FLEXIGROUP LIMITED
ABN 75 122 574 583

Interim Report – For the half-year ended 31 December 2015

Contents

The interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the Annual Report for the year ended 30 June 2015 and any public announcements made by FlexiGroup Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Your directors present their report on the consolidated entity consisting of FlexiGroup Limited and the entities it controlled at the end of, or during, the half-year ended 31 December 2015.

Directors

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

Andrew Abercrombie (Chairman)
Rajeev Dhawan
R John Skippen
Chris Beare (resigned on 10 August 2015)
Tarek Robbiati (resigned on 7 August 2015)
Anne Ward (resigned on 10 August 2015)

Company Secretary

Julianne Lyall-Anderson

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 entered into an agreement to acquire Fisher & Paykel Finance, a leading provider of non-bank consumer credit in New Zealand. This acquisition will enable the Company to enhance the scale of FlexiGroup's New Zealand operations, provide access to new industry channels both in New Zealand and Australia and opportunities for customer growth. Also refer below on Key Developments section of the Operating and Financial Review.

OPERATING AND FINANCIAL REVIEW

The Board presents its December 2015 Interim Operating and Financial Review, which is designed to provide shareholders with a clear and concise overview of FlexiGroup's operations, financial position, business strategies and prospects for future financial years. The review complements the financial report.

FLEXIGROUP'S OPERATIONS

Business Model

FlexiGroup is a diversified financial services group providing no interest ever, leasing, vendor finance programs, interest free and Visa cards, managed print services, 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 four 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.
- The Australia Leasing business offers leasing products through key partners including major Australian and Ireland retailers. This includes larger sized commercial transactions through vendor programs and direct to medium and large businesses. The segment includes 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.
- The New Zealand business offers leasing products primarily to small and medium sized businesses and to the education sector through the Ministry of Education contract.

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 and education.

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.

Half Year ended 31 December Operating Results

The table below shows the key operational metrics for the half year to December 2015 for FlexiGroup and its segments:

	No Interest Ever		Interest Free Cards		Australia Leasing		New Zealand Leasing		Group	
Summary of Results	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014
	$m	$m	**$m**	$m	**$m**	$m	**$m**	$m	**$m**	$m
Net portfolio income	**48.6**	45.0	**18.5**	16.1	**61.7**	62.8	**15.3**	8.3	**144.1**	132.2
Impairment losses on loans & receivables	**(9.6)**	(6.7)	**(4.1)**	(3.5)	**(10.4)**	(9.6)	**(0.8)**	(0.3)	**(24.9)**	(20.1)
Amortisation of acquired intangible assets	**-**	-	**(0.5)**	(1.1)	**(0.7)**	(0.8)	**(0.5)**	-	**(1.7)**	(1.9)
Operating expenses	**(14.0)**	(14.6)	**(5.5)**	(4.2)	**(33.0)**	(32.5)	**(7.5)**	(3.6)	**(60.0)**	(54.9)
Profit before tax	**25.0**	23.7	**8.4**	7.3	**17.6**	19.9	**6.5**	4.4	**57.5**	55.3
Income tax expense	**(7.5)**	(7.1)	**(2.6)**	(2.6)	**(4.3)**	(5.9)	**(1.7)**	(1.2)	**(16.1)**	(16.8)
Profit after tax	**17.5**	16.6	**5.8**	4.7	**13.3**	14.0	**4.8**	3.2	**41.4**	38.5
Adjustments for underlying profit (i)	**-** -		**0.4**	0.9	**2.1**	3.1	**0.4**	-	**2.9**	4.0
Cash NPAT (ii)	**17.5**	16.6	**6.2**	5.6	**15.4**	17.1	**5.2**	3.2	**44.3**	42.5
Basic earnings per share (EPS) (cents)	**-**	-	**-**	-	**-**	-	**-**	-	**12.9**	12.2
Cash earnings per share (Cash EPS) (cents)	**-**	-	**-**	-	**-**	-	**-**	-	**13.8**	13.5
Volume ($)	**280**	286	**161**	116	**130**	158	**46**	27	**617**	587
Closing receivables	**484**	476	**271**	218	**526**	579	**175**	72	**1,456**	1,345

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

FlexiGroup recorded a statutory profit for the half year to 31 December 2015 of $41.4m, an increase of 8% compared to prior period. Cash NPAT was $44.3m, an increase of 4% year on year. An 8% growth in receivables and 5% volume growth underpins the Cash NPAT growth over the period.

