FlexiGroup Limited

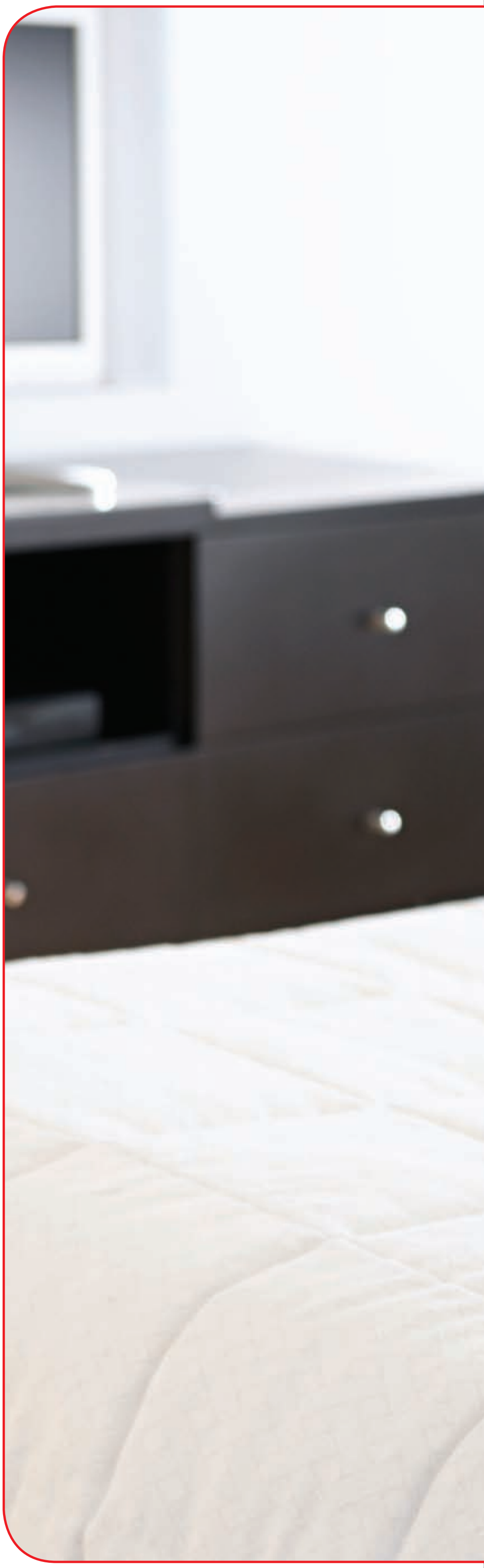
ABN 75 122 574 583

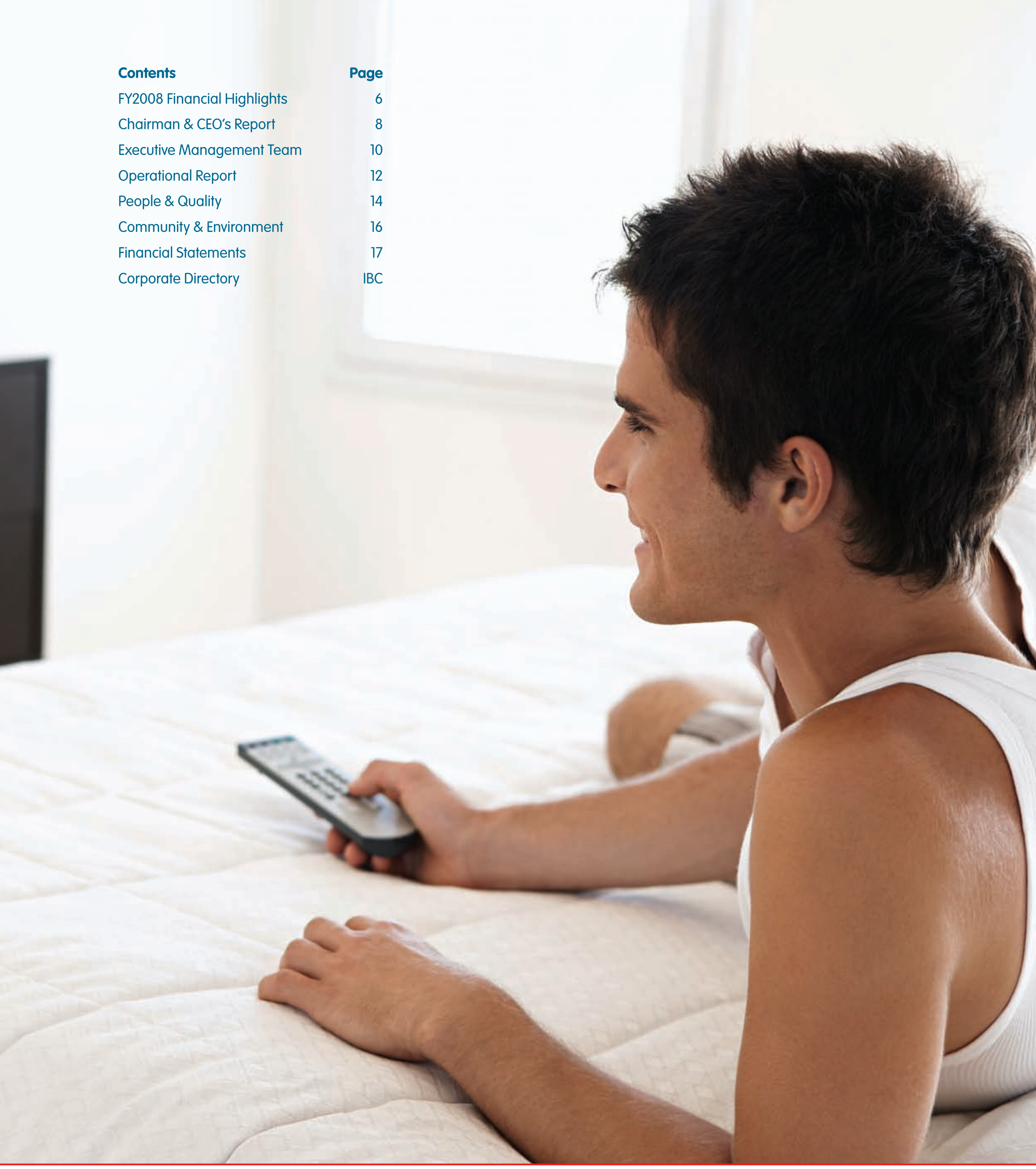
FlexiGroup Limited Annual Report 2008

FlexiGroup is a leading financial service provider of point-of-sale lease and rental finance for IT equipment and electrical appliances such as plasma TVs, audiovisual equipment and whitegoods to small business and individual customers.

FlexiGroup provides a range of lease and other finance products to customers across Australia, New Zealand and Ireland, marketing its financial products under multiple brands.

With the acquisition of Certegy (announced in July 2008) FlexiGroup also becomes a leading provider of retail interest free finance in Australia and New Zealand and one of two major cheque guarantee businesses in the region.





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Our Mission

FlexiGroup's mission is to:

Provide customers fast, easy and convenient financing for products and services for the lifestyle they aspire to.

In order to achieve our objectives we work closely with our retail partners and commit considerable resources to both training and motivating their sales force. In doing so we help our partners to deliver more profitable sales and help their salespeople to maximise their potential. Our partners' sales teams, are the face of FlexiGroup in store so it is vital that they remain engaged with our range of products.

For our own staff our objective is to be recognised as an Employer of Choice. We seek to achieve this by providing a motivating and enjoyable working environment.

Our ultimate goal is to be the number one provider for point of sale financing for small ticket items in Australia and New Zealand. This is a goal that we moved closer to achieving with the acquisition of Certegy announced in July 2008.

Our Business Model

FlexiGroup is a leading financial service provider of point-of-sale lease and rental finance products. One of the cornerstones of FlexiGroup's unique business model is an ability to establish close relationships with both our retail partners and their sales teams; providing marketing support and cooperative sales training. The ability to develop and maintain these relationships differentiates FlexiGroup from its competitors.

FlexiGroup encourages its retail partners to introduce its products at the point-of-sale, customers then enter into contracts with FlexiGroup directly. By understanding the needs of its customers, FlexiGroup has developed additional products and services that can be offered to existing customers.

The FlexiGroup business model is successful as it provides tangible benefits to all participants in the value chain:

- From the customer's perspective, the process is fast, easy and convenient, providing a quick, friendly phone based solution that enables them to leave the store with the product they desire
- For the retailer, FlexiGroup delivers a larger value sale at a higher margin than alternative payment methods. FlexiGroup rewards its retail partners by investing in direct marketing campaigns that encourage repeat business and enhance their sales
- For the sales force, FlexiGroup invests in training sales staff to improve their skills in selling FlexiGroup products in particular and selling techniques in general

The result is a profitable sale at origination and the opportunity for both FlexiGroup and its retail partners to drive further sales during the customer lifecycle.

