this process, we have commenced tracking succession plans with a view to gender participation.

As a result of our focus on gender diversity and inclusion, FlexiGroup introduced a development initiative in April 2015 focused on building the leadership capability of a cross section of our front line and middle management female leaders. This program aims to develop leadership capability and confidence for female leaders via a leadership program, regular networking forums, and exposure to successful internal and external leaders.

Increase awareness and accessibility of Flexible Working Arrangements across the organisation

During the Reporting Period, FlexiGroup undertook a review of our Flexible Working Arrangements policies and practices. A policy was made available to all employees that provided greater clarity regarding flexible working options in addition to part time working arrangements. In addition to a mix of fixed and variable part time arrangements across our business, where practicable we also have a number of employees working flexibly from home. In a recently conducted survey, 73% of FlexiGroup employees responded favourably to the question of whether they feel they have the flexibility to modify their work schedule to address personal situations.

For the next financial year, the Board's aim is to achieve the following key diversity metrics:

Key diversity metrics	
Female representation – Board, Executive Team and Management	Female representation among non-executive Directors of approximately 20% Female representation among the Executive Team of approximately 20%
Engagement of identified groups	**Objective** – No statistically significant differences in Employee Engagement scores based on gender or age *(both gender and age can be identified as a result of our surveys while maintaining privacy of individuals)*
Flexible Working Arrangements	**Objective** – a minimum of 5% of the employee population having accessed Flexible Working Arrangements during the financial year

RECOMMENDATION 1.6

The Company has a process for periodically evaluating the performance of the Board, its committees and individual Directors.

The Remuneration Committee is responsible for determining the process for evaluating the performance of the Board, its committees and individual Directors. Evaluations are conducted annually. The performance evaluation process is conducted by way of questionnaires to effectively review:

- the performance of the Board and each of its committees; and
- the individual performance of the Chairman and each Director, including the CEO.

The questionnaires are completed by each Director and the responses compiled by the Chairman. The reports on the performance of the Board and each committee are provided to all Directors and discussed by the Board. The report on the Chairman's performance is provided to the Chairman and the Remuneration Committee. The Chairman meets with the Remuneration Committee to discuss the findings of his report. The report on each individual Director is provided to the individual and the Chairman. The Chairman meets individually with each Director to discuss the findings of their report.

The Remuneration Committee reviews and makes recommendations to the Board on the criteria for the evaluation of the performance of the CEO, and conducts the evaluation of the performance of the CEO. The Remuneration Report on pages 12-28 discloses the process for evaluating the performance of senior executives, including the CEO.

A performance evaluation of the Board, its committees and individual Directors was undertaken for the Reporting Period in accordance with the above process.

RECOMMENDATION 1.7

The Company has a process for periodically evaluating the performance of the CEO and its other senior executives.

The Board, in conjunction with the Remuneration Committee, is responsible for approving performance objectives for the CEO and other senior executives, and evaluating the performance of each senior executive against these objectives. The objectives are set for each senior executive at the beginning of each financial year and reflect specific financial and non-financial metrics which are aligned to the Company's strategy. The performance of each senior executive in respect of a financial year is measured against those metrics. A performance evaluation of senior executives was undertaken for the Reporting Period in accordance with the above process.

Remuneration is reviewed annually by the Remuneration Committee in line with the financial year and is dependent on each senior executive's performance against their objectives. Any increases to executive remuneration need to be approved by the Board and are effective from 1 July, following the annual performance review.

There is a further discussion on the performance objectives and the performance of each KMP in the Remuneration Report at pages 12-28.

PRINCIPLE 2 – STRUCTURE THE BOARD TO ADD VALUE

RECOMMENDATION 2.1

Nomination Committee

The Board has a Nomination Committee which has adopted a Nomination Committee Charter. During the Reporting Period, the composition of the Nomination Committee was as follows: Chair: Chris Beare. Members: Andrew Abercrombie, Anne Ward, John Skippen and Rajeev Dhawan. As at the date of this Corporate Governance Statement, the composition of the Nomination Committee was as follows: Chair: Rajeev Dhawan Members: Andrew Abercrombie, Rajeev Dhawan. With the exception of Andrew Abercrombie, all members of the Nomination Committee are independent, including the Chairman. The number of times the Nomination Committee met throughout the Reporting Period and the attendance rates of its members are contained on page 10.

The Committee is a committee of the Board established in accordance with the Company's constitution and authorised by the Board to assist it in fulfilling its statutory, fiduciary and regulatory responsibilities. It has the authority and power to exercise the role and responsibilities set out in its charter and under any separate resolutions of the Board.

The Nomination Committee assists and advises the Board on:

(a) Director selection and appointment practices;

(b) Director performance evaluation processes and criteria;

(c) Board composition; and

(d) Succession planning for the Board and senior management, to ensure that the Board is of a size and composition conducive to making appropriate decisions, with the benefit of a variety of perspectives and skills, and in the best interests of the Company as a whole.

Under its Charter, the Nomination Committee is responsible for the functions specified above.

The Nomination Committee Charter is disclosed on the Company's website at www.flexigroup.com.au/investorcentre/corporategovernance.

RECOMMENDATIONS 2.2-2.5

Composition of the Board and independence

During the Reporting Period, the Board adopted a policy of ensuring that it was composed of a majority of independent non-executive Directors, who with other Directors, including the CEO, comprised an appropriate mix of skills to provide the necessary breadth and depth of knowledge and experience to meet the Board's responsibilities and objectives. The Board reviews its membership to ensure that it offers the range of business skills and expertise demanded by the Company's operations. Details of each person who acted as Director during the Reporting Period, including each person's name, length of service, skills, experience, relevant qualifications and expertise, are set out on pages 8-9.

During the Reporting Period, the Directors on the Board collectively had a combination of skills and experience in the competencies set out in the table below. These competencies are set out in the skills matrix that the Board uses to assess the skills and experience of each Director and the combined capabilities of the Board. The skills matrix also indicates the areas in which the Board is seeking to increase its depth of skills.

Board skills matrix benchmarking table

This table sets out the skills and diversity criteria that the Company assesses against for the purposes of the Board skills matrix developed in accordance with recommendation 2.2 of the ASX Guidelines (3rd Edition).

General skills and attributes

Skills

- 150+ ASX Boards experience
- Entrepreneur
- Leadership
- Governance
- Strategy
- Finance
- Audit, risk and compliance
- IT and technology
- HR
- Business development.

Professional director skills

- Risk and compliance;
- Financial and audit;
- Strategy;
- Policy development;
- Executive management; and
- Previous board experience.

Interpersonal skills

- Leadership
- Ethics and integrity
- Contribution
- Negotiation.

Function

- Finance;
- Accounting; and
- Operations.

International management

- Americas/ Europe; and
- Asia.

Governance skills

- Board experience – listed and non-listed environments; and
- Executive experience reporting to external/internal boards.

Business/Industry skills

- Business management experience and qualifications;
- Mergers and acquisitions experience, including due diligence and integration;
- Legal experience and qualifications;
- Risk management;
- Professional marketing;
- Overseas experience;
- IT and online digital platforms;
- People management strategy; and
- Project management/change management.

During the Reporting Period, the Board considered that collectively the Directors had the range of skills, knowledge and experience necessary to direct the Company. The non-executive Directors contributed operational knowledge, an understanding of the industry in which the Company operates, knowledge of financial markets and an understanding of the health, safety, environmental and community matters that are important to the Company. The CEO brought an additional perspective to the Board through a thorough understanding of the Company's business.

During the Reporting Period, with the exception of the CEO, all of the Directors were non-executive Directors, including the Chairman, and the Board determined that each of the non-executive Directors (other than Andrew Abercrombie because Andrew Abercrombie holds (indirectly) 25% of the shares currently on issue in the Company) were independent, including the Chairman. As at the date of this Corporate Governance Statement, a majority of the Board is independent and the entire Board is non-executive.

Determination of a non-executive Director's independence is based on a Board's individual and on-going assessment that the Director is free of any relationship or any material business interest that could be reasonably considered to interfere with the exercise of their independent judgement and conflict with the interests of the Company.

In order for a Director to be considered independent, the Board must determine that the Director does not have a material relationship with the Company other than as a consequence of being a Director. A "material relationship" includes a direct or indirect relationship that could reasonably be considered to influence, in a material way, a Director's decision in relation to the Company. When considering whether a relationship is "material", the Board will consider the materiality to each of the Company, the Director and the person or organisation with which the Director is related (for example, as a customer or supplier). The Board has not set quantitative materiality thresholds to be used in assessing whether a relationship is a "material relationship" and it considers all relationships on a case-by-case basis.

The Board regularly reviews the independence of each Director. Any Director who considers that he or she has, or may have, a conflict of interest or a material personal interest in any matter concerning the Company is required to give the Directors immediate notice of the interest.

Each non-executive Director is also appointed to at least one Committee. Each Committee has a Charter defining its roles and responsibilities.

There is no specific term of office for non-executive Directors. The date of appointment of each non-executive Director is set out on pages 8-9.

RECOMMENDATION 2.6

Induction training is provided to all new Directors. The training includes provision of an induction manual and discussions with the CEO and senior executives. The induction materials include information about the Company's strategy, culture, values, key policies, the Company's financial, operational and risk management position, the rights and responsibilities of Directors and the role of the Board and its committees. All Directors are expected to maintain the skills required to discharge their obligations. The Company provides professional development opportunities for Directors to develop and maintain their skills and knowledge.

PRINCIPLE 3 – ACT ETHICALLY AND RESPONSIBLY

RECOMMENDATION 3.1

Code of Conduct

The Company has a formal Code of Conduct which all Directors, officers, senior executives and employees of the Company and subsidiaries and entities that the Company directly or indirectly controls are required to adhere to, together with a comprehensive range of corporate policies, which details the framework for acceptable corporate behaviour. The Code of Conduct also applies to contractors, consultants and associates of the Company. Together, these set out the procedures that personnel are required to follow in a range of areas including share trading, employment practices and regulatory compliance. The corporate policies are reviewed periodically.

The Code of Conduct sets out the ethical standards and rules of the Company and provides a framework for how the Company will operate its business in a manner that will protect its stakeholders. The objective of the Code is to:

1. provide a benchmark for professional behaviours throughout the Company;
2. support the Company's business reputation and corporate image within the community; and
3. make Directors and employees aware of the consequences if they breach Company policy.

A copy of the Company's Code of Conduct and other policies are available on the Company's website at www.flexigroup.com.au/investorcentre/corporategovernance.

Policy on Trading in Company's Securities

Director's and employee's shareholdings and share trading are subject to the Company's Trading Policy, which restricts the times when a Director or employee can purchase or sell Company securities.

The Company's Trading Policy permits Directors and employees of the Company to acquire and sell the Company's shares only when they are not in possession of price sensitive information that is not generally available to the market.

Further, the Company's Trading Policy provides that to avoid drawing an adverse inference of unfair dealing, Directors and employees must not deal in the Company's shares in the month immediately before the half yearly results and yearly results are publicly available and in the month preceding the Annual General Meeting.

Notwithstanding this Policy, there is no period during which an individual is exempt from the requirements of the *Corporations Act* in relation to insider trading provisions.

A copy of the Company's Trading Policy and other policies are available on the Company's website at www.flexigroup.com.au/investorcentre/corporategovernance.

PRINCIPLE 4 – SAFEGUARD INTEGRITY IN CORPORATE REPORTING

RECOMMENDATION 4.1

Audit & Risk Committee

The Audit & Risk Committee of Directors is comprised of a majority of independent non-executive Directors. All members have appropriate business and financial expertise to act effectively as members of the Company, as determined by the Board.

During the Reporting Period, the composition of the Audit & Risk Committee was as follows: Chair: John Skippen. Members: Anne Ward, Chris Beare, Rajeev Dhawan. As at the date of this Corporate Governance Statement, the composition of the Audit & Risk Committee was as follows: Chair: John Skippen. Members: Andrew Abercrombie, Rajeev Dhawan. During the Reporting Period, all members of the Audit & Risk Committee were independent, including the Chairman. The qualifications and experience of the members is set out on pages 8-9 along with the number of times the Audit & Risk Committee met throughout the Reporting Period and the attendance rates of its members on page 10. The Audit & Risk Committee Charter is disclosed on the Company's website at www.flexigroup.com.au/investorcentre/corporategovernance.