The key drivers of profit growth over the period were:

- Net portfolio income increased by 9% to $144.1m, underpinned by an 8% increase in receivables. The increase in receivables is driven by strong growth in Interest free cards, New Zealand Leasing and Certegy, and also due to the contribution from TRL during the year.
- Impairment losses increased by 24% to $24.9m. When measured as percentage of average receivables, impairment losses increased to 3.5% from 3.0% in prior year. The increase in losses is as a result of receivables portfolio growth and changing mix to consumer.
- Operating expenses increased by 9% to $60.0m, driven primarily by the costs required to support volume growth, increased depreciation due to previous years' capital spend and the contribution from TRL.
- Sales volume grew by 5% to $617m. The New Zealand segment recorded growth of 70% underpinned by the acquisition of TRL and organic growth. Increased investment in the Interest Free Cards business has seen significant volume growth of 39% and increased card activation. Certegy recorded decrease in volume of 2% with solar volumes remaining stable. The Australian Leasing segment recorded an 18% decline in volume with, the commercial business building up after leadership changes.

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

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

On 27 October 2015, the Company announced that it entered into an agreement to acquire Fisher & Paykel Finance for an adjusted amount of $275m. The acquisition complements the existing cards business and offers scale to allow the Company to grow within the interest free cards space. The acquisition is funded by a combination of cash (through a $150m capital raise), debt and a vendor note. This acquisition is still subject to Overseas Investment Office and Reserve Bank of New Zealand approvals and is expected to be completed prior to 30 June 2016.

Segment Results Analysis

No Interest Ever (Certegy)

Certegy's Cash NPAT is $17.5m (2014: $16.6m), an increase of 5% on the prior comparative period, driven by:

- Closing receivables increased by 2% to $484m, in line with volume mix.
- Net portfolio income increased by 8% to $48.6m (2014: $45.0m) which was driven by receivables growth of 2%, favourable funding rates and shorter loan terms.
- Impairment losses of $9.6m (2014: $6.7m) reflecting the higher retail component in product mix.
- Operating expenses decreased to $14.0m (2014: $14.6m) from scalability and efficiencies realised from changes in technology.
- 1H16 volumes decreased by 2% to $280m (2014: $286m). There was increase of VIP and repeat customer volume of 10%, solar volumes stable at $15m per month. Softer retail trading conditions experienced in some key sectors led to a decrease in volumes.

Interest free cards

Interest Free Cards' Cash NPAT is $6.2m (2014: $5.6m), an increase of 11% driven by 39% growth in new business volumes and 24% growth in receivables. Other drivers include:

- Net portfolio income increased by 15% to $18.5m (2014: $16.1m), attributable to increase in interest bearing receivables and low funding costs.
- Impairment losses are $4.1m (2014: $3.5m) in line with growth in receivables.
- Operating expenses increased to $5.5m (2014: $4.2m) due to costs to support volume growth.
- Sales volume of $161m (2014: $116m) and closing receivables of $271m (2014: $218m) 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 39%. The launch of new compelling card propositions into the Once Credit brand has delivered increased card activation, ongoing utilisation and card spend. Increased investment in cards portfolio management campaigns has contributed to 37% uplift in card spend.

Australia Leasing

Cash NPAT was $15.4m, a decrease of 10% on prior comparable period, driven by:

- Net portfolio income decreased by 2% to $61.7m due to lower receivables. This has been partly offset by improved product yield mix including enhanced end of term processes, which are also driving increased customer engagement and trade up rates.
- Impairment losses increased by 8% to $10.4m, driven by a higher mix of point of sale within the portfolio.
- Operating expenses increased by 2% to $33.0m. This increase is primarily due to increased depreciation costs resulting from investment in new products and process digitisation (e.g. chattel mortgage, end of term enhancements and online customer capabilities).
- Sales volume decreased by 18% to $130m, primarily due to the Commercial business which has started to gain momentum after significant personnel changes. A comparison of 1H16 v 2H15 showed a slight increase in volume under new leadership. Positive early signs include improvement in sales force capability, enhanced business development team and expanded product and market opportunities.