FlexiGroup offers customers a range of options at the end of their initial contract term including the option to swap their products for the latest technology, extend the lease, make an offer to buy the equipment or simply return it to FlexiGroup.

Over the last five years the business model has evolved. Customer lifecycle management has become increasingly important and is now at the core of our business. We endeavour to identify other products and services that customers value and then develop the capability to sell those products. In doing so we are able to extend the customer lifecycle.

By marketing directly to our customers we create value for FlexiGroup and our retail partners by driving customers back to the original retailer both during the term of their contract and at the end of their initial contract term.

Thanks to our unique business model FlexiGroup has built a valuable database of approximately 350,000 customers. When the Certegey acquisition completes we will have boosted our database of customer profiles to over 900,000. The acquisition is also expected to increase FlexiGroup's annual customer contracts originated from around 100,000 to over 250,000.

Although the Certegy acquisition will bring significant scale to our business we aim to improve on our customer satisfaction score which is currently in excess of 90%. In doing so we will ensure a substantial base of customers receptive to cross-selling initiatives.

Our Retail Partners

The key to FlexiGroup's success is the longstanding relationships we have developed with a number of key retailers including Harvey Norman (Australia, New Zealand and Ireland) and Noel Leeming in New Zealand.

We seek to strengthen our relationships with our retail partners by providing sales support and training to their sales teams. These initiatives help our partners to develop their staff and assist with the development of first class sales teams.

In order to ensure that our partners' sales teams have a good knowledge and understanding of our products we run mystery shopping programs. A cornerstone of our quality assurance program, mystery shopping helps ensure our training is targeted to address specific business outcomes and to ensure FlexiGroup products are sold appropriately. The quality assurance program also helps us to develop and test new products.

Over the course of FY2008 we have extended and amended our agreement with Noel Leeming (now includes 'change of ownership' and 'change of control' clauses) and signed a new agreement with electrical retailer Bing Lee, which operates 37 stores throughout New South Wales and the Australian Capital Territory.

FY2008 has also seen FlexiGroup continue to diversify its product offering. Over the course of the financial year we entered into agreements with both Flight Centre and Stella Travel.

FlexiGroup now has a distribution network of approximately 5,600 active retailers. With the addition of Certegy's retail distribution network this will expand to over 11,000 retail partners across a wide range of industry sectors.

Strategy and Growth

John DeLano joined the company towards the end of 2003 and set to work building a strong Senior Management Team. 2004 saw FlexiGroup invest heavily in its infrastructure and secure additional funding lines which diversified the company's sources of finance.

In 2004, FlexiGroup had one product which it distributed through one channel (IT equipment). Today FlexiGroup is a significantly diversified company offering a wide range of lease, rental finance and loan products through multiple retail partners across several asset classes.

During 2008 FlexiGroup undertook it's first major re-engineering of it's core rental product in 11 years. Flexi Advantage (roll out completed by Q4 2008) is designed to increase the value and differentiate the FlexiGroup rental products in the computer channel by including services and features that have high customer appeal.

When the acquisition of Certegy is finalised by the end of October 2008, FlexiGroup will become a major supplier of interest free finance across a wide array of asset classes including home improvement, furnishings and jewellery.

By successfully taking the business model into new categories and geographies, FlexiGroup has proved the transportability of the model. FlexiGroup continues to develop new products and expand into new product categories. The acquisition of Certegy further improves the diversification of the company and doubles the number of retail partners offering FlexiGroup products.

Funding Arrangements

Over the course of FY2008 FlexiGroup has refreshed the core products to offer enhanced features that are not available via other payment methods. At the same time we have improved our financing facilities by enhancing the funding of Flexirent Advantage and Ezyway Advantage contracts through partial funding of the swap period to deliver added cash f ow in the year leases are originated.

In addition we have lengthened the facility terms to a minimum of 364 days on an evergreen structure. The majority of approved undrawn facilities have been increased to a 2 year committed basis, up from a 1 year committed basis.

The funding margin on new business written has recently increased due to the increase cost of debt across the globe and the revised and extended facility terms described above. This increase does not apply to the existing receivables portfolio and will be partially offset by pricing adjustments on new business written.