The Audit & Risk Committee provides advice and assistance to the Board in fulfilling the Board's responsibilities relating to the Group's financial risk management and compliance systems and practice, financial statements, financial and market reporting processes, internal accounting and control systems, internal and external audit and such other matters as the Board may request from time to time.

The Audit & Risk Committee's processes are designed to establish a proactive framework and dialogue in which the Committee, management and external and internal auditors review and assess the risk framework, the quality of the earnings, liquidity and the strength of the income statements and balance sheets, and transparency and accuracy of reporting. In fulfilling its responsibilities, the Audit & Risk Committee reviews the processes the CEO (or, in the interim until a new CEO is appointed, the group of people primarily and directly responsible to the Directors for the general and overall management of the Company) and CFO have in place to support their certifications to the Board.

The Company has performance appraisal and remuneration policies for the Board, the Board's Committees, individual Directors and executives. The Board engages expert external assistance, as appropriate, in reviewing and implementing these policies.

RECOMMENDATION 4.2

Certifications

In accordance with section 295A of the *Corporations Act*, for the Reporting Period, the executives primarily and directly responsible to the Directors for the general and overall management of the Company until a new CEO is appointed (being David Stevens (CFO) and Peter Lirantzis (COO)) have certified to the Board that:

- the financial records of the Company have been properly maintained in accordance with section 286 of the *Corporations Act*;
- the financial statements and the notes to the financial statements comply with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
- the financial statements and the notes to the financial statements give a true and fair view of the financial position and performance of the Company and consolidated entity.

In addition, David Stevens and Peter Lirantzis have stated to the Board in writing that:

- the Company's financial report is founded on sound systems of risk management and internal compliance and control which implements the policies adopted by the Board; and
- the Company's risk management and internal compliance and control system is operating effectively in all material respects.

Further, assurance regarding the integrity of the Company's control systems is provided by the internal audit function which reports directly to the Audit & Risk Committee.

The Company has the following guiding principles to ensure the independence of the Auditor:

1. the Audit & Risk Committee will review and assess the independence of the external auditor, including but not limited to any relationships with the Company or any other entity that may impair the external auditor's judgement or independence in respect of the Company;
2. the Audit & Risk Committee will request an annual confirmation of independence from the external auditor;
3. any non-audit work performed by the external auditor will require approval from the Audit Committee; and
4. the Audit & Risk Committee will require the rotation of the audit signing partner and the independence review partner every five years.

RECOMMENDATION 4.3

The Board requests that PricewaterhouseCoopers, the Company's external auditor, attends the Annual General Meeting of the Company and is available to answer shareholder questions relating to the audit of the Company's financial statements, preparation and content of the auditor's report, the accounting policies adopted by the Company and auditor independence. PricewaterhouseCoopers has provided the Audit & Risk Committee with a confirmation of its independence for the Reporting Period.

The Board has determined that it is satisfied as to the independence of the external auditor in relation to the Reporting Period and the audit of the Financial Report for the Reporting Period.

PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE

The Board recognises the importance of keeping the market fully informed of the Company's activities and of communicating openly and clearly with all stakeholders.

The Company has a Disclosure and Communication Policy to ensure compliance with the ASX Listing Rules continuous disclosure requirements and the *Corporations Act 2001*. The Company has established a Disclosure Committee which manages the Company's compliance with its disclosure obligation and the Policy. The Company's Disclosure and Communication Policy is available on the Company's website at www.flexigroup.com.au/investorcentre/corporategovernance.

Information considered to require disclosure is announced immediately through the ASX. Key presentations given by Company personnel to investors and institutions are also lodged simultaneously with the ASX. Following the lodgement of an announcement with ASX, key communications are placed on the Company's website. General and historical information about the Company and its operations is also available on the Company's website.

PRINCIPLE 6 – RESPECT THE RIGHTS OF SHAREHOLDERS

It is the Board's aim that the Company maintains effective communications and keeps its shareholders fully informed of significant developments and activities of the Company as well as provide them with the facilities to allow them to exercise their rights as security holders effectively.

This commitment is achieved by:

1. complying with the ASX Listing Rules and the *Corporations Act 2001* continuous disclosure and reporting requirements;
2. distribution of the Annual Report to all shareholders other than any who notify the Company that they do not wish to receive it, as well as publishing Annual Reports and financial statements on the Company's website at www.flexigroup.com.au/investorcentre/corporategovernance;
3. holding an accessible and informative Annual General Meeting. The Board requests the external auditor to attend the Annual General Meeting of the Company and be available to answer shareholder questions relating to the audit of the Company's financial statements, preparation and content of the auditor's report, the accounting policies adopted by the Company and auditor independence;
4. regularly updating the Company's website (www.flexigroup.com.au) to include annual and interim reports, market announcements, and presentations as well financial and shareholder information to ensure transparency and a high level of communication of the Company's operations and financial situation, to the extent that this information is not commercially sensitive; and
5. responding to questions and comments at the AGM which were submitted by shareholders in advance of the AGM on the management of the Company.

The Company encourages direct electronic contact from shareholders – the Company's website has a "contact us" section which allows shareholders to submit an electronic form with questions or comments and sets out the email address for the Company's share registry.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

PRINCIPLE 7 – RECOGNISE AND MANAGE RISK

Risk Management

The Board recognises that risk management and internal control are fundamental to sound management and that oversight of such matters is a key responsibility of the Board. The Company has a risk management policy framework and governance structure designed to ensure that the risks of conducting business are properly managed. Management is responsible to the Board for identifying, managing, reporting upon and implementing measures to address risk.

RECOMMENDATION 7.1

The Board oversees and reviews the effectiveness of risk management in the organisation and is assisted and advised in this role by the Audit & Risk Committee. During the Reporting Period, the composition of the Audit & Risk Committee was as follows: Chair: John Skippen. Members: Anne Ward, Chris Beare, Rajeev Dhawan. During the Reporting Period, all members of the Audit & Risk Committee were independent, including the Chairman. As at the date of this Corporate Governance Statement, the composition of the Audit & Risk Committee was as follows: Chair: John Skippen. Members: Andrew Abercrombie, Rajeev Dhawan. The number of times the Audit & Risk Committee met throughout the Reporting Period and the attendance rates of its members is set out on page 10.

The Audit & Risk Committee Charter which sets out the role and responsibilities of the Committee is disclosed on the Company's website at www.flexigroup.com.au/investorcentre/corporategovernance. The Company has adopted a risk management statement as required by the Audit & Risk Committee Charter.

The Audit & Risk Committee has responsibility for managing risk. However, ultimate responsibility for risk oversight and risk management vests with the Board. The Company has identified key risks within the business. In the ordinary course of business, management monitors and manages these risks. Key operational and financial risks are presented to and reviewed by the Board.

RECOMMENDATION 7.2

The Board delegates the review of the Company's risk management framework to the Audit & Risk Committee to satisfy itself that it continues to be sound and operate within the risk appetite set by the Board. The risk management framework is reviewed on at least an annual basis.

There have been no material changes to the Company's risk framework during the Reporting Period.

RECOMMENDATION 7.3

The Company maintains an internal audit function which reviews and reports to the Audit & Risk Committee on the effectiveness of these mechanisms. Management provides regular compliance assurance reports to the Board and its Committees.

Certifications

In accordance with section 295A of the *Corporations Act*, for the Reporting Period, the executives primarily and directly responsible to the Directors for the general and overall management of the Company until a new CEO is appointed (being David Stevens (CFO) and Peter Lirantzis (COO)) have certified to the Board that:

– the financial records of the Company have been properly maintained in accordance with section 286 of the *Corporations Act*;
– the financial statements and the notes to the financial statements comply with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
– the financial statements and the notes to the financial statements give a true and fair view of the financial position and performance of the Company and consolidated entity.

In addition, David Stevens and Peter Lirantzis have stated to the Board in writing that:

– the Company's financial report is founded on sound systems of risk management and internal compliance and control which implements the policies adopted by the Board; and
– the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects in relation to the financial reporting risks.

RECOMMENDATION 7.4

The Company does not have any material exposure to economic, environmental or social sustainability risks.

PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBLY

The Board has a Remuneration Committee which has a Remuneration Committee Charter.

RECOMMENDATION 8.1

During the Reporting Period, the composition of the Remuneration Committee was as follows: Chair: Rajeev Dhawan. Members: Anne Ward, Chris Beare, John Skippen. During the Reporting Period, all members of the Remuneration Committee were independent, including the Chairman. As at the date of this Corporate Governance Statement, the composition of the Remuneration Committee was as follows: Chair: Rajeev Dhawan. Members: Andrew Abercrombie, John Skippen.

The Remuneration Committee Charter is disclosed on the Company's website at www.flexigroup.com.au/investorcentre/corporategovernance. Details of the number of meetings of the Remuneration Committee held during the period and of each member's attendance at those meetings are set out on page 10.

The Company has performance appraisal and remuneration policies for the Board, the Board's Committees, individual Directors and executives. The Board engages expert external assistance, as appropriate, in reviewing and implementing this Policy.

The CEO's performance evaluation of key executives is periodically reviewed by the Remuneration Committee. The performance evaluation of the CEO is undertaken by the Remuneration Committee.

Remuneration Committee

The Remuneration Committee assists and advises the Board on remuneration policies and practices for the Board, the CEO, the CFO, senior management and other persons whose activities, individually or collectively, affect the financial soundness of the Company.

The Remuneration Committee responsibilities include:

(a) the ongoing appropriateness and relevance of the remuneration framework for the chairperson and the non-executive Directors (including the process by which any pool of Directors' fees approved by the shareholders is allocated to Directors);

(b) the Company's policy on remuneration for the CEO and senior management, any changes to the policy and the implementation of the policy (including any shareholder approvals required);

(c) the total remuneration packages for the CEO and senior management (including base pay, incentive payments, equity based awards, superannuation and other retirement rights, employment contracts), any changes to remuneration package and recommending proposed award after performance evaluation procedures;

(d) the Company's recruitment, retention and termination policies for the CEO and senior management and any changes to those policies;

(e) incentive schemes, if appropriate, for the CEO and senior management;

(f) equity based plans, if appropriate, for the CEO, senior management and other employees;

(g) superannuation arrangements for Directors, senior executives and other employees;

(h) monitoring and providing input to the Board regarding:

    (i) legislative, regulatory or market developments likely to have a significant impact on the Company and legislative compliance in employment issues;

    (ii) the remuneration trends across the Company; and

    (iii) major changes to employee benefits structures in the Company.

RECOMMENDATION 8.2

Remuneration Report

In accordance with section 300A of the *Corporations Act*, disclosures in relation to Director and executive remuneration are included in a separate component of the Directors' Report, entitled Remuneration Report. The Remuneration Report is set out on pages 12-28 and contains details of the Company's remuneration philosophy, structure, including fixed and variable remuneration.

Board Remuneration

Remuneration of the non-executive Directors is fixed rather than variable to ensure that Board membership of an appropriate mix and calibre is maintained and aligned with remuneration trends in the marketplace. Remuneration levels and trends are reviewed with the assistance of independent external remuneration consultants, when appropriate.

CEO and Executive Remuneration

The underlying principles of risk and reward for performance remuneration are set out in the Remuneration Report on pages 12- 28. These principles recognise the different levels of contribution of management to the short-term and long-term success of the Company. A key element is the principle of reward for performance that is dependent upon both personal and Company performance. Every employee undergoes a formal performance appraisal each financial year which is used, in part, to determine that employee's remuneration in the financial year ahead.

The CEO's performance is continuously monitored and annually assessed. The assessment is used to determine, in part, the level of "at risk" remuneration paid to the CEO.

RECOMMENDATION 8.3

As set out above, the Company offers equity based plans, if appropriate, for the CEO, senior management and other employees. The Company's Trading Policy prohibits participants in equity based plans from entering into transactions which limit the economic risk of participating in the equity based plan whilst the relevant interests granted pursuant to an equity-based plan remain unvested. The Company's Trading Policy is disclosed on the Company's website at www.flexigroup.com.au/investorcentre/corporategovernance.