- Closing receivables were $526m, a 9% decrease on prior period. This has been impacted by both lower volume levels within Commercial and the RentSmart product portfolio run off.

New Zealand Leasing

New Zealand's Cash NPAT is $5.2m (2014: $3.2m), an increase of 63% driven by:

- Net portfolio income increased by 84% to $15.3m (2014: $8.3m) due to strong volume and receivables growth. The acquired TRL portfolio has also delivered strong end of term performance.
- Impairment losses increased by $0.5m, which is in line with growth in receivables.
- Operating expenses increased by $3.9m (108% increase) from the acquisition of TRL and costs incurred in driving the 70% increase in volume over the period.
- Closing receivables increased by 143% to $175m (2014: $72m) driven by the TRL acquisition and 70% increase in volume.

Financial Position and Cash Flows

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

	Dec 2015 $'m	June 2015 $'m
Summary financial position		
Cash at bank	**137.2**	130.3
Receivables and customer loans	**1,469.1**	1,451.5
Inventories	**3.9**	4.2
Other assets	**5.0**	5.2
Goodwill and intangibles	**207.8**	195.0
Total assets	**1,823.0**	1,786.2
Borrowings	**1,161.5**	1,274.5
Other liabilities	**83.7**	101.2
Total liabilities	**1,245.2**	1,375.7
Equity	**577.8**	410.5
Gearing (i)	-	21%
ROE (ii)	**19%**	23%
Cash inflows from operating activities (Dec 2014 comparative)	**64.6**	58.2

(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 1% to $1,469.1m compared to June 2015. The interest free cards and New Zealand segments continue to drive group receivables growth with significant volume growth.

Return on Equity ("RoE")

The Company has continued to achieve consistently high returns underpinned by growth in profitability. Acquisitions continue to perform well and have been shareholder value accretive, with consistent EPS increases and high ROE.
In 1H16 ROE has been negatively impacted by a time lag between capital raising and the completion of Fisher & Paykel Finance acquisition which is subject to regulatory approvals and is expected to complete in 2H16.

Gearing

Recourse corporate debt gearing temporarily reduced to nil (June 2015: 21%) as proceeds from Entitlement Offer were used to reduce corporate debt until the settlement of Fisher & Paykel Finance acquisition in 2H16.
The Company continues to optimise its capital structure to ensure that its sources of funding maximise shareholder value. Although the leverage ratio is expected to increase after the completion of F&P Finance deal, it will be well supported by significant Cash NPAT contribution and strong operating cash flow from F&P Finance business and will remain within the company long term financial strategy. The Company continues to fund value accretive acquisitions through a combination of debt, equity and its own cash resources. Non-recourse borrowings are secured against the Company's receivables and the contract terms are matched, with future interest cash flows generally fixed through use of interest rate swaps.

Cash Flows

Cash inflows from operating activities increased by 11% to $64.6m (2014: $58.2m). The increase in cash inflows from operating activities is mainly driven by increased cash profit and also effective working capital management practices across the Company.

Cash outflows from investing activities decreased by 5% to $55.9m (2014: $58.8m) primarily driven by a reduction in IT systems spend and net investments in receivables.

Cash outflows from financing activities increased to $2.8m (2014: $13.3m inflows), driven mainly by the repayment of the corporate debt facility payment and the internal funding of receivables.

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 institutions, plus numerous institutional investors in its Asset Backed Securities (ABS) program.

At balance sheet date the Group had $1,490.1m of wholesale debt facilities, with $307.0m 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 undrawn at balance date. These facilities are secured by the assets of the Group, and with a maturity date in 2017. The facilities were increased to $187.5m with a maturity date in 2019.

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 New Zealand. The New Zealand business has become a growth engine for the Company following the acquisition of TRL and Fisher & Paykel Finance. 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, after the acquisition of Fisher & Paykel Finance. The Company will also continue to benefit from accessing new retailer relationships and enhancement of distribution channels. The Fisher & Paykel Finance acquisition will also drive scale for the New Zealand business, while allowing the Company to consolidate the existing interest free cards business through leveraging Fisher & Paykel Finance expertise.

The company is actively executing its strategy, with the upgrading of core systems to support future growth nearing completion, and new products being rolled out. 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 growth is largely driven by:

- quality of execution of strategy, underpinned by wholesale improvements in core financial systems and online capability, and
- expanding product offerings and realignment of existing products to improve customers value proposition.