Improved existing funding facilities and up to $150 million in funding capacity has also been agreed to fund Certegy volumes. As a result of this new funding capacity, committed undrawn portfolio funding has increased to $238 million.

History of FlexiGroup

1988
Berkman Capital Finance Pty Ltd entered the rental/ operating lease market for office equipment

1995
Harvey Norman Computers trials Flexirent in three of their Brisbane stores.

1997
Flexirent opened in New Zealand

1998
A consumer lease product is launched to broaden market opportunities

2003
Corporatisation process began with the appointment of a new Chief Executive Officer

2004
Recruitment of Senior Management Team, infrastructure investment and diversification of funding sources

2005
The Ezyway product is launched to address the large Electrical Channel

2006
FlexiGroup listed on the Australian Securities Exchange & distribution agreement is signed with Leading NZ retailer Noel Leeming

2007
New Flexirent Advantage product is released with added features and Loan products are marketed to our existing customers

2008
Expansion through: acquisition, new geographies and new channels, (Certegy, Ireland and Travel).

FY2008 Financial Highlights

Net Profit After Tax (NPAT) of $32.3 million
an increase of 10.2% over proforma FY2007

Solid net income growth of 20%
despite a weakening retail environment

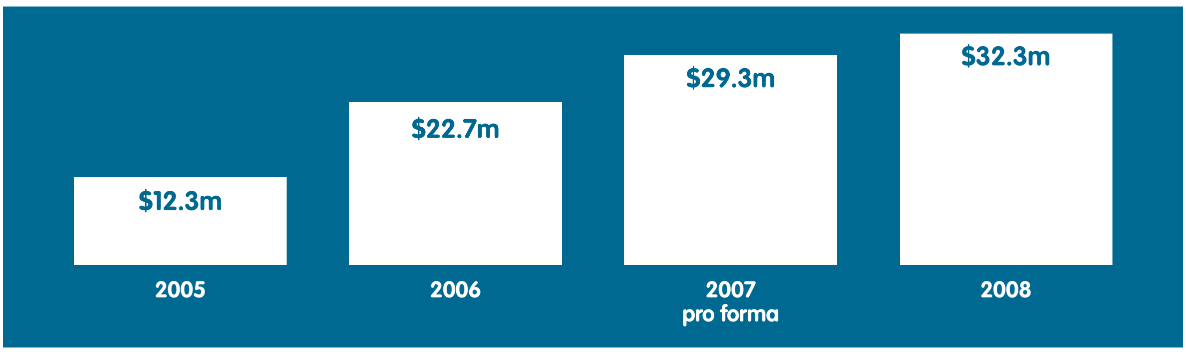
Increased committed undrawn portfolio funding facilities to $238 million
and extended majority of undrawn funding facilities to 2 years

Dividend
of 3.0 cents per share (fully franked)

Earnings per Share (EPS)
of 14.8 cents compared to proforma EPS in FY2007 of 13.5 cents

Funding secured for Certegy acquisition and funding receivables

NPAT




TEST
WEEK 3 COMPETITION
LOST ?
Press to view as full screen

Chairman & CEO's Report

It gives us great pleasure to present the FlexiGroup Annual Report for the year ended 30 June 2008. We are pleased to announce a record Net Profit After Tax ("NPAT") of $32.3 million.

In our second year of being listed on the Australian Securities Exchange ("ASX") we have continued our strong performance and moved closer to achieving our goal of being the number one provider of point of sale finance for small ticket items in Australia and New Zealand.

FlexiGroup is a high quality, well managed business with attractive growth opportunities in products, channels and geographies. Over the course of the financial year, FlexiGroup achieved revenue growth of 18.9% to $166.8 million. The reported NPAT of $32.3 million represented an increase of 10.2% over the proforma result for the previous financial year. In a softening retail market we believe this is a solid result.

During the year, FlexiGroup has increased its committed undrawn portfolio funding facilities to $238 million up from $210 million. In addition, we extended the majority of our funding facilities to 2 years up from 1 year.

Since the end of the financial year FlexiGroup has announced the acquisition of Certegy Australia from Fidelity National Information Services Inc for circa $31.4 million. The acquisition will be financed by $15 million of cash on hand, a $15 million interest-only Subordinated Vendor Note and 3 million shares in FlexiGroup. The acquisition is expected to be completed by 31 October 2008.