Auditor's Independence Declaration

pwc

Auditor's Independence Declaration

As lead auditor for the audit of FlexiGroup Limited for the year ended 30 June 2015, I declare that to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

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

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

SJ Smith
Partner
PricewaterhouseCoopers

Sydney
17 August 2015

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

FlexiGroup Limited and its controlled entities Annual Financial Statements – 30 June 2015

ABN 75 122 574 583

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

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

Level 8, The Forum

201 Pacific Highway

St Leonards NSW 2065

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

The financial statements were authorised for issue by the Directors on 17 August 2015. The directors have the power to amend and reissue these financial statements.

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

Contents	Page

Consolidated Income Statement

	Notes	Consolidated 2015 $m	Consolidated 2014 $m
Total portfolio income	4	**340.8**	318.1
Interest expense		**(67.6)**	(67.5)
Net portfolio income		**273.2**	250.6
Employment expenses		**(61.6)**	(66.1)
Receivables and customer loans impairment expenses		**(44.5)**	(34.1)
Depreciation and amortisation expenses	5	**(9.4)**	(10.0)
Impairment of goodwill and other intangible assets	12,13	**–**	(12.5)
Operating expenses	5	**(44.8)**	(42.9)
Profit before income tax		**112.9**	85.0
Income tax expense	6	**(30.2)**	(27.4)
Profit for the year attributable to shareholders of FlexiGroup Limited		**82.7**	57.6

	Notes	Cents	Cents
Earnings per share for profit attributable to the ordinary equity holders of the Company:			
Basic earnings per share	21	**27.2**	19.0
Diluted earnings per share	21	**27.1**	18.9

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

Consolidated Statement of Comprehensive Income

	Consolidated	
	2015 $m	2014 $m
Profit for the year	**82.7**	57.6
Other comprehensive income		
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	**(3.4)**	3.3
Changes in the fair value of cash flow hedges, net of tax	**(2.5)**	0.1
Other comprehensive income for the year, net of tax	**(5.9)**	3.4
Total comprehensive income for the year attributable to shareholders of FlexiGroup Limited	**76.8**	61.0

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

Consolidated Statement of Financial Position

	Notes	Consolidated 2015 $m	Consolidated 2014 $m
Assets			
Current assets			
Cash and cash equivalents	7	**130.3**	106.6
Receivables	9	**339.0**	307.5
Customer loans	10	**533.9**	492.7
Inventories	8	**4.2**	2.8
Total current assets		**1,007.4**	909.6
Non-current assets			
Receivables	9	**410.2**	385.4
Customer loans	10	**168.4**	161.6
Plant and equipment	11	**5.2**	6.1
Goodwill	12	**150.4**	134.1
Other intangible assets	13	**44.6**	27.7
Total non-current assets		**778.8**	714.9
Total assets		**1,786.2**	1,624.5
Liabilities			
Current liabilities			
Payables	14	**35.7**	44.5
Borrowings	15	**774.6**	680.4
Current tax liabilities		**9.2**	9.0
Provisions	16	**4.5**	4.7
Deferred and contingent consideration		**5.9**	8.7
Total current liabilities		**829.9**	747.3
Non-current liabilities			
Borrowings	15	**499.9**	452.2
Derivative financial instruments	17	**7.3**	3.7
Provisions	16	**1.0**	0.7
Deferred tax liabilities	6(e)	**37.6**	35.6
Total non-current liabilities		**545.8**	492.2
Total liabilities		**1,375.7**	1,239.5
Net assets		**410.5**	385.0
Equity			
Contributed equity	18	**161.9**	161.2
Reserves	19(a)	**(3.0)**	2.4
Retained earnings	19(b)	**251.6**	221.4
Total equity		**410.5**	385.0

The above consolidated statement of financial position should be read in conjunction with the accompanying notes

Consolidated Statement of Changes in Equity

	Consolidated			
2014	Contributed Equity $m	Reserves $m	Retained Earnings $m	Total $m
Balance at the beginning of the year	153.1	0.6	210.9	364.6
Profit for the year	–	–	57.6	57.6
Other comprehensive income	–	3.4	–	3.4
Total comprehensive income for the year	–	3.4	57.6	61.0
Share based payment expense	–	7.0	–	7.0
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	2.9	(2.9)	–	–
Other changes in share based payment	–	(0.8)	–	(0.8)
Share capital reserve (Note 19)	–	0.3	–	0.3
Dividends provided for or paid (Note 20)	–	–	(47.1)	(47.1)
Balance at the end of the year	161.2	2.4	221.4	385.0
2015				
Balance at the beginning of the year	**161.2**	**2.4**	**221.4**	**385.0**
Profit for the year	**–**	**–**	**82.7**	**82.7**
Other comprehensive income	**–**	**(5.9)**	**–**	**(5.9)**
Total comprehensive income for the year	**–**	**(5.9)**	**82.7**	**76.8**
Share based payment expense	**–**	**0.8**	**–**	**0.8**
Exercise of employee share options	**0.5**	**–**	**–**	**0.5**
Transfer to share capital	**0.2**	**(0.2)**	**–**	**–**
Other changes in share based payment	**–**	**(0.1)**	**–**	**(0.1)**
Dividends provided for or paid (Note 20)	**–**	**–**	**(52.5)**	**(52.5)**
Balance at the end of the year	**161.9**	**(3.0)**	**251.6**	**410.5**

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

Consolidated Statement of Cash Flows

	Notes	Consolidated 2015 $m	Consolidated 2014 $m
Cash flows from operating activities			
Interest and fee income received from customers		**340.0**	324.2
Payment to suppliers and employees		**(118.3)**	(101.8)
Borrowing costs		**(68.7)**	(69.1)
Taxes paid		**(31.8)**	(29.0)
Net cash inflows from operating activities	22	**121.2**	124.3
Cash flows from investing activities			
Payment for purchase of plant and equipment and software		**(26.4)**	(17.7)
Loans to related parties	29(d)	**–**	(0.8)
Payment for business acquisitions	25(a)(b)	**(18.8)**	(38.0)
Payment for deferred consideration relating to business acquisitions	25(d)	**(3.0)**	–
Net movement in:			
Customer loans		**(64.3)**	(70.9)
Receivables due from customers		**14.9**	(63.0)
Net cash outflows used in investing activities		**(97.6)**	(190.4)
Cash flows from financing activities			
Dividends paid		**(52.5)**	(47.1)
Proceeds from issue of ordinary shares		**0.5**	–
Net movement in borrowings		**52.6**	96.1
Net cash inflows from financing activities		**0.6**	49.0
Net increase/(decrease) in cash and cash equivalents		**24.2**	(17.1)
Cash and cash equivalents at the beginning of the year		**106.6**	122.8
Effects of exchange rate changes on cash and cash equivalents		**(0.5)**	0.9
Cash and cash equivalents at the end of the year	7	**130.3**	106.6

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

Notes to the Financial Statements

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This note provides a list of all significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the consolidated entity (the Group) consisting of FlexiGroup Limited and its subsidiaries.

a. Basis of preparation

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

(i) Compliance with IFRS

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

(ii) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for first time for their annual reporting period commencing 1 July 2014 and they have not had any material effect on its financial position or performance:

- AASB 1031 (2013) *Materiality*
- AASB 1048 (2013) *Interpretation of Standards*
- AASB 2012-3 Amendments to Australian Accounting Standards – *Offsetting-Financial Assets and Financial Liabilities*
- 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 and AASB 2012-3 Amendments to Australian Accounting Standards – *Investment Entities*
- AASB 2013-9 Amendments to Australian Accounting Standards – *Conceptual Framework, Materiality and Financial Instruments*
- AASB 2014-1 Amendments to Australian Accounting Standards – Part A: Annual Improvements 2010-2-12 and 2011-2013 Cycles
- AASB 2014-1 Amendments to Australian Accounting Standards – Part C: Materiality
- AASB 2014-2 Amendments to AASB 1053 – Transition to and between Tiers, and related Tier 2 Disclosure Requirements

(iii) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2015 reporting periods and have not been early adopted by the Group.

The following new standards to be applied in future periods are set out below and the Group is in the process of working out the implications of these standards:

– AASB 2015-1 Amendments to Australian Accounting Standards – *Annual Improvements to Australian Accounting Standards 2012-2014 Cycle* – This standard refers to amendments to existing accounting standards in relation to IFRS 5, IFRS 7, IAS 19 and IAS 34. This standard is mandatory for adoption by the Group for the year ending 30 June 2017. Initial application is not expected to result in any material impact to the Group.

– AASB 2015-2 Amendments to Australian Accounting Standards – *Disclosure Initiative: Amendments to AASB 101* – This standard facilitates improved reporting, including and emphasis on only including material disclosures, clarity on the aggregation and disaggregation of line items, the presentation of subtotals, the ordering of notes and the identification of significant accounting policies. This standard is mandatory for adoption by the Group for the year ending 30 June 2017. Initial application is not expected to result in any material impact to the Group.

– AASB 2015-3 Amendments to Australian Accounting Standards arising from the withdrawal of AASB 1031 Materiality. Guidance on materiality is located in AASB 101 *Presentation of Financial Statements* going forward. This standard is mandatory for adoption by the Group for the year ending 30 June 2016. Initial application is not expected to result in any material impact to the Group.

– AASB 9 *Financial Instruments*, AASB 2014-7 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2014-8 Amendments to Australian Accounting Standards arising from AASB 9 – Application of AASB 9 – 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. The financial impact to the Group of adopting AASB 9 has not yet been quantified.

– AASB 15 *Revenue from Contracts with Customers* – The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised. This standard is mandatory for adoption by the Group for the year ending 30 June 2018. The financial impact to the Group of adopting AASB 15 has not yet been quantified.

(iv) Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and liabilities (including derivative instruments) at fair value. Some disclosures in the income statement, statement of financial position, statement of cash flows and notes to the financial statements for comparatives have been reclassified to be consistent with current period disclosures.

(v) Critical accounting estimates

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

b. Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of FlexiGroup Limited ("Company" or "parent entity") as at 30 June 2015 and the results of all the subsidiaries for the year then ended. FlexiGroup Limited and its subsidiaries together are referred to in these financial statements as the Group or the consolidated entity.

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

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

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

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

(ii) Employee Share Trust

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

c. Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer. Operating segments are described in Note 3.

d. Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

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

(iii) Group companies

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

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e. Revenue recognition

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

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

(i) Lease finance interest income

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

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

(ii) Interest income on customer loans

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

(iii) Interest income – bank accounts/loss reserves

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

(iv) Sale of goods

Revenue from sale of goods includes revenue from sale of equipment, parts and accessories. The revenue is recognised on delivery of goods sold.

Other portfolio income:

(v) Equipment protection plan revenue

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

(vi) Mobile broadband revenue

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

(vii) Cheque guarantee revenue

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

f. Income tax

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

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

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

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

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and liabilities are offset when there is a legally enforceable right to offset and an intention to either settle the liability simultaneously.

The Company and its wholly owned Australian controlled entities have implemented the tax consolidation legislation. As a consequence these entities are taxed as a single entity and the deferred tax assets and liabilities of these entities are set-off in the consolidated financial statements. Current and deferred tax is recognised in the Income statement except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in comprehensive income or directly in equity respectively.

Tax consolidation legislation

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

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

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

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the Group. Details about the tax funding agreement are disclosed in Note 6(f). Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidation entities.

g. Business combinations

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

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

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

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

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

h. Lease receivables – Group is lessor

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

(i) Unearned interest

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

(ii) Initial direct transaction costs

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

i. Loan receivables

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

j. Provision for doubtful debts

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

k. Other Debtors

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

l. Leases – used by the Group

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

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

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

m. Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash

n. Investments

The Group classifies its investments in the following categories:

- financial assets at fair value through profit or loss,
- loans and receivables,
- held-to-maturity investments, and
- available-for-sale financial assets.

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at the end of each reporting period.

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

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

The Group had no assets in this category at 30 June 2015 (2014: $nil).

(ii) Loans and receivables

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

(iii) Held-to-maturity investments

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

The Group had no assets in this category at 30 June 2015 (2014: $nil).