Volume

The Company will continue to grow volume by leveraging existing merchant relationships and pursuing new sales channels in the future. The interest free cards business is driving group volume growth through new channels and products. The New Zealand business will benefit from the opportunities provided by the Ministry of Education and the Spark Digital channels that resulted from the TRL acquisition.

Additionally, the completion of the consolidation and alignment of sales force across Australia Leasing 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 Fisher & Paykel Finance acquisition is strategic to the company and is expected to be EPS accretive and drive shareholder value.

Innovation

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

Prospects for future financial years

The business strategies put in place will position the Company for growth 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, Australia and New Zealand macroeconomic risks leading to deterioration of credit quality or impairments and strategy execution risk, which may impact on its ability to achieve its targets.

The interim dividend for 2016 has a record date of 11 March 2016 and is expected to be paid on 15 April 2016.

Shareholder returns

	Half year ended 31 December		Year ended 30 June				
	2015	**2014**	**2015**	**2014**	**2013**	**2012**	**2011**
TSR	**n/a**	n/a	(14%)	(26%)	92%	18%	76%
Dividends per share (cents)	**7.25**	8.75	17.75	17.8	14.5	12.5	11.5
Cash EPS (cents)[1]	**13.8**	13.5	28.7	27.1	24.3	21.5	19.3
Share price (high)	**$3.12**	$4.00	$4.00	$4.99	$4.74	$2.65	$2.39
Share price (low)	**$2.22**	$2.81	$2.70	$2.98	$2.55	$1.60	$1.17
Share price (close)	**$3.02**	$3.00	$2.91	$3.17	$4.36	$2.60	$2.07

Earnings per share

	Half year 2015 cents	**Half year 2014 cents**
Basic earnings per share	**12.9**	12.2
Diluted earnings per share	**12.9**	12.2
Cash earnings per share	**13.8**	13.5

[1] Prior year restated for impact of bonus shares in rights issue conducted during the period.

Dividends on ordinary shares

	2015		**2014**	
	cents	**$m**	**cents**	**$m**
Interim dividend for the year - payable April	**7.25**	**27.0**	**8.75**	**26.6**
Dividends paid during the half year				
Final dividend for 2015 (PY: 2014) - paid in October	**9.0**	**27.4**	8.5	25.8
Total dividend paid during the half year	**9.0**	**27.4**	8.5	25.8
Total dividends declared for the half year	**7.25**	**27.0**	8.75	26.6

Matters subsequent to end of the financial year

Following the signing of the agreement to acquire Fisher & Paykel Finance on 27 October 2015 for an adjusted amount of $275m, the Company is awaiting approvals from New Zealand regulators. The acquisition is expected to be completed prior to 30 June 2016.

Except noted above, as at the date of this report the directors are not aware of any matter or circumstance that has arisen since 31 December 2015 that has significantly affected, or may significantly affect:

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

Environmental regulation

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

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 9.

Rounding of amounts

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

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

Andrew Abercrombie

Chairman
Sydney

16 February 2016

Auditor's Independence Declaration

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

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

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

SJ Smith
Partner
PricewaterhouseCoopers

Sydney
16 February 2016

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	Note	Consolidated 31 Dec 15 $m	31 Dec 14 $m
Total portfolio income	3	**176.6**	166.4
Interest expense		**(32.5)**	(34.2)
Net portfolio income		**144.1**	132.2
Employment expenses		**(32.3)**	(32.1)
Receivables and customer loan impairment expenses		**(24.9)**	(20.1)
Depreciation and amortisation expenses		**(5.9)**	(4.2)
Operating expenses	4	**(23.5)**	(20.5)
Profit before income tax		**57.5**	55.3
Income tax expense		**(16.1)**	(16.8)
Profit for the year attributable to shareholders of FlexiGroup Limited		**41.4**	38.5

Earnings per share for profit attributable to the ordinary equity holders of the Company:	**cents**	cents [1]
Basic earnings per share	**12.9**	12.2
Diluted earnings per share	**12.9**	12.2

[1] Prior year EPS restated for impact of bonus shares in rights issue conducted during the period.