Our financiers have shown steadfast faith and confidence in the FlexiGroup model, as evidenced by the new arrangements and the support for rebuilding the Certegy receivables portfolio. The current strength of our funding relationships, in a tough credit environment, is a tribute to FlexiGroup's management team.

To fund the repayment of the Subordinated Vendor Note, we propose to amend our dividend payout ratio to circa 40%–50% of NPAT. In keeping with the revised dividend ratio, the Directors anticipate a fully franked dividend of 3 cents per share, will be payable in November. An interim dividend in line with the revised dividend payout ratio is also expected to be paid in May 2009.

We believe that the Certegy acquisition complements FlexiGroup's existing business model and distribution channels and should provide a solid contribution to net profit growth for the group (from FY2010). The acquisition is Earnings Per Share ("EPS") accretive in the second year and diversifies FlexiGroup's product offering away from a heavy reliance on the IT and electrical sectors.

In addition to the Certegy acquisition, we have signed an extended long term exclusive supply agreement with Noel Leeming, agreed a new contract with Bing Lee, and re-energised our relationship with Harvey Norman, reinforcing our core business model.

In the Travel Channel we continue to increase our presence. FlexiGroup has entered into exclusive agreements with Stella Travel and Flight Centre. A rollout is currently in progress across Harvey World Travel and Travelscene stores. We have also expanded geographically. FlexiGroup is now represented in all Harvey Norman stores in Ireland.

During the second half of the financial year our credit policies relating to consumer loans, the consumer segment in the Flexirent and Ezyway products and consumer leasing in New Zealand have been significantly tightened. This action was taken in light of deteriorating economic conditions and portfolio performance in the loans book. These tighter credit controls in combination with a reduction in personal loan volumes are expected to lead to a reduction in the bad debt expense in the second half of FY2009.

The Board believes that the overall conditions in the financial service sector worldwide have contributed to the softness in the FlexiGroup share price. With the acquisition of Certegy, the Board is confident that in time the market will recognize the value that has been created and the stock price will adjust accordingly.

While sad to see Paul McMahon step down as Chief Financial Officer ("CFO"), we would like to thank him for his stewardship through a period of significant change for the company. With the appointment of Garry McLennan we will endeavour to redouble our investor relations effort. Garry has 24 years of financial services experience including ten years as CFO at HSBC Australia.

Overall, the excellent results for the year ended 30 June 2008 in somewhat soft market conditions reinforce the current strategic direction. We would like to take this opportunity to thank the management team and staff for their continued focus, the results achieved and for ensuring FlexiGroup continues to be the leading provider of point-of-sale rental and lease financing in Australia and New Zealand.

Margaret Jackson
Chairman

John DeLano
Managing Director and CEO

Executive Management Team

Pearl Laughton
Chief Information Officer

Brett Charlton
Chief Marketing Officer

Grace Silvio
Head of Human Resources

Doc Klotz
Head of Operations

John DeLano
Managing Director
and CEO

Neil Roberts
Head of National Sales
and Business Development

David Stevens
Financial Controller
and Company Secretary

Operational Report

Product Enhancement

During FY2008 FlexiGroup undertook it's first major re-engineering of it's core rental product in 11 years. Flexi Advantage is designed to differentiate the FlexiGroup rental products by including services and features that have high customer appeal.

The Flexirent Advantage roll out (for computer retailers) was completed in Q4. An integrated sales, marketing and learning and development rollout campaign ensured point of sale and channel training emphasised and supported the new product features.

Salespeople have responded favourably to the advantage product features as they provide a point of differentiation to other methods of payment. For customers, the new features have a high appeal and since introduction thousands of customers have relied on the Laptop Loaner and Flexicare services.

Similarly for the Electrical channel an Advantage product has been developed and launched in July 2008, with improved product profitability and new features (replacement promise, protection from loss, damage, theft).

New product features standard with Flexirent Advantage:

- 24 hour replacement if equipment needs repair
- If lost, stolen or damaged it's automatically replaced
- Payments are waived in times of crisis *(disability/ redundancy/death)*
- Free software to track your computer in the event of theft
- Choose to update (swap) last 3 payments are waived
- Double Time *(use of equipment and benefits for twice the term, for one extra payment).*

Geographic/Channel Expansion

Ireland

The Harvey Norman Ireland rollout of a rental product tailored to the local market was completed in April 2008. Currently we are operating in 14 Harvey Norman stores in Ireland. In order to minimise operating expenses the processing of applications is handled by the Australian contact centre.