(iv) Available-for-sale financial assets

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

The Group had no assets in this category at 30 June 2015 (2014: $nil).

o. Derivatives and hedging activities

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

The Group designates all derivatives held as at 30 June 2015 and 30 June 2014 as hedges of a particular risk associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges).

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

The fair values of derivative financial instruments used for hedging purposes are disclosed in Note 17. Movements in the hedging reserve in shareholders' equity are shown in Note 19(a). The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

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

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for instance when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in profit or loss within interest expense.

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

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

p. Inventories

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

q. Plant and equipment

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

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

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

Depreciable assets	Depreciation rate
Plant and equipment	20-40%

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

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

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

r. Intangibles

(i) Goodwill

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

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or Groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose, identified according to operating segments (Note 3).

(ii) IT development and software

Costs incurred on software development projects (relating to the design and testing of new or improved software products) are recognised as intangible assets when it is probable that the project will be a success considering its commercial and technical feasibility and its costs can be measured reliably. The expenditure capitalised comprises all directly attributable costs, including direct labour. Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Capitalised development costs are recorded as an intangible asset and amortised from the point at which the asset is ready for use over its useful life from 3 to 7 years.

(iii) Merchant and customer relationships and other rights

Merchant and customer relationships acquired as part of a business combination are recognised separately from goodwill. The assets are measured at fair value at the date of acquisition less accumulated amortisation and impairment losses. Amortisation is calculated based on the timing of the projected cash flows of the relationships from 3 to 7 years.

(iv) Non-Compete Agreements

Non-Compete Agreements have a finite useful life and are carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line method to allocate the cost of non-compete arrangements over their term, generally 2 years.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

s. Impairment of assets

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

t. Trade and other payables

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

u. Borrowings

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

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

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

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

v. Provisions

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

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

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

w. Employee benefits

(i) Short-term obligations

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

(ii) Other long-term employee benefit obligations

The liability for long service leave and annual leave which is not expected to be settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method.

Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on government bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows.

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

(iii) Profit-sharing and bonus plans

The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(iv) Share-based payments

Share-based compensation benefits are provided to certain employees. Information relating to these schemes is set out in Note 23.

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

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

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

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

x. Contributed equity

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

y. Dividends

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

z. Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing

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

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares; and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

aa. Goods and Services Tax (GST)

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

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

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

ab. Rounding of amounts

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

ac. Parent entity financial information

The financial information for the parent entity, FlexiGroup Limited, disclosed in Note 33 has been prepared on the same basis as the consolidated financial statements, except as set out below.

(i) Investments in subsidiaries

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ii) Tax consolidation legislation

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

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

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

The entities have also entered into a tax funding agreement as detailed in Note 6(f).

2. CRITICAL ACCOUNTING ESTIMATES

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

Critical accounting estimates and assumptions

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

(i) Estimation of unguaranteed residuals on leases

The Group estimates the value of unguaranteed lease residuals based on its prior experience for similar contracts. Where applicable, residual values are set at rates ranging between 0% and 20% depending on asset type and the duration of the contract.

(ii) Provision for doubtful debts

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

(iii) Assessment of impairment of goodwill and investments in subsidiaries

Under the accounting standards, the Group is required to perform an annual assessment as to whether there has been any impairment of its goodwill. In addition, the Group is required to perform an impairment assessment of other assets in the event it identifies an indicator of impairment. Details of the basis of performance of the assessment are set out in Note 12.

(iv) Acquired intangible assets

Under the accounting standards, the assets and liabilities of businesses acquired through a business combination is to be measured at their acquisition date fair values. The Group applies judgements in selecting valuation techniques and setting valuation assumptions to determine the acquisition date fair values and to estimate the useful lives of these assets as set out in Notes 1(g),(r) and Note 25.

(v) Fair value of financial instruments

All derivatives are recognised and measured at fair value. The derivatives are valued using valuation techniques that utilise observable market inputs. The fair value of financial instruments is included within Note 24(e).

(vi) Share based payment expense

In determining the share based payments expense for the period, the Group makes various assumptions in determining the fair value of the instruments and the probability of non-market vesting conditions being met as set out in Note 1(w)(iv) and Note 23.

(vii) Taxation

Judgement is required in determining provisions held in respect of uncertain tax positions. The Group estimates its tax liabilities based on its understanding of the relevant tax law in each of the countries in which it operates and seeks independent advice where appropriate.

3. SEGMENT INFORMATION

(a) Description of segments

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

The Chief Executive Officer considers the business from a product perspective and has identified five reportable segments; the Consumer & SME Leasing (consisting of FlexiRent, SmartWay, FlexiWay, FlexiCommercial and Blink), New Zealand (NZ) leasing (including Telecom Rentals Limited), 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 operating segments are identified according to the nature of the products and services provided with whole of New Zealand disclosed separately and Ireland included within Consumer and SME Leasing.

The segment information provided to the Chief Executive Officer for the reportable segments for the year ended 30 June 2015 is as below:

(b) Operating segments

	No Interest Ever $m	Interest Free Cards $m	C&SME Leasing – Aust (inc Ire) $m	NZ Leasing $m	Enterprise $m	Total $m
2015						
Total portfolio income	114.5	42.4	112.7	22.4	48.8	340.8
Interest expense	(21.1)	(8.8)	(23.2)	(4.0)	(10.5)	(67.6)
Net portfolio income	93.4	33.6	89.5	18.4	38.3	273.2
Other expenses	(29.7)	(9.1)	(37.4)	(8.3)	(24.1)	(108.6)
Impairment losses on loans and receivables	(14.4)	(6.7)	(19.6)	(1.0)	(2.8)	(44.5)
Amortisation of acquired other intangible assets	(0.1)	(2.1)	(4.1)	–	(0.9)	(7.2)
Profit before income tax	**49.2**	**15.7**	**28.4**	**9.1**	**10.5**	**112.9**
Income tax expense	(14.8)	(5.2)	(4.5)	(2.2)	(3.5)	(30.2)
Statutory profit for the year	**34.4**	**10.5**	**23.9**	**6.9**	**7.0**	**82.7**
One-off adjustments:						
Acquisition costs(1)	–	–	1.9	0.1	–	2.0
One-off non-cash adjustments:						
Residual value loss(2)	–	–	–	–	2.5	2.5
Recurring non-cash adjustments:						
Amortisation of acquired intangible assets(3)	–	1.8	0.4	–	0.7	2.9
Cash net profit after tax	**34.4**	**12.3**	**26.2**	**7.0**	**10.2**	**90.1**
Total segment assets	**608.7**	**271.6**	**468.4**	**187.9**	**249.6**	**1,786.2**

(1) Acquisition costs incurred in business combinations were treated as Cash NPAT adjustments as they are not expected to impact on future earnings of the acquired entities or the Group as whole.

(2) Residual value loss relate to a single contract for photographic printing equipment. This loss is not expected to recur as the Group does not have any other significant exposures of this nature.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SEGMENT INFORMATION (CONTINUED)

	No Interest Ever $m	Interest Free Cards $m	C&SME Leasing – Aust (inc Ire) $m	NZ Leasing $m	Enterprise $m	Unallocated $m	Total $m
2014							
Total portfolio income	107.7	42.4	112.5	17.2	38.3	–	318.1
Interest expense	(22.6)	(9.6)	(23.1)	(2.9)	(9.3)	–	(67.5)
Net portfolio income	85.1	32.8	89.4	14.3	29.0	–	250.6
Other expenses	(25.5)	(15.3)	(52.7)	(6.1)	(11.4)	–	(111.0)
Impairment losses on loans and receivables	(13.5)	(5.3)	(12.3)	(0.6)	(2.4)		(34.1)
Amortisation of acquired other intangible assets	(0.3)	(1.7)	(0.5)	–	(0.3)	–	(2.8)
Impairment of goodwill and other intangible assets	–	–	(12.5)	–	–	–	(12.5)
Cancelled share based payments[1]	–	–	–	–	–	(5.2)	(5.2)
Profit before income tax	45.8	10.5	11.4	7.6	14.9	(5.2)	85.0
Income tax expense	(13.8)	(4.4)	(2.1)	(2.1)	(5.0)	–	(27.4)
Statutory profit for the year	32.0	6.1	9.3	5.5	9.9	(5.2)	57.6
One-off adjustments:							
Acquisition and integration costs[1]	–	3.6	7.1	0.2	–	–	10.9
One-off non-cash adjustments:							
Impairment of goodwill and other intangible assets[2]	–	–	9.2	–	–	–	9.2
Cancelled share based payments[3]	–	–	–	–	–	5.2	5.2
Recurring non-cash adjustments:							
Amortisation of acquired intangible assets[4]	0.3	1.3	0.3	–	0.2	–	2.1
Cash net profit after tax	32.3	11.0	25.9	5.7	10.1	–	85.0
Total segment assets	533.6	221.3	528.1	77.9	263.6	–	1,624.5

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

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

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

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

4. TOTAL PORTFOLIO INCOME

	2015 $m	2014 $m
Gross interest and finance lease income	**288.2**	285.4
Amortisation of initial direct transaction costs (Note 1(h)(ii))	**(32.5)**	(34.6)
Other portfolio income	**74.2**	59.6
Sale of goods	**7.5**	3.5
Other income	**0.4**	0.6
Interest income – banks	**3.0**	3.6
Total portfolio income	**340.8**	318.1

5. EXPENSES

	2015 $m	2014 $m
Depreciation of plant and equipment (Note 11)	**2.2**	1.8
Amortisation of other intangible assets (Note 13)	**7.2**	8.2
Total depreciation and amortisation	**9.4**	10.0
Operating expenses		
Acquisition costs relating to business combinations	**2.5**	3.6
Advertising and marketing	**3.4**	3.8
Cost of goods sold	**4.0**	1.5
Information technology and communication	**11.2**	9.2
Operating lease rental expenses	**4.0**	4.5
Other occupancy, equipment and related costs	**2.5**	2.2
Outsourced operations costs	**4.9**	3.7
Professional, consulting and other service provider costs	**10.7**	12.1
Other	**1.6**	2.3
Total operating expenses	**44.8**	42.9

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. INCOME TAX EXPENSE

	2015 $m	2014 $m
(a) Income tax expense		
Current tax	**35.0**	24.7
Deferred tax expense	**(4.7)**	3.0
Overprovision in prior years	**(0.1)**	(0.3)
	30.2	27.4
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Profit from continuing operations before income tax	**112.9**	85.0
Tax at the Australian tax rate of 30%	**33.9**	25.5
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Permanent differences[1]	**(3.1)**	2.5
Effect of differences in tax rates in foreign jurisdiction	**(0.5)**	(0.3)
Overprovision in prior years	**(0.1)**	(0.3)
	30.2	27.4

(1) Includes amortisation of intangibles, share based payments and goodwill impairment and others.

	2015 $m	2014 $m
(c) Amounts recognised directly in equity		
Deferred income tax expense related to items taken directly to equity	**(1.1)**	(0.1)
(d) Deferred tax expense representing movements in deferred tax assets/liabilities		
Difference between lease principal to be returned as assessable income and depreciation on leased assets to be claimed as a tax deduction	**(5.0)**	0.6
Initial direct transaction costs	**(0.3)**	0.6
Other intangible assets	**0.7**	(0.2)
Provisions and other liabilities	**(0.1)**	2.0
	(4.7)	3.0
(e) Deferred tax assets and liabilities:		
Deferred tax assets		
Provisions and other liabilities	**14.0**	12.1
Total deferred tax assets	**14.0**	12.1
Deferred tax liabilities		
Difference between lease principal to be returned as assessable income and depreciation on leased assets to be claimed as a tax deduction	**39.1**	34.8
Initial direct transaction costs	**10.3**	10.0
Other intangible assets	**2.2**	2.9
Total deferred tax liabilities	**51.6**	47.7
Net Deferred tax liabilities	**37.6**	35.6
Amounts expected to be settled within 12 months	**10.0**	10.7
Amounts expected to be settled after more than 12 months	**27.6**	24.9
	37.6	35.6

(f) Tax consolidation legislation

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

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

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

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

7. CASH AND CASH EQUIVALENTS

	2015 $m	2014 $m
Cash at bank and on hand	**130.3**	106.6
Reconciliation to cash at the end of the year		
The above figures reconcile to cash at the end of the financial year, as shown in the statement of cash flows, as follows:		
Balances as above	**130.3**	106.6
Balances per statement of cash flows	**130.3**	106.6

Included in cash at bank are amounts of $100.9 million (2014: $81.4 million) which are held as part of the Group's funding arrangements and are not available to the Group.