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

	Consolidated 31 Dec 15 $m	31 Dec 14 $m
Profit for the half-year	**41.4**	38.5
Other comprehensive income		
Items that may be reclassified to profit and loss		
Exchange differences on translation of foreign operations	**3.7**	1.3
Changes in the fair value of cash flow hedges, net of tax	**2.5**	(1.2)
Other comprehensive income for the half-year, net of tax	**6.2**	0.1
Total comprehensive income for the half-year	**47.6**	38.6

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

		Consolidated	
		31 Dec 15	30 Jun 15
	Note	**$m**	$m
Assets			
Current assets			
Cash and cash equivalents		**137.2**	130.3
Receivables		**330.9**	339.0
Customer loans		**575.6**	533.9
Inventories		**3.9**	4.2
Total current assets		**1,047.6**	1,007.4
Non-current assets			
Receivables		**392.0**	410.2
Customer loans		**170.6**	168.4
Plant and equipment		**5.0**	5.2
Goodwill		**153.1**	150.4
Intangible assets		**54.7**	44.6
Total non-current assets		**775.4**	778.8
Total assets		**1,823.0**	1,786.2
Liabilities			
Current liabilities			
Payables		**31.8**	35.7
Borrowings		**757.1**	774.6
Current tax liabilities		**9.4**	9.2
Provisions		**5.1**	4.5
Deferred and contingent consideration		**4.4**	5.9
Total current liabilities		**807.8**	829.9
Non-current liabilities			
Borrowings		**404.4**	499.9
Deferred tax liabilities		**27.9**	37.6
Provisions		**0.9**	1.0
Derivative financial instruments		**4.2**	7.3
Total non-current liabilities		**437.4**	545.8
Total liabilities		**1,245.2**	1,375.7
Net assets		**577.8**	410.5
Equity			
Contributed equity	6	**307.9**	161.9
Reserves		**4.3**	(3.0)
Retained earnings		**265.6**	251.6
Total equity		**577.8**	410.5

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

Consolidated	**Contributed equity $m**	**Reserves $m**	**Retained earnings $m**	**Total $m**
2014				
Balance at the beginning of the half-year	161.2	2.4	221.4	385.0
Profit for the year	-	-	38.5	38.5
Other comprehensive income	-	0.1	-	0.1
Total comprehensive income for the half-year	-	0.1	38.5	38.6
Share based payments expense	-	1.2	-	1.2
Cash settlement on vesting of options	-	(0.1)	-	(0.1)
Dividends provided for or paid	-	-	(25.8)	(25.8)
Balance at the end of the half-year	161.2	3.6	234.1	398.9
2015				
Balance at the beginning of the half-year	**161.9**	**(3.0)**	**251.6**	**410.5**
Profit for the year	-	-	**41.4**	**41.4**
Other comprehensive income	-	**6.2**	-	**6.2**
Total comprehensive income for the half-year	-	**6.2**	**41.4**	**47.6**
Share based payments expense	-	**1.2**	-	**1.2**
Issue of shares to employees on vesting of performance rights	**0.5**	**(0.5)**	-	-
Deferred tax asset on share based payment	-	**0.5**	-	**0.5**
Issue of shares	**146.2**	-	-	**146.2**
Treasury shares purchased on market	**(0.7)**	-	-	**(0.7)**
Cash settlement on vesting of options	-	**(0.1)**	-	**(0.1)**
Dividends paid	-	-	**(27.4)**	**(27.4)**
Balance at the end of the half-year	**307.9**	**4.3**	**265.6**	**577.8**

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

	Consolidated	
	31 Dec 15	31 Dec 14
	$m	$m
Cash flows from operating activities		
Interest and fee income received from customers	**182.2**	172.5
Payments to suppliers and employees	**(61.7)**	(65.9)
Borrowing costs	**(32.5)**	(34.0)
Taxation paid	**(23.4)**	(14.4)
Net cash inflows from operating activities	**64.6**	58.2
Cash flows from investing activities		
Payment for purchase of plant & equipment and software	**(11.7)**	(12.9)
Payment for deferred consideration relating to business acquisitions	**(1.5)**	(2.9)
Net movement in:		
Customer loans	**(57.1)**	(42.3)
Receivables due from customers	**14.4**	(0.7)
Net cash outflows from investing activities	**(55.9)**	(58.8)
Cash flows from financing activities		
Dividends paid	**(27.4)**	(25.8)
Proceed from equity raising, net of transaction cost	**146.2**	-
Treasury shares purchased on market	**(0.7)**	-
Net movement in borrowings	**(124.0)**	40.0
Net movement in loss reserves on borrowings	**3.2**	(0.8)
Cash settlement on vesting of options	**(0.1)**	(0.1)
Net cash (outflows)/ inflows from financing activities	**(2.8)**	13.3
Net increase in cash and cash equivalents	**5.9**	12.7
Cash and cash equivalents at the beginning of the half-year	**130.3**	106.6
Effects of exchange rate changes on cash and cash equivalents	**1.0**	0.4
Cash and cash equivalents at end of the half-year	**137.2**	119.7