Travel Channel

Exclusive agreements were signed with Flight Centre and Stella Travel (Harvey World Travel and Travelscene brands). Stella Travel store rollout will be completed by Q1 FY2009.

New & Existing Partner Commitment

Our vendor partners remain a cornerstone of the success of FlexiGroup. During FY2008:

- Bing Lee has signed a long term agreement. Bing Lee has 37 store locations throughout New South Wales ("NSW") and the Australian Capital Territory ("ACT")
- Noel Leeming (New Zealand) has signed an extended and amended long term exclusive supply agreement that includes 'change of ownership' and 'change of control' clauses
- The Harvey Norman relationship has been re-energised with strong messages of support communicated to store level and demonstrated through TV and catalogue advertising presence.

Initiatives/Improved Performance

FlexiLimits

FlexiLimits was launched in May 2008, delivering an increase in the average deal size of 4%. FlexiLimits provides customers with an increased limit to acquire additional goods.

Interim Rental Charge

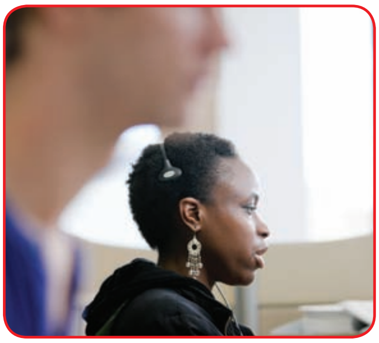
The interim rental charge (or "choose your payment date") provides customers with an option to select their rental payment start date. Since its launch in September 2007 performance has improved to $3.5 million NPAT on an annualised basis (estimated at $1.3 million in February).

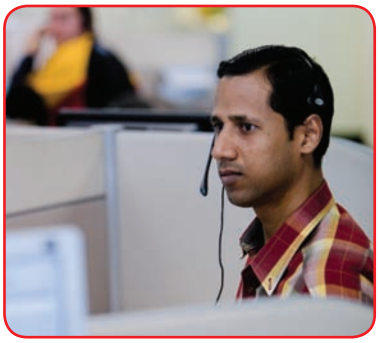
Tightened Credit Criteria

Credit policies relating to consumer loans, the consumer segment in the Ezyway and Flexirent products and consumer leasing in New Zealand were significantly tightened during the last nine months of the financial year. This action was taken in light of deteriorating economic conditions and portfolio performance in the loans book.

These tighter credit controls in combination with declining personal loan volumes are expected to lead to a reduction in bad debt expense in the second half of FY2009.

People & Quality





FlexiGroup relies on a highly skilled and motivated workforce to provide customers with the best possible service experience. Attracting, engaging and retaining high performing employees is essential to the success of our business.

FlexiGroup is committed to becoming an Employer of Choice and for the 4th consecutive year has increased it's employee engagement score (using the industry standard for measurement of employee engagement, developed by Hewitt Associates).

FlexiGroup takes creating and maintaining a high energy, performance driven culture where staff can grow and develop very seriously. Over the past year 30% of vacancies have been filled by internal candidates. Learning and Development is intricately integrated with the business to drive results. Some of the highlights this year were:

- Development of self paced learning modules for all contact centre departments
- Certificate IV in Front Line Management for all team leaders
- Coaching Workshops for Line Managers
- Train the Trainer for Area Managers
- The launch of a Management Development Program for mid Level Managers
- Launch of a new On Line Performance Management Program

FY2008 Awards

Australian Institute of Training and Development awards Finalist – for Advantage training roll out

Australian Teleservices Association annual Contact Centre of the Year competition – Finalist

Harvey Norman Best Services Supplier – awarded to the New Zealand operation

Harvey Norman Supplier of the Year – awarded to the Flexirent Victoria

Harvey Norman Supplier of the Year – awarded to the Flexirent Victoria

Focus for FY2009

Completion of the Certegy acquisition is a key focus for the first half of FY2009. FlexiGroup agreed to acquire the Certegy Australia operation from Fidelity National Information Services for circa $31.4 million.

FlexiGroup is not acquiring the receivables portfolio. It will build up the receivables portfolio over a two year period. Whilst Certegy will provide revenue growth, it is forecast to be $2.2 million dilutive to net profit in FY2009 as the portfolio builds.

In the second full year of Certegy operation, it is expected to be $8.4 million accretive to net profit.