8. CURRENT ASSETS – INVENTORIES

	2015 $m	2014 $m
Equipment, parts and accessories	**2.7**	2.3
Rental equipment	**1.5**	0.5
	4.2	2.8

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9. CURRENT AND NON-CURRENT ASSETS – RECEIVABLES

	2015 $m	2014 $m
Gross investment in finance lease receivables (3)	**838.4**	779.6
Guaranteed residuals	**8.5**	10.3
Unguaranteed residuals	**53.7**	53.3
Unamortised initial direct transaction costs	**34.9**	36.5
Unearned future income	**(183.7)**	(188.6)
Net investment in finance lease receivables (2)	**751.8**	691.1
Provision for doubtful debts	**(14.3)**	(9.1)
Net investment in finance leases after provision for doubtful debts	**737.5**	682.0
Other debtors	**11.7**	10.9
Total receivables (1)	**749.2**	692.9
Disclosed as current and non-current on the statement of financial position:		
Current	**339.0**	307.5
Non-current	**410.2**	385.4
(1) Total receivables	**749.2**	692.9
Represented as follows:		
Gross investment in finance lease receivables:		
Due within one year	**445.5**	412.8
Due after one year but not later than five years	**490.0**	466.9
Unearned future income	**(183.7)**	(188.6)
Net investment in finance lease receivables (2)	**751.8**	691.1
Provision for doubtful debts	**(14.3)**	(9.1)
Net investment in finance leases after provision for doubtful debts	**737.5**	682.0
Net investment in finance lease receivables analysed as follows:		
Due within one year	**334.3**	300.9
Due after one year but not later than five years	**417.5**	390.2
(2) Total net investment in finance lease receivables	**751.8**	691.1

(3) Refer to Note 24(c) for disclosure of impaired lease and loan receivables, past due but not impaired receivables and the fair value of receivables.

10. CURRENT AND NON-CURRENT ASSETS – CUSTOMER LOANS

	2015		2014	
	Current $m	Non-current $m	Current $m	Non-current $m
Loan receivables (1)	**540.3**	**170.6**	500.3	163.7
Provision for doubtful debts	**(6.4)**	**(2.2)**	(7.6)	(2.1)
	533.9	**168.4**	492.7	161.6

(1) Refer to Note 24(c) for disclosure of impaired lease and loan receivables, past due but not impaired receivables and the fair value of receivables.

(a) Movement in provision for doubtful debts

	2015 $m	2014 $m
Provision for doubtful debts – receivables (Note 9)	**14.3**	9.1
Provision for doubtful debts – customer loans	**8.6**	9.7
Total provision for doubtful debts	**22.9**	18.8
Carrying amount at beginning of the year	**18.8**	18.3
Additions through business combinations	**1.1**	6.3
Provided for during the year	**3.0**	–
Receivables and loans written off	**–**	(5.4)
Recovery of receivables and loans previously provided for	**–**	(0.4)
Carrying amount at end of the year	**22.9**	18.8

11. NON-CURRENT ASSETS – PLANT AND EQUIPMENT

	Plant and equipment $m
30 June 2014	
Cost or fair value	15.8
Accumulated depreciation	(9.7)
At written down value	6.1
Movement in plant and equipment at written down value	
Balance at the beginning of the year	4.4
Additions through business combinations	1.9
Additions	1.7
Disposals	(0.1)
Depreciation	(1.8)
Balance at the end of the year	6.1
30 June 2015	
Cost or fair value	**15.2**
Accumulated depreciation	**(10.0)**
At written down value	**5.2**
Balance at the beginning of the year	**6.1**
Additions through business combinations	**–**
Additions	**1.7**
Disposals	**(0.4)**
Depreciation	**(2.2)**
Balance at the end of the year	**5.2**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12. NON-CURRENT ASSETS – GOODWILL

	2015 $m	2014 $m
(a) Movements in goodwill		
Balance at the beginning of the year	**134.1**	100.9
Additions or fair value adjustments through business combinations		
• Acquisition of subsidiaries (Note 25(a)(b)(c)(d))	**14.4**	35.3
• Rentsmart (fair value adjustment, Note 25(c))	**1.8**	–
• Other	**0.1**	(0.2)
Impairment	**–**	(1.9)
Balance at the end of the year	**150.4**	134.1
(b) Impairment testing for cash generating units containing goodwill		
For the purpose of impairment testing, goodwill is allocated to the Group's operating business units which represent the lowest level within the Group at which goodwill is monitored for internal management purposes.		
The aggregate carrying amounts of goodwill allocated to each unit(s) are as follows:		
Consumer & SME	**75.9**	74.0
No interest ever	**29.7**	29.7
Interest free cards	**18.9**	18.9
New Zealand	**14.5**	1.6
Think Office Technology	**11.4**	9.9
	150.4	134.1

The carrying amount of goodwill of each CGU is tested for impairment at each statutory reporting date and whenever there is an indicator that the asset may be impaired. If an asset is impaired, it is written down to its recoverable amount. The recoverable amount is based on a value in use calculation using cash flow projections based on the Board approved 2016 financial year budget. Cash flows for a further 4 year period were extrapolated using declining growth rates such that the long term terminal growth was determined at 2% - 3% which does not exceed the long term average for the industry and economy.

The key assumptions used in determining value in use for 30 June 2015 are:

Assumption	How determined
Forecast revenues and expenses	Forecast revenues and expenses beyond the 2016 financial year budget period have been extrapolated using declining growth rates such that the long-term terminal growth rates are as follows: • Consumer and SME – 2% (2014: 2%) • No interest ever – 3% (2014: 3%) • Interest free cards – 3% (2014: 3%) • New Zealand – 3% (2014: 3%) • Think Office Technology – 3% (2014: 3%)
Long-term growth rate	The above long-term growth rate for each of the CGUs does not exceed the long-term average growth rate for the business in which the CGU operates.
Cost of Equity Capital	The discount rate applied to the cash flows of each of the Group's operations is based on the risk free rate for ten year Commonwealth Government bonds as at 30 June 2015, adjusted for a risk premium to reflect both the increased risk of investing in equities and the risk of the specific Group operating company. In making this adjustment, inputs required are the equity markets risk premium (that is the required increased return required over and above a risk free rate by an investor who is investing in the market as a whole) and the risk adjustment, beta, applied to reflect the risk of the specific Group operating company relative to the market as a whole, giving rise to the CGU specific Cost of Equity Capital. Geared cash flows are used to calculate recoverable amounts for all CGUs, other than Think Office Technology, given that debt and interest underpin the CGUs' operations.
Weighted Average Cost of Capital (WACC)	For the Think Office Technology CGU, ungeared cash flows are used hence a CGU specific WACC is used to calculate recoverable amounts. WACC is calculated with reference to relative weighting of cost of equity and cost of debt (calculated based on the CGU long term capital structure). The discount rates used for impairment testing are: • Consumer and SME – 13.7% (2014: 15.7%) • No Interest Ever – 12.6% (2014: 12.6 %) • Interest free cards – 12.9% (2014: 13.0%) • New Zealand – 12.5% (2014: 12.7%) • Think Office Technology – 12.7% (2014: 20.5%)(1)

(1) In prior year, Think Office Technology impairment testing was done immediately after the acquisition and the discount rate used was based on the acquisition price implied discount rate. For 2015, the discount rate is based on market variables, hence the change in the rate from prior year.

Sensitivity analysis

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

The Group is satisfied that all the assumptions on which the recoverable amounts are based are fair and reasonable, and that currently, there are no reasonably possible changes to these assumptions that would cause the aggregate carrying amount to exceed the aggregate recoverable amount of any of the Group's CGUs as at 30 June 2015.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13. NON-CURRENT ASSETS – OTHER INTANGIBLE ASSETS

	IT development and software $m	Merchant and customer relationships and other rights $m	Non-compete agreements $m	Brand name $m	Total $m
At 1 July 2013	17.8	2.2	1.6	–	21.6
Additions	16.1	–	–	–	16.1
Additions and changes in fair value through business combinations	(1.1)	10.1	–	0.5	9.5
Disposals	(0.7)	–	–	–	(0.7)
Amortisation	(5.3)	(2.3)	(0.5)	(0.1)	(8.2)
Impairment	(10.6)	–	–	–	(10.6)
At 30 June 2014	16.2	10.0	1.1	0.4	27.7
At 1 July 2014	**16.2**	**10.0**	**1.1**	**0.4**	**27.7**
Additions	**24.7**	**–**	**–**	**–**	**24.7**
Disposals	**(0.6)**	**–**	**–**	**–**	**(0.6)**
Amortisation	**(3.7)**	**(2.6)**	**(0.9)**	**–**	**(7.2)**
At 30 June 2015	**36.6**	**7.4**	**0.2**	**0.4**	**44.6**

14. CURRENT LIABILITIES – PAYABLES

	2015 $m	2014 $m
Trade payables	**35.6**	44.3
Other payables	**0.1**	0.2
	35.7	44.5

15. CURRENT AND NON-CURRENT LIABILITIES – BORROWINGS

	2015		2014	
	Current $m	Non-current $m	Current $m	Non-current $m
Secured				
Corporate debt	**–**	**45.0**	–	45.0
Secured loans	**790.2**	**465.7**	695.4	418.4
Total secured current borrowings	**790.2**	**510.7**	695.4	463.4
Loss reserve	**(15.6)**	**(10.8)**	(15.0)	(11.2)
	774.6	**499.9**	680.4	452.2

Assets pledged as security

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

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

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

	2015 $m	2014 $m
Total loan facilities available	**1,835.5**	1,711.6
Loan facilities used at balance date	**(1,300.9)**	(1,158.8)
Loan facilities unused at balance date	**534.6**	552.8

16. CURRENT AND NON-CURRENT LIABILITIES – PROVISIONS

	2015		2014	
	Current $m	Non-current $m	Current $m	Non-current $m
Employee benefits [1]	**4.0**	**1.0**	4.2	0.7
Other [2]	**0.5**	**–**	0.5	–
	4.5	**1.0**	4.7	0.7

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

(2) There are nil movements in this provision.

17. NON-CURRENT LIABILITIES – DERIVATIVE FINANCIAL INSTRUMENTS

	2015 $m	2014 $m
Interest rate swaps	**7.3**	3.7

Risk exposures and fair value measurements

Information about the Group's exposure to credit risk, foreign exchange and interest rate risk and about the methods and assumptions used in determining fair values is provided in Note 24. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of derivative financial liabilities mentioned above.

18. CONTRIBUTED EQUITY

	Parent entity	
	2015 Shares	2014 Shares
(a) Share capital		
Ordinary Shares – fully paid	**304,149,707**	303,873,857

18. CONTRIBUTED EQUITY (CONTINUED)

(b) Movement in ordinary share capital

	Consolidated	
	Number of shares (m)	$m
1 July 2013	301.1	153.1
Issue of shares to executives under FlexiGroup Long Term Incentive Plan[(1)]	1.8	2.2
Issue of shares to employees from treasury shares[(1)]	0.3	0.2
Transfer from treasury shares[(1)]	–	2.0
Expired prior-period options[(1)]	–	1.1
Transfer from capital reserve	0.7	2.6
30 June 2014	303.9	161.2

(1) On a combined basis $5.5m was transferred from share based payment reserve, refer to Note 19(a) for further information.

1 July 2014	**303.9**	**161.2**
Issue of shares to employees from treasury shares	**0.2**	**0.5**
Issue of shares on vesting of options	**0.1**	**0.2**
30 June 2015	**304.2**	**161.9**

(c) Ordinary shares

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

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

(d) Options and performance rights

Information relating to the FlexiGroup Employee Options and Performance Rights Plan, including details of options and performance rights exercised and lapsed during the financial year and options and performance rights outstanding at the end of the financial year, is set out in Note 23.