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

Note 1 Basis of preparation and summary of significant accounting policies

(a) Basis of preparation

The condensed interim consolidated financial statements for the half-year ended 31 December 2015 have been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001.*

The condensed interim consolidated financial statements do not include all the information and disclosures required in the annual financial statements. As a result, they should be read in conjunction with the annual consolidated financial statements for the year ended 30 June 2015 and any public announcements made in the period by FlexiGroup Limited ('the Group') in accordance with the continuous disclosure requirements of the *Corporations Act 2001* and the *ASX Listing Rules.*

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

(i) New standards, interpretations and amendments adopted

The accounting policies adopted in the preparation of the condensed interim consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 30 June 2015 except for the adoption of new standards and interpretations as set out below.

The following Australian Accounting Standards amendments have become mandatory from 1 July 2015, but have not had any material effect on the financial position or performance of the Group:

- AASB 2015-3 *Amendments to Australian Accounting Standards arising from the withdrawal of AASB 2031 Materiality*

(ii) New standards issued but not yet effective

- *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 9 Financial instruments. This standard makes significant changes to the way financial assets are classified for the purpose of determining their measurement basis and also to the amounts relating to fair value changes which are to be taken directly to equity. This standard also makes significant changes to hedge accounting requirements and disclosures. This standard is mandatory for adoption by the Group for the year ending 30 June 2019; however early application is permitted in certain circumstances. The financial impact to the Group of adopting AASB 9 has not yet been quantified.

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

(iii) Disclosure

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.

Note 1 Basis of preparation and summary of significant accounting policies (continued)

(b) Use of judgement, estimates and assumptions

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

In preparing these condensed interim consolidated financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual consolidated financial statements for the year ended 30 June 2015.

Note 2 Segment information

(a) Description of segments

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

The Chief Executive Officer considers the business from a product perspective and has identified four reportable segments; the Australia Leasing (consisting of FlexiRent, SmartWay, FlexiWay, FlexiCommercial, Commercial leasing and Think Office Technology), New Zealand (NZ) leasing, No Interest Ever business (Certegy), and Interest Free Cards business (Lombard and Once Credit).

In current year, the Enterprise and Consumer & SME segments that were previously separately disclosed were combined to form the Australia Leasing segment. The Chief Executive Officer now manages performance and allocates resources at the Australia Leasing level and the businesses share operational synergies. Prior year comparatives have been restated to reflect the changes to reportable segments

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 Australia Leasing.

The segment information provided to the Chief Executive Officer for the reportable segments for the half year ended 31 December 2015 is as below:

(b) Segment information

Half year 31 December 2015	**No Interest Ever $m**	**Interest Free Cards $m**	**Australia Leasing $m**	**NZ Leasing $m**	**Total $m**
Total portfolio income	**58.2**	**22.8**	**76.7**	**18.9**	**176.6**
Interest expense	**(9.6)**	**(4.3)**	**(15.0)**	**(3.6)**	**(32.5)**
Net portfolio income	**48.6**	**18.5**	**61.7**	**15.3**	**144.1**
Impairment losses on receivables and customer loans	**(9.6)**	**(4.1)**	**(10.4)**	**(0.8)**	**(24.9)**
Amortisation of acquired intangible assets	**-**	**(0.5)**	**(0.7)**	**(0.5)**	**(1.7)**
Other expenses	**(14.0)**	**(5.5)**	**(33.0)**	**(7.5)**	**(60.0)**
Profit before income tax	**25.0**	**8.4**	**17.6**	**6.5**	**57.5**
Income tax expense	**(7.5)**	**(2.6)**	**(4.3)**	**(1.7)**	**(16.1)**
Statutory profit for the year	**17.5**	**5.8**	**13.3**	**4.8**	**41.4**
Recurring non-cash adjustments					
Amortisation of acquired intangible assets	**-**	**0.4**	**0.4**	**0.4**	**1.2**
One-off non-cash adjustments					
Acquisition costs	**-**	**-**	**1.7**	**-**	**1.7**
Cash net profit after tax	**17.5**	**6.2**	**15.4**	**5.2**	**44.3**
Total segment assets at 31 Dec 2015	**614.4**	**305.6**	**679.6**	**223.4**	**1,823.0**
Half year 31 December 2014					
Total portfolio income	56.0	20.6	79.9	9.9	166.4
Interest expense	(11.0)	(4.5)	(17.1)	(1.6)	(34.2)
Net portfolio income	45.0	16.1	62.8	8.3	132.2
Impairment losses on receivables and customer loans	(6.7)	(3.5)	(9.6)	(0.3)	(20.1)
Amortisation of acquired intangible assets	-	(1.1)	(0.8)	-	(1.9)
Other expenses	(14.6)	(4.2)	(32.5)	(3.6)	(54.9)
Profit before income tax	23.7	7.3	19.9	4.4	55.3
Income tax expense	(7.1)	(2.6)	(5.9)	(1.2)	(16.8)
Statutory profit for the year	16.6	4.7	14.0	3.2	38.5
Recurring non-cash adjustments					
Amortisation of acquired intangible assets	-	0.9	0.6	-	1.5
One-off non-cash adjustments					
Residual value loss	-	-	2.5	-	2.5
Cash net profit after tax	16.6	5.6	17.1	3.2	42.5
Total segment assets at 30 June 2015	608.7	271.6	718.0	187.9	1,786.2

Note 3 Total portfolio income

	Half-year ended 31 Dec 15 $m	Half-year ended 31 Dec 14 $m
Gross interest and finance lease income	**147.1**	143.0
Amortisation of initial direct transaction costs	**(15.8)**	(16.4)
Other portfolio income	**38.9**	34.2
Sale of goods	**3.8**	3.8
Other income	**1.1**	0.2
Interest income – banks	**1.5**	1.6
Total portfolio income	**176.6**	166.4

Note 4 Expenses

	Half-year ended 31 Dec 15 $'m	Half-year ended 31 Dec 14 $'m
Depreciation of plant and equipment	**0.9**	0.6
Amortisation of other intangible assets	**5.0**	3.6
Total depreciation and amortisation	**5.9**	4.2
Operating expenses		
Acquisition costs relating to business combinations	**1.7**	0.3
Advertising and marketing expenses	**1.8**	1.6
Cost of sales	**2.3**	2.0
Information technology & communication expenses	**5.5**	5.3
Operating lease rental expenses	**2.0**	2.0
Occupancy and other related expenses	**1.2**	1.3
Outsourced operation costs	**3.9**	2.9
Professional & consulting fees	**4.2**	4.2
Other	**0.9**	0.9
Total operating expenses	**23.5**	20.5

Note 5 Dividends

	Half-year ended 31 Dec 2015	Half-year ended 31 Dec 2014
	$m	$m
Ordinary shares		
Dividends provided for or paid during the half-year	**27.4**	25.8

On 16 February 2016 the Directors have recommended the payment of an interim dividend of 7.25 cents per fully paid ordinary share, fully franked based on tax paid at 30%. The interim dividend totalling $27.0m is expected to be paid on 15 April 2016 out of retained profits at 31 December 2015 and has not been recognised as a liability at the end of the half-year.

Note 6 Contributed equity

Movement in ordinary share capital

	Consolidated	
	Number of shares (m)	**$m**
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
1 July 2015	**304.2**	**161.9**
Issue of shares	**68.2**	**150.0**
Equity raising costs, net of tax	**-**	**(3.8)**
Treasury shares acquired on market	**(0.3)**	**(0.7)**
Issue of shares to employees from treasury shares	**0.2**	**0.5**
31 Dec 2015	**372.3**	**307.9**

(a) Movement in treasury shares

	Number of shares (m)	**$m**
1 July 2014	0.2	-
Utilised against vested options	(0.2)	-
30 June 2015	-	-
1 July 2015	**-**	**-**
Treasury shares acquired on market	**0.3**	**0.7**
Issue of shares to employees from treasury shares	**(0.2)**	**(0.5)**
31 Dec 2015	**0.1**	**0.2**

Note 7 Business Combinations

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.