When the Certegy acquisition completes we will have boosted our database of customer profiles to over 900,000. The acquisition is also expected to increase FlexiGroup's annual customer contracts originated from around 100,000 to over 250,000.

For the core FlexiGroup business FY2009 margins are forecast to improve and Flexirent volumes are expected to be below FY2008 due to:

- Softer economic outlook
- Slowing retail environment
- Tightening of credit criteria which will impact approval rates
- Reduced personal loan volumes

Portfolio profitability is expected to improve due to increases in new business rates, a fall in swap rates and lower bad debt expense. Fee income is also expected to increase.

FY2009 NPAT outlook is softer than FY2008, given the current economic circumstances and the impact of the Certegy dilution while the portfolio builds up.

Community & Environment

FlexiGroup has a dedicated culture and wellbeing team that coordinates and promotes a range of charity fundraising and team building events throughout the year. These events are heavily supported with great enthusiasm by staff at all levels of the organisation. All monies raised for community and charitable initiatives by our staff are matched by FlexiGroup.

Each month a fundraising and/or team building activity is promoted and supported by staff. Some events are linked to national activities, such as the World's Greatest Shave while others are stand alone events such as trivia nights which are used to raise funds for worthwhile causes like the Cancer Council, Mission Australia or Barnardo's. In FY2008 FlexiGroup employees raised $9,350 with the World's Greatest Shave events for the Leukaemia Foundation. Other initiatives supported by FlexiGroup over the course of the year included:

- Australia's Biggest Morning Tea for the Cancer Council;
- Movember for the Prostate Cancer Foundation of Australia and Beyond Blue, the national depression initiative;
- Pink Ribbon Day, which raises funds for breast cancer research on behalf of the Cancer Council;
- Make a Wish Day for the Make A Wish Foundation; and
- Daffodil Day for the Cancer Council.

FlexiGroup also supports its local communities by regular donations of returned equipment to individuals and organisations in need.

Greening Australia

Every aspect of life demands that some form of energy is consumed. In order to give customers the opportunity to offset the carbon emissions created by the use and manufacture of their FlexiGroup purchases, FlexiGroup has teamed up with Greening Australia. Over the course of FY2008 $59,000 was contributed by customers who elected to make a $10 donation to offset the emissions of their leased equipment.

Greening Australia uses donations for planting, protecting, restoring and managing vegetation across Australia's many landscapes and ecosystems. Over the last five years, no other organisation in the country has planted more trees for environmental repair. Greening Australia provides expertly managed, large-scale tree planting, which has proven to offset CO_2 emissions, recover landscape and nurture biodiversity.

FlexiGroup includes the option to offset emissions across FlexiGroup products through its retail distribution partners.

Greening Australia
Breathe Easy

Financial Statements

as at 30 June 2008

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Directors' Report
as at 30 June 2008

Your Directors present their report on the consolidated entity (referred to hereafter as the Group) consisting of FlexiGroup Limited and the entities it controlled at the end of, or during, the year ended 30 June 2008.

Directors

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

Margaret Jackson

John DeLano

Andrew Abercrombie

Rajeev Dhawan

R John Skippen

Company Secretary

Paul McMahon

Principal activity

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

- lease and rental financing services for office, personal technology and related equipment
- personal and business loans

No significant change in the nature of these activities occurred during the year.

Dividends

Dividends paid to members during the financial year were as follows:

Final ordinary dividend for the year ended 30 June 2007 of 5.5 cents (2006: Nil) per fully paid share paid on 24 October 2007. Total amount paid was $11,961,510.

Interim ordinary dividend for the half year ended 31 December 2007 of 5.5 cents (2007: Nil) per fully paid share paid on 16 May 2008. Total amount paid was $11,961,510.

The Directors intend to declare a special dividend of 3 cents per fully paid ordinary share in November 2008. This special dividend is being paid instead of a final dividend for the 2008 year, due to the impact of the impairment of the Company's investment in its subsidiaries on the parent entity's profit for 2008. This impairment does not impact the consolidated net profit after tax or consolidated cash f ow for the 2008 year. This special dividend is not expected to impact the Company's ability to declare dividends in respect of the 2009 year.

Review of operations

The consolidated net profit after tax for the financial year increased by 37.7% from $23.4million to $32.3million. Revenue from operations increased by 18.9% to $166.8million. Profit before tax increased by 28.1% to $47.3million.