(e) Treasury shares

Treasury shares are shares in FlexiGroup Limited that are held by the FlexiGroup Tax Deferred Employee Share Plan Trust for the purposes of issuing shares under the FlexiGroup Long Term Incentive Plan (see Note 23 for further information).

Movement in treasury shares	Number of shares (m)	$m
1 July 2013	0.5	2.2
Issue of shares to employees from treasury shares	(0.2)	(0.2)
Transfer to share capital	(0.1)	(2.0)
30 June 2014	0.2	–
1 July 2014	**0.2**	**–**
Utilised against vested options	**(0.2)**	**–**
30 June 2015	**–**	**–**

(f) Capital risk management

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

19. RESERVES AND RETAINED EARNINGS

	2015 $m	2014 $m
(a) Reserves		
Share-based payment reserve	**1.1**	0.6
Foreign currency translation reserve	**0.8**	4.2
Cash flow hedge reserve	**(5.2)**	(2.7)
Share capital reserve	**0.3**	0.3
	(3.0)	2.4
Movements:		
Share-based payments reserve		
Balance at 1 July	**0.6**	(0.1)
Transfer to share capital	**(0.2)**	(5.5)
Share-based payments expense	**0.8**	7.0
Other changes	**(0.1)**	(0.8)
Balance at 30 June	**1.1**	0.6
Movements:		
Foreign currency translation reserve		
Balance at 1 July	**4.2**	0.9
Other comprehensive income	**(3.4)**	3.3
Balance at 30 June	**0.8**	4.2
Movements:		
Share capital reserve		
Balance at 1 July	**0.3**	2.6
For issue through business combinations (Note 25)	**–**	0.3
Transfer to share capital	**–**	(2.6)
Balance at 30 June	**0.3**	0.3
Movements:		
Cash flow hedge reserve		
Balance at 1 July	**(2.7)**	(2.8)
Other comprehensive income	**(2.5)**	0.1
Balance at 30 June	**(5.2)**	(2.7)
(b) Retained earnings		
Movements in retained profits were as follows:		
Balance at 1 July	**221.4**	210.9
Net profit for the year	**82.7**	57.6
Dividends	**(52.5)**	(47.1)
Balance at 30 June	**251.6**	221.4

19. RESERVES AND RETAINED EARNINGS (CONTINUED)

(c) Nature and purpose of reserves

(i) Foreign currency translation reserve

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

(ii) Share-based payment reserve

The Share-based payment reserve is used to recognise:

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

(iii) Cash flow hedge reserve

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

(iv) Share capital reserve

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

20. DIVIDENDS

	Parent entity	
	2015 $m	2014 $m
Final dividends paid		
2014 final dividend paid on 17 October 2014: 8.5 cents (2013 final dividend paid on 18 October 2013: 7.5 cents) per ordinary share franked to 100%	**25.8**	22.8
Interim dividends paid		
2015: 8.75 cents (2014: 8 cents) per ordinary share franked to 100%	**26.7**	24.3
Total dividends paid[(1)]	**52.5**	47.1
Final dividends proposed but not recognised at year end		
2015: 9.0 cents (2014: 8.5 cents) per ordinary share franked to 100%	**27.4**	25.8

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

Franked dividends

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

	Consolidated		Parent entity	
	2015 $m	2014 $m	2015 $m	2014 $m
Franking credits available for subsequent financial years based on a tax rate of 30% (2014: 30%)	**20.4**	10.5	**20.4**	10.5

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

21. EARNINGS PER SHARE

	2015 Cents	2014 Cents
a. Earnings per share		
Total basic earnings per share attributable to the ordinary equity holders of the Company	**27.2**	19.0
Total diluted earnings per share attributable to the ordinary equity holders of the Company	**27.1**	18.9

	2015 $m	2014 $m
b. Reconciliation of earnings used in calculating earnings per share		
Profit attributable to the ordinary equity shareholders of the Company used in calculating:		
– basic earnings per share	**82.7**	57.6
– diluted earnings per share	**82.7**	57.6

	2015 Number	2014 Number
c. Weighted average number of ordinary shares		
Weighted average number of ordinary shares used in calculation of basic earnings per share	**303,958,501**	303,221,676
Add: potential ordinary shares considered dilutive	**1,215,825**	752,041
Weighted average number of ordinary shares used in calculating diluted earnings per share	**305,174,326**	303,973,717

Information concerning the classification of securities

Options

Options and performance rights granted to employees under the FlexiGroup Long Term Incentive Plan are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent to which they are dilutive. The options and performance rights have not been included in the determination of basic earnings per share. Details relating to the options and performance rights are set out in Note 23.

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

	2015 $m	2014 $m
Net profit for the year after tax	**82.7**	57.6
Receivables and loan impairment expenses	**44.5**	34.1
Depreciation and amortisation	**9.4**	10.0
Impairment of goodwill and other intangible assets	**–**	12.4
Share-based payment expense	**0.8**	6.9
Exchange differences	**(2.0)**	0.3
Other non-cash movements	**1.3**	1.0
Net cash inflows from operating activities before changes in assets and liabilities	**136.7**	122.3
Change in operating assets and liabilities:		
(Increase)/decrease in other receivables	**(0.6)**	1.2
(Decrease)/increase in payables	**(11.8)**	2.9
Increase in inventories	**(1.3)**	(0.8)
Decrease/(increase) in current tax liabilities	**0.3**	(4.2)
(Decrease)/increase in net deferred tax liabilities	**(2.1)**	2.9
Net cash inflows from operating activities	**121.2**	124.3

23. SHARE-BASED PAYMENTS

a. Long Term Incentive Plan

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

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

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

Consolidated and parent entity – 2015

Grant date	Expiry date	Exercise price	Balance at start of the period	Granted during the period	Exercised during the period	Forfeited during the period	Balance at end of the period	Vested and exercisable at the end of the period
			Number	Number	Number	Number	Number	Number
3/6/11	31/12/16	$0.00	76,670	–	(21,250)	(16,669)	38,751	–
3/6/11	31/12/16	$2.11	1,304,000	–	(176,125)	(275,000)	852,875	81,125
5/8/11	31/12/16	$0.00	24,998	–	–	–	24,998	–
19/3/12	31/12/16	$2.18	150,000	–	(75,000)	–	75,000	75,000
23/4/12	31/12/16	$2.27	20,000	–	(5,000)	–	15,000	5,000
10/8/12	31/3/16	$3.05	971,000	–	(164,385)	(235,515)	571,100	271,350
3/7/14	31/3/16	$0.00	–	140,000	–	–	140,000	–
1/12/14	15/10/18 15/10/19 31/10/20 31/10/21	$0.00	–	6,080,000	–	(1,360,000)	4,720,000	–
Total			**2.546,668**	**6,220,000**	**(441,760)**	**(1,887,184)**	**6,437,724**	**432,475**
Weighted average exercise price			**$2.39**	**$2.00**			**$0.58**	

The weighted average share price at the date of exercise of options and performance rights exercised during the year ended 30 June 2015 was $3.57 (2014: $4.27).

The weighted average remaining contractual life of share options and performance rights outstanding at the end of the year was 3.6 years (2014: 1.5 years).

Consolidated and parent entity – 2014

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

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

23. SHARE-BASED PAYMENTS (CONTINUED)

Fair value of options and performance rights

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

The model inputs for performance rights granted during the year ended 30 June 2015 included:

a) Exercise price: nil, performance rights issued
b) Grant date: 1 December 2014
c) Expiry date: various per performance rights granted, refer table on page 16
d) Share price at grant date: $2.94
e) Expected price volatility of the Company's shares: 30%
f) Expected dividend yield: 5.6% - 6%
g) Risk-free interest rate: 2.35% - 2.45%

Shares provided on exercise of remuneration options and performance rights

53,647 (2014: 1,790,666) ordinary shares in the Company were issued as a result of the exercise of any remuneration options and performance rights.

b. Employee share plan

The Employee Share Acquisition (Tax Exempt) Plan ("ESAP") is a general employee share plan pursuant to which grants of shares may be offered to employees of FlexiGroup on terms and conditions as determined by the Board from time to time. No shares were issued under this plan in 2015.

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

Eligibility

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

Terms of offer

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

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

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

Consideration for grant

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

Allocation of shares

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

Restrictions on shares

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

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

Employee gift offer

There were no employee gift offers in the year ended 30 June 2015 (2014: Nil).

c. Expenses arising from share-based payment transactions

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

	2015 $	2014 $
Options and performance rights issued under LTIP	**787,471**	6,923,429

24. FINANCIAL RISK MANAGEMENT

Overview

The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk.

The Group uses derivative financial instruments – interest rate swaps – to hedge certain risk exposures. Derivatives are exclusively used for hedging purposes i.e. not as trading or other speculative instruments. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate and foreign exchange risk, and ageing/credit scorecard analysis for credit risk.

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

Market risk

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

a. Interest rate risk

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

The Group's lease receivables and customer loans consist of:

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

Borrowings to fund the receivables are a mix of fixed rate borrowings and variable rate borrowings where the rates are reset regularly to current market rates. Interest rate risk is managed on these borrowings by entering into interest rate swaps, whereby the Group pays fixed rate and receives floating rate.

The contracts require settlement of net interest receivable or payable monthly. The settlement dates coincide with the dates on which interest is payable on the underlying debt. The contracts are settled on a net basis. The gain or loss from remeasuring the hedging instruments at fair value is recognised in other comprehensive income and deferred in equity in the hedging reserve, to the extent that the hedge is effective. It is reclassified into profit or loss when the hedged interest expense is recognised. In the year ended 30 June 2015 nil amounts were reclassified into profit or loss (2014 – Nil) and included in interest expenses. There was no hedge ineffectiveness in the current or prior year.

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

	2015		2014	
	Weighted average interest rate %	$m	Weighted average interest rate %	$m
Floating rate borrowings	**2.22%**	**1,163.4**	2.72%	1,022.5
Interest rate swaps (notional principal amount)	**2.24%**	**(911.6)**	2.70%	(797.4)
Unhedged variable borrowings		**251.8**		179.6

24. FINANCIAL RISK MANAGEMENT (CONTINUED)

Interest rate risk sensitivity analysis

The analysis demonstrates the impact of 100 basis point change in interest rates, with all other variables held constant.

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

	2015 $m	2014 $m
Cash and cash equivalents	**130.3**	106.6
Loss reserve on borrowings	**26.4**	26.2
Floating rate borrowings	**1,163.4**	1,022.5
Interest rate swaps (notional principal amount)	**911.6**	797.4

(1) Based on the variable rate financial assets and financial liabilities held at 30 June 2015, if interest rates had changed by, +/- 100 basis point from the year-end rates with all other variables held constant, the impact on the Group's after-tax profits and equity on above exposures would have been \$3.0m lower/\$3.1m higher (2014: \$1.5m lower/\$1.4m higher).

Cash flow hedges

The Group hedges a portion of the variability in future cash flows attributable to the interest rate risk on floating rate borrowings 78% (2014 – 82%) using derivatives such as interest rate swaps.

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

b. Foreign exchange risk

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

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

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

The Parent entity had no exposures to interest rate risk and foreign exchange risk for both current and prior year.

c. Credit risk

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

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

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

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

Counterparty risk is where the Group incurs credit exposures to banks as a consequence of hedging of interest rate risks. Credit limits for counterparties are based on external ratings and the Group manages and controls its credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and by monitoring exposures in relation to such limits.

Loans and receivables

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

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

	Contracts	$m
30 June 2015		
Unimpaired past due loans and receivables		
Past due under 30 days	**38,772**	**83.3**
Past due 30 days to under 60 days	**12,013**	**16.0**
Past due 60 days to under 90 days	**5,032**	**6.1**
Past due 90 days and over	**5,683**	**3.1**
Total unimpaired past due loans and receivables	**61,500**	**108.5**
Total unimpaired loans and receivables(1)	**674,983**	**1,427.9**
Unimpaired past due as a percentage of total unimpaired loans and receivables		**7.6%**
Unimpaired past due 30 days and over as a percentage of total unimpaired loans and receivables		**1.8%**
As at 30 June 2014		
Unimpaired past due loans and receivables		
Past due under 30 days	38,501	76.9
Past due 30 days to under 60 days	10,125	18.1
Past due 60 days to under 90 days	5,121	8.4
Past due 90 days and over	4,647	3.4
Total unimpaired past due loans and receivables(1)	58,394	106.8
Total unimpaired loans and receivables	654,727	1,318.6
Unimpaired past due as a percentage of total unimpaired loans and receivables		8.1%
Unimpaired past due 30 days and over as a percentage of total unimpaired loans and receivables		2.3%

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

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

For the majority of its receivables, the Group does not identify any individual receivables as significant, and accordingly for those receivables, no unimpaired past due loans are identified and the allowance for losses is calculated on a collective basis. However a small portion of the Group's receivables are individually significant (primarily in the Enterprise portfolio). At 30 June 2015, there were no material individually significant impaired loans.