At 30 June 2015, provisional fair values were disclosed owing to the late completion of the transaction. Below are the acquisition details disclosed at 30 June 2015, together with the final fair values determined through the purchase price allocation exercise done during the period.

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

	Carrying value $m	Provisional fair value $m	Final value $m
Cash and cash equivalents	0.1	0.1	0.1
Receivables	101.0	101.0	93.3
Other assets	0.7	0.7	0.7
Intangible assets	-	-	4.1
Deferred tax assets	0.3	0.3	1.3
Trade and other payables	(3.0)	(3.0)	(3.0)
Deferred tax liabilities	(3.5)	(3.5)	(3.5)
Net tangible assets	95.6	95.6	93.0
Consideration		108.4	108.4
Goodwill and intangible assets recognised		12.8	15.4
Comprising:			
-Goodwill		12.8	15.4
		12.8	15.4

Note 8 Related party transactions

Rental of Melbourne premises

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

	Half-year ended 31 Dec 2015	Half-year ended 31 Dec 2014
	$	$
Rental of Melbourne premises	**94,703**	89,267

Note 9 Contingencies

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

Note 10 Fair value of financial assets and financial liabilities

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

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

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

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

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

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

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

Cash and cash equivalents

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

Receivables and customer loans

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

Payables

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

Borrowings

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

Set out below is a comparison of the carrying amounts and fair values of financial assets and liabilities as at 31 December 2015 and 30 June 2015:

	Carrying amount 31 Dec 15 $m	**Fair value 31 Dec 15 $m**	Carrying amount 30 Jun 15 $m	Fair value 30 Jun 15 $m
Financial assets				
Cash and cash equivalents	**137.2**	**137.2**	130.3	130.3
Receivables	**762.7**	**762.7**	749.2	749.2
Customer loans	**706.4**	**706.4**	702.3	702.3
Financial liabilities				
Payables	**31.8**	**31.8**	35.7	35.7
Borrowings				
- Floating interest rate	**1,068.8**	**1,068.8**	1,163.4	1,163.4
- Fixed interest rate	**115.7**	**116.6**	137.5	138.8
Total borrowings before loss reserves	**1,184.5**	**1,185.4**	1,300.9	1,302.2

Note 10 Fair value of financial assets and financial liabilities (continued)

Fair value hierarchy

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

Receivables and customer loans

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

Borrowings

These are classified as level 2 as the inputs into the fair value models (being current market rates) used to determine fair value are observable.

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

Note 11 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 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.

	31 Dec 15 $m	30 Jun 15 $m
Receivables	**633.8**	656.7
Customer loans	**703.5**	683.9
Cash held by securitisation vehicles	**98.1**	99.2
	1,435.4	1,439.8
Borrowings related to receivables and customer loans	**1,160.6**	1,227.9

Note 12 Events occurring after balance sheet date

Following the signing of the agreement to acquire Fisher & Paykel Finance on 27 October 2015 for an adjusted amount of $275m, the Company is awaiting approvals from New Zealand regulators. The acquisition is expected to be completed prior to 30 June 2016.

Except noted above, as at the date of this report the directors are not aware of any matter or circumstance that has arisen since 31 December 2015 that has significantly affected, or may significantly affect:

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

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

In the opinion of the directors:

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

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

   (ii) giving a true and fair view of the Group's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and

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

On behalf of the Board

Andrew Abercrombie
Chairman

Sydney
16 February 2016

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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of FlexiGroup Limited (the company), which comprises the consolidated statement of financial position as at 31 December 2015, the consolidated income statement and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for FlexiGroup Limited (the consolidated entity). The consolidated entity comprises the company and the entities it controlled during that half-year.

Directors' responsibility for the half-year financial report

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

Auditor’s responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the consolidated entity’s financial position as at 31 December 2015 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of FlexiGroup Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

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Conclusion

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

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the half-year ended on that date;

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

PricewaterhouseCoopers

PricewaterhouseCoopers

SJ Smith
Partner

Sydney
16 February 2016