The Group either writes off or recognises a 100% allowance for all past due receivables between 120 and 180 days past due (2014: 120 and 180 days past due) depending on the portfolio.

d. Liquidity risk

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

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

24. FINANCIAL RISK MANAGEMENT (CONTINUED)

To mitigate against liquidity risk, the Group maintains cash reserves and committed undrawn credit facilities to meet anticipated funding requirements for new business. In addition, the Group can redraw against its committed credit limits if the principal outstanding is reduced by contractual amortisation payments. Details of unused available loan facilities are set out in Note 15.

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

For the current year, the Group raised funding of $495m through the asset-backed securitisation program and proceeds from its operating cash flows.

Loan covenants

The Group has complied with all debt covenants throughout the reporting period for its borrowings.

Contractual maturity of financial liabilities on an undiscounted basis

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

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

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

	Less than 1 year $m	1 to 2 years $m	2 to 5 years $m	5 years plus $m	Total $m
At 30 June 2015					
Non-derivative financial liabilities					
Payables	**35.7**	**–**	**–**	**–**	**35.7**
Borrowings before loss reserves	**831.0**	**325.1**	**203.3**	**0.3**	**1,359.7**
Derivative financial instruments					
Interest rate swaps	**5.3**	**2.1**	**0.3**	**–**	**7.7**
Total undiscounted financial liabilities	**872.0**	**327.2**	**203.6**	**0.3**	**1,403.1**
At 30 June 2014					
Non-derivative financial liabilities					
Payables	44.5	–	–	–	44.5
Borrowings before loss reserves	742.9	284.8	193.6	–	1,221.3
Derivative financial instruments					
Interest rate swaps	2.8	1.1	0.1	–	4.0
Total undiscounted financial liabilities	790.2	285.9	193.7	–	1,269.8

e. Fair value of financial assets and financial liabilities

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

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

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

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

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

The Group has assessed its financial instruments recorded at fair value and are categorised as per below under fair value hierarchy.

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

Cash and cash equivalents

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

Receivables and customer loans

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

Payables

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

Borrowings

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

	Note	Carrying amount $m	Fair value $m
2015			
Financial assets			
Cash and cash equivalents	**7**	**130.3**	**130.3**
Receivables	**9**	**749.2**	**749.2**
Customer loans	**10**	**702.3**	**702.3**
Financial liabilities			
Payables	**14**	**35.7**	**35.7**
Borrowings(1)			
– Floating interest rate(1)		**1,163.4**	**1,163.4**
– Fixed interest rate		**137.5**	**138.8**
Total borrowings before loss reserves	**16**	**1,300.9**	**1,302.2**
2014			
Financial assets			
Cash and cash equivalents	7	106.6	106.6
Receivables	9	692.9	692.9
Customer loans	10	654.3	654.3
Financial liabilities			
Payables	14	44.5	44.5
Borrowings(1)			
– Floating interest rate (1)		1,022.5	1,022.5
– Fixed interest rate		136.3	137.3
Total borrowings before loss reserves	16	1,158.8	1,159.8

(1) Refer Note 24(a) for further information on how the Group manages its interest rate risk.

Fair value hierarchy

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

Receivables and customer loans

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

Borrowings

These are classified as level 2 as the inputs into the fair value models used to determine fair value are observable.
Other financial assets and financial liabilities are classified as Level 1.

25. BUSINESS COMBINATION

Acquisition 2015

(a) Summary of acquisition – Telecom Rentals Limited (TRL)

On 30 April 2015 the Group announced the acquisition of 100% of the issued share capital of TRL, a wholly owned subsidiary of Spark New Zealand Limited. The acquisition provides the Group with significant scale for the existing New Zealand business and allows the Group to penetrate new distribution channels. Details of the purchase consideration, the net tangible assets acquired and goodwill are as follows:

Purchase consideration	$m
Cash paid	17.0
Senior portfolio acquisition debt[1]	74.0
Credit support for senior portfolio acquisition debt	17.4
	108.4

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

	Carrying value $m	Provisional fair value[2] $m
Cash and cash equivalents	0.1	0.1
Receivables	101.0	101.0
Other assets	0.7	0.7
Deferred tax assets	0.3	0.3
Trade and other payables	(3.0)	(3.0)
Deferred tax liabilities	(3.5)	(3.5)
Net tangible assets	95.6	95.6
Consideration		108.4
Goodwill and intangible assets recognised		12.8
Comprising:		
– Goodwill		12.8
		12.8

(1) As part of the funding for TRL acquisition, the Group obtained a senior portfolio debt instrument that was backed by a subsequent securitisation of TRL receivables. Consequently, the cash outflow disclosed in investing activities in the statement of cash flows represents the equity value that the Group paid on the acquisition.

(2) The initial accounting of the acquisition of Telecom Rentals Limited is stated on a provisional basis due to late finalisation of the acquisition on 26 June 2015. Purchase price allocation will be performed during first half 2016.

The acquired business contributed total portfolio income of $1.2m and net profit after tax of $0.6m to the Group from 1 May 2015, the date on which risks and rewards of ownership was transferred. If the acquisition had occurred on 1 July 2014, total portfolio income and profit at June 2015 would have been $7.2m and $2.4m respectively. These amounts have been calculated using the Group accounting policies and by adjusting the results of the subsidiary to reflect the additional depreciation and amortisation that would have been charged assuming the fair value adjustments to property, plant and equipment and intangible assets had applied from 1 July 2014, together with the consequential tax effects.

(b) The Group also acquired certain assets of Digital Business Technology Pty Limited through the Think Office Technology subsidiary on 2 March 2015.

The purchase consideration consisted of an outright cash payment of $1.8m. The consideration resulted in a goodwill amount of $1.6m being recognised.

Acquisition 2014

(c) 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 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:

Purchase consideration	$m
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
Other assets	0.2	0.1	0.1
Plant and equipment	0.5	–	–
Other intangible assets	4.2	–	–
Deferred tax assets	1.5	2.0	2.0
Trade and other payables	(3.4)	(3.5)	(3.5)
Loans and borrowings	(36.6)	(36.6)	(36.6)
Deferred tax liabilities	(0.5)	(0.5)	(2.3)
Net carrying value	26.6	16.7	14.9
Consideration		42.4	42.4
Goodwill and intangible assets recognised		25.7	27.5
Comprising:			
– Goodwill		23.9	23.9
– Merchant relationships		1.7	1.7
– IT Software		0.1	0.1
		25.7	25.7

25. BUSINESS COMBINATION (CONTINUED)

(d) 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(1)	9.0
	15.0

(1) There have been no changes on the valuation of the contingent consideration in 2015 financial year. $3.0m of the deferred settlement fell due on 1 December 2014 and was duly settled.

	Carrying value $m	Provisional fair value(2) $m
Cash and cash equivalents	1.2	1.2
Receivables	1.9	1.8
Inventories	1.5	1.5
Other assets	–	–
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		6.0
– IT Software		0.1
– Brand name		0.4
		16.4

(e) The Group finalised 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 which was $1.6m.

26. LEASE COMMITMENTS

	2015 $m	2014 $m
Lease commitments for property, plant and equipment		
Operating leases are entered into to meet the business needs of the entities in the Group. Leases are for premises and plant and equipment. Lease rentals are determined in accordance with market conditions when leases are entered into or on rental review dates.		
Non-cancellable operating leases contracted for but not capitalised in the financial statements due:		
– within one year	**3.9**	4.2
– later than one year but not later than five years	**11.2**	7.0
– later than five years	**3.6**	–
	18.7	11.2

FlexiGroup entered into a call centre service agreement, where the Group will receive call centre services for an initial period of 3 years. At 30 June 2015, the minimum future commitment on this agreement was approximately $17.1 million. Additionally, in the normal course of the business at 30 June 2015 the Group has approved customer loan and lease receivable accounts which have not been drawn at year end. Committed amounts are typically drawn within a short period of the loan or lease being approved.

27. CONTINGENT LIABILITIES

There are no material contingent liabilities at the date of this report (2014: $nil).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

28. GROUP ENTITIES

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

Entity name	Country of incorporation	Footnote	Percentage of shares held	
			2015	**2014**
FlexiGroup SubCo Pty Limited	Australia	(2)	**100%**	100%
Flexirent Holdings Pty Limited	Australia	(2)	**100%**	100%
Flexirent Capital Pty Limited	Australia	(2)	**100%**	100%
Flexirent SPV Number 1 Pty Limited	Australia		**100%**	100%
Flexirent SPV Number 2 Pty Limited	Australia		**100%**	100%
Flexirent SPV Number 3 Pty Limited	Australia		**100%**	100%
Flexirent SPV Number 4 Pty Limited	Australia		**100%**	100%
Flexicare Claims Management Pty Limited	Australia	(2)	**100%**	100%
Flexirent SPV No 6 Pty Limited	Australia		**100%**	100%
Subfinco Pty Limited	Australia		**100%**	100%
Certegy Ezi-Pay Pty Ltd	Australia	(2)	**100%**	100%
FlexiGroup Tax Deferred Employee Share Plan Trust	Australia		**–**	100%
FlexiGroup Employee Share Plan Trust	Australia	(1)	**100%**	–
FlexiGroup Management Pty Limited	Australia		**100%**	100%
FlexiGroup New Zealand Limited	New Zealand		**100%**	100%
Flexirent Ireland Group Holdings Limited	Ireland		**100%**	100%
Flexirent Ireland Limited	Ireland		**100%**	100%
Flexirent SPV Number 7 Pty Limited	Australia		**100%**	100%
Flexi ABS Trust 2010-1	Australia		**100%**	100%
FlexiGroup NZ SPV1 Limited	New Zealand		**100%**	100%
Flexi ABS Trust 2010-2	Australia		**100%**	100%
Flexi ABS Trust 2011-1	Australia		**100%**	100%
Flexi Online Pty Limited	Australia		**100%**	100%
Flexi ABS Warehouse Trust No. 2	Australia		**100%**	100%
Flexi ABS Trust Warehouse No. 3	Australia		**100%**	100%
Lombard Finance Pty Limited	Australia	(2)	**100%**	100%
Lombard Warehouse Trust No.1	Australia		**100%**	100%
Flexi Online New Zealand Limited	New Zealand		**100%**	100%
FlexiGroup NZ SPV 2 Limited	New Zealand		**100%**	100%
Flexi ABS Trust 2012-1	Australia		**100%**	100%
Flexi LCAL Warehouse Trust	Australia		**100%**	100%
Once Credit Pty Limited	Australia	(2)	**100%**	100%
Lighthouse Warehouse Trust No.9	Australia		**100%**	100%
Flexirent SPV Number 8 Pty Limited	Australia		**100%**	100%
Flexi ABS Trust 2013-1	Australia		**100%**	100%

Entity name	Country of incorporation	Footnote	Percentage of shares held	
			2015	**2014**
Flexi ABS Trust 2013-2	Australia		**100%**	100%
RentSmart Unit Trust	Australia		**100%**	100%
RentSmart Pty Limited	Australia	(2)	**100%**	100%
SmartCheck Pty Limited	Australia	(2)	**100%**	100%
RentSmart Finance Limited	Australia	(2)	**100%**	100%
RentSmart Servicing Pty Limited	Australia	(2)	**100%**	100%
RentSmart Trust	Australia		**100%**	100%
RentSmart (NZ) Pty Limited	New Zealand		**100%**	100%
Australian Print Holdings Pty Limited	Australia		**100%**	100%
TOT CNS Pty Limited	Australia	(2)	**100%**	100%
TOT TSV Pty Limited	Australia	(2)	**100%**	100%
TOT MKY Pty Limited	Australia	(2)	**100%**	100%
TOT GNE Pty Limited	Australia	(2)	**100%**	100%
TOT SC Pty Limited	Australia	(2)	**100%**	100%
TOT TBA Pty Limited	Australia	(2)	**100%**	100%
ICT Finance Pty Limited	Australia	(2)	**100%**	100%
FlexiGroup NZ SPV 3 Limited	New Zealand		**100%**	100%
Flexi ABS Trust 2014-1	Australia	(1)	**100%**	100%
Flexi ABS Trust 2015-1	Australia	(1)	**100%**	–
Flexi ABS Trust 2015-2	Australia	(1)	**100%**	–
TRL Leasing Limited	New Zealand	(1)	**100%**	–

(1) Controlling interest acquired during the year ended 30 June 2015.

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

29. KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Directors

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

C Beare	Chairman – Non-Executive Director (resigned 10 August 2015)
T Robbiati[(1)]	Executive Director (resigned 7 August 2015)
A Abercrombie	Non-Executive Director
R J Skippen	Non-Executive Director
R Dhawan	Non-Executive Director
A Ward	Non-Executive Director (resigned 10 August 2015)

(b) Other key management personnel

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

T Robbiati	Chief Executive Officer
D Stevens	Chief Financial Officer
R May	General Manager – Certegy
P Lirantzis	Chief Operating Officer
M Burke	General Manager – Consumer and SME
A Roberts[(1)]	General Manager – Enterprise

(c) Key management personnel compensation

	2015 $	2014 $
Short-term employee benefits	**3,578,220**	4,421,601
Post-employment benefits	**154,644**	195,818
Long-term benefits	**18,297**	18,267
Share-based payments	**312,467**	1,448,374
Total earnings[(1)]	**4,063,628**	6,084,060
Share-based payments cancellation	**–**	4,761,972
Total	**4,063,628**	10,846,032

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

Further remuneration disclosures are provided in sections A–D of the Remuneration Report on pages 12 to 28.

(d) Other transactions with related parties

Rental of Melbourne premises

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

	2015 $	2014 $
Rental expense for premises	**179,872**	178,533

Loan to key management personnel

	2015 $	2014 $
Opening balance	**–**	–
Loan advanced	**–**	800,000
Loan forgiveness	**–**	(800,000)
Closing balance	**–**	–

30. RELATED PARTY TRANSACTIONS

(a) Parent entity

The parent entity of the Group is FlexiGroup Limited.

(b) Subsidiaries

Interests in Group entities are set out in Note 28.

Transactions with related parties

There were no transactions between the Group and related parties other than those disclosed in Note 29(d).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31. REMUNERATION OF AUDITORS

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

	2015 $	2014 $
a. Audit and assurance services		
Audit Services		
PwC Australian firm:		
Audit and review of financial statements	**525,000**	500,000
Related practices of PwC Australian firm	**11,761**	11,693
Other assurance Services		
PwC Australian firm:		
Other assurance services including due diligence services	**117,992**	411,763
Total remuneration for audit and assurance services	**654,753**	923,456
b. Non-audit services		
Taxation services		
PwC Australian firm:		
Tax compliance and advice on transactions	**11,322**	6,222
Related practices of PwC Australian firm	**97,728**	18,937
Total remuneration for taxation services	**109,050**	25,159
Total remuneration for non-audit services	**32,921**	25,159
Total remuneration of PwC	**763,803**	948,615

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

32. CLOSED GROUP

The table below presents the consolidated pro forma income statement and balance sheet for the Company and controlled entities which are party to the deed of cross guarantee (referred to as a closed group). For further information refer Note 28, footnote (2). The effects of transactions between entities to the deed are eliminated in full in the consolidated income statement and consolidated statement of financial position.

(a) Pro forma income statement

	2015 $m	2014 $m
Profit before income tax	**8.4**	60.4
Income tax benefit/(expense)	**3.8**	(2.3)
Net profit for the year	**12.2**	58.2

(b) Pro forma statement of financial position

	2015 $m	2014 $m
Assets		
Current assets		
Cash and cash equivalents	**54.7**	33.7
Receivables and customer loans	**65.4**	75.6
Inventories	**3.5**	2.0
Total current assets	**123.6**	111.3
Non-current assets		
Receivables and customer loans	**50.1**	59.3
Plant and equipment	**5.0**	5.8
Goodwill	**148.8**	132.5
Other intangible assets	**44.5**	27.6
Other financial assets	**22.9**	92.4
Total non-current assets	**271.3**	317.6
Total assets	**394.9**	428.9
Liabilities		
Current liabilities		
Payables	**51.5**	39.9
Borrowings	**106.1**	93.9
Current tax liabilities	**11.4**	8.5
Provisions	**4.2**	4.5
Deferred and contingent consideration	**5.9**	8.6
Total current liabilities	**179.1**	155.4
Non-current liabilities		
Borrowings	**45.0**	45.0
Deferred tax liabilities	**27.2**	27.0
Provisions	**0.9**	0.7
Total non-current liabilities	**73.1**	72.7
Total liabilities	**252.2**	228.1
Net assets	**142.7**	200.8
Equity		
Contributed equity	**159.6**	159.8
Reserves	**(16.7)**	0.9
Accumulated (losses)/retained profits	**(0.2)**	40.1
Total equity	**142.7**	200.8

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

33. PARENT ENTITY FINANCIAL INFORMATION

(a) Summary financial information

The parent entity financial information is presented as follows:

	2015 $m	2014 $m
Balance sheet		
Current assets	**47.8**	134.4
Total assets	**276.2**	331.7
Current liabilities	**(6.3)**	(9.9)
Total liabilities	**(6.3)**	(9.9)
Shareholders' equity		
Issued share capital	**563.7**	563.1
Share based payment reserve	**(10.2)**	(10.1)
Accumulated (losses)/retained profits	**(283.6)**	(231.2)
	269.9	321.8
Profit for the year	**–**	50.0
Total comprehensive income	**–**	50.0

(b) Guarantees entered into by the parent entity

Pursuant to Australian Securities and Investment Commission Class Order 98/1418 dated 13 August 1998, relief was granted to certain controlled entities (Note 28, footnote (2)) from the *Corporations Act 2001* (Cth) requirements for preparation, audit and publication of annual financial reports. It is a condition of the Class Order that the Company and each of the controlled entities enter into a deed of cross guarantee. The effect of the deed is that the Company guarantees to each creditor payment in full of any debt in the event of winding up of any of the controlled entities under certain provisions of the *Corporations Act 2001* (Cth).

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

(c) Contingent liabilities and contractual commitments of the parent entity

The parent entity has no contingent liabilities or contractual commitments as at 30 June 2015 (2014: $nil).

34. SECURITISATION AND SPECIAL PURPOSE VEHICLES

The Group sells receivables and customer loans to securitisation vehicles through its asset-backed securitisation program and other special purpose vehicles. The securitisation and special purpose vehicles are consolidated as set out in Note 28 as the Group is exposed or has rights to variable returns and has the ability to affect its returns through its power over the securitisation vehicles. The Group may serve as a sponsor, server, liquidity provider, purchaser of notes and/or purchaser of residual interest units.

The table below presents assets securitised and the underlying borrowings as a result of the securitisations.

	2015 $m	2014 $m
Receivables	**1,116.5**	1,003.2
Customer loans	**224.1**	197.0
Cash held by securitisation vehicles	**99.2**	87.7
	1,439.8	1,287.9
Borrowings related to receivables and customer loans	**1,227.9**	1,083.1

35. EVENTS OCCURRING AFTER THE REPORTING PERIOD

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

Directors' Declaration

In the Directors' opinion:

(a) the financial statements and Notes set out on pages 41 to 90 are in accordance with the *Corporations Act 2001*, including:

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

  (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of its performance for the financial year ended on that date; and

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

(c) at the date of this declaration, there are reasonable grounds to believe that the members of the closed group identified in Note 32 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue to the deed of cross guarantee in Note 32.

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

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

Andrew Abercrombie
Chairman

Sydney
17 August 2015

Independent Auditor's Report

pwc

Independent auditor's report to the members of FlexiGroup Limited

Report on the financial report

We have audited the accompanying financial report of FlexiGroup Limited (the company), which comprises the consolidated statement of financial position as at 30 June 2015, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for FlexiGroup Limited (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1 (a), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

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

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

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

Independence

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

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

Auditor's opinion

In our opinion:

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

 (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of its performance for the year ended on that date; and

 (i) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.

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

Report on the Remuneration Report

We have audited the remuneration report included in pages 12 to 28 of the directors' report for the year ended 30 June 2015. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion, the remuneration report of FlexiGroup Limited for the year ended 30 June 2015 complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

SJ Smith
Partner

Sydney
17 August 2015

Shareholder Information

The shareholder information set out below was applicable as at 31 July 2015:

A. DISTRIBUTION OF EQUITY SECURITIES

	Class of equity security			
	Ordinary shares		Options	
	No. of holders	No. of shares	No. of holders	No. of options
1 – 1,000	2,875	1,595,562	–	–
1,001 – 5,000	5,428	14,807,576	–	–
5,001 – 10,000	2,033	15,421,380	–	–
10,001 – 50,000	1,548	31,216,680	–	–
50,001 – 100,000	140	9,880,417		
100,001 and over	108	231,228,092	–	–
Total		**304,149,707**	**–**	**–**

There were 425 holders of less than a marketable parcel of Ordinary shares.

B. EQUITY SECURITY HOLDERS

Twenty largest quoted equity security holders.

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

	Ordinary shares	
Name	Number held	Percentage of issued shares %
National Nominees Limited	60,741,122	19.97
The Abercrombie Group Pty Ltd	57,258,977	18.82
JP Morgan Nominees Australia Limited	32,043,399	10.54
HSBC Custody Nominees (Australia) Limited	20,243,103	6.66
Citicorp Nominees Pty Limited	16,889,254	5.55
BNP Paribas Noms Pty Ltd	5,805,787	1.91
UBS Wealth Management Australia Nominees Pty Ltd	5,554,460	1.83
Behan Superannuation Pty Ltd	4,760,000	1.57
Citicorp Nominees Pty Limited (Colonial First State Inv A/C)	2,641,749	0.87
Mr Brendan Charles Behan & Mrs Dawn Helen Behan	2,750,000	0.90
National Nominees Pty Limited	1,759,261	0.58
BNP Paribas Noms (NZ) Ltd	1,735,859	0.57
Warbont Nominees Pty Ltd	902,018	0.30
Sandhurst Trustees Ltd	810,827	0.27
RBC Investor Services Australia Nominees Pty Limited	679,623	0.22
SM & RW Brown Pty Ltd	600,000	0.20
Merlor Holdings Pty Ltd	577,242	0.19
HSBC Custody Nominees (Australia) Limited – A/C 3	537,309	0.18
Catholic Church Insurance Limited	519,436	0.17
Aust Executor Trustees Ltd	475,000	0.16
Total	**215,558,567**	**70.87**

Unquoted equity securities

	Number on issue	Number of holders
Options and performance rights issued under the FlexiGroup Limited Long Term Incentive Plan to take up ordinary shares	6,437,724	53

The Company has no other unquoted equity securities.

C. SUBSTANTIAL HOLDERS

Substantial holders in the Company are set out below:

	Number held	Percentage %
The Abercrombie Group	76,765,251	25.24

D. VOTING RIGHTS

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

(a) Ordinary shares

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

(b) Options and performance rights

No voting rights.

Corporate Directory

Directors
Andrew Abercrombie (Chairman)
Rajeev Dhawan
R John Skippen

Secretary
Julianne Lyall-Anderson

Notice of Annual General Meeting
The Annual General Meeting of FlexiGroup Limited will be held at Sofitel Sydney Wentworth, 61-101 Phillip Street, Sydney at 4pm on 23 November 2015.

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

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

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

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

Bankers
Commonwealth Banking Corporation
Westpac Banking Corporation

Securities Exchange listing
FlexiGroup Limited shares are listed on the Australian Securities Exchange

Website
www.flexigroup.com.au

FlexiGroup Limited ABN 75 122 574 583

—
flexigroup.com.au