FlexiGroup's core rental products continue to underpin performance. There has been widespread customer and channel support for the new Flexirent Advantage product. The electrical leasing channel also performed well, given that credit criteria for Ezyway products was tightened. The Ezyway Advantage product was launched in July 2008 with new features and initial sales volumes are encouraging.

During the year the Group expanded operations into Ireland and is now represented in all Harvey Norman stores in Ireland. The Group also continues to increase its presence in the travel channel and has entered into exclusive agreements with some of Australia's dominant travel operators.

FlexiGroup also announced on 14 July 2008 that it had agreed to acquire Certegy Australia Limited from Fidelity National Information Services Inc. Certegy Australia Limited is best known for its Certegy Ezi-Pay interest free payment plan products. It is also one of the major cheque guarantee businesses in Australia and New Zealand. The Certegy acquisition is attractive due to its compelling strategic value, offering increased scale, diversification and a significant customer base.

FlexiGroup had $789million of committed funding facilities including undrawn committed limits of $268million. These committed facilities include the further $100million that was secured in relation to the Certegy acquisition which is referred to below in matters subsequent to the end of the financial year.

Significant changes in state of affairs

There were no significant changes in the Company's state of affairs in the year.

Matters subsequent to end of the financial year

On 14 July 2008 the Group entered into an agreement with Fidelity National Information Services Inc to acquire the business and selected assets of Certegy Australia Limited for approximately $31.4 million. The transaction will be settled with $15 million of cash on hand, a $15 million interest only subordinated vendor note with final maturity extendible to three years and three million shares in FlexiGroup. The acquisition is expected to be completed by 31 October 2008; however, information systems development work to facilitate accounting and funding will determine the final completion date. Full details of this acquisition are detailed on the Australian Securities Exchange ("ASX") website in an announcement dated 14 July 2008.

Subsequent to balance date the Group also secured an additional $100million facility in relation to the Company's agreement to acquire the business and selected assets of Certegy Australia Limited. The Group also restructured an existing facility to provide access to an additional $50million to fund the Certegy portfolio.

Likely developments and expected results of operation

Information on likely developments in the operations of the consolidated entity and the expected results of operations have not been included in this report because the Directors believe it would be likely to result in unreasonable prejudice to the consolidated entity.

Environmental regulation

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

Information on Directors

Margaret Jackson, AC
(Age 55)

Chairman, Independent, Non-Executive

BEc, MBA, Hon LLD (Monash), FCA, FAICD

Experience
Margaret was appointed a Director of the Company in November 2006. Margaret is also a Director of Australia and New Zealand Banking Group Limited and Billabong International Limited.

Margaret is also Chairman of the Asia Pacific Business Coalition on HIV/AIDS, Chairman of the Ponting Foundation, President of Australian Volunteers International, a member of the Foreign Affairs Council and a Director of the Florey Neuroscience Institutes.

Before beginning her career as a full time company director in 1992, Margaret was a Partner of KPMG Peat Marwick's Management Consulting Division.

Other current directorships
Australia and New Zealand Banking Group Limited
Billabong International Limited

Former directorships in last three years
John Fairfax Holdings Ltd
Southcorp Limited
Qantas Airways Limited

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

Interests in shares and options
2,880,549 ordinary shares in FlexiGroup Limited

John DeLano
(Age 48)

Non-Independent, Executive, Chief Executive Officer

BA

Experience
John has been Chief Executive Officer of the Company since December 2006, and was appointed a Director of the Company in November 2006. John has been Chief Executive Officer of Flexirent Holdings Pty Limited since September 2003. John started his career with Avis Inc. in the United States before progressing to the position of Managing Director of Avis Australia. John was subsequently involved as Senior Vice President of operations with Travel Services International, a NASDAQ listed company which successfully completed a roll-up of 23 leisure travel companies.

Other current directorships
None

Former directorships in last three years
None

Special responsibilities
Chief Executive Officer

Interests in shares and options
3,141,656 ordinary shares in FlexiGroup Limited

Andrew Abercrombie
(Age 52)

Independent, Non-Executive

BEc, LLB, MBA

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

Other current directorships
None

Former directorships in last three years
None

Special responsibilities
Chair of Nomination Committee and Member of Remuneration Committee

Interests in share and options
75,012,278 ordinary shares in FlexiGroup Limited

Rajeev Dhawan
(Age 42)

Independent, Non-Executive

BCom, ACA, MBA

Experience
Rajeev represented Colonial First State Private Equity ("CFSPE") managed funds 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 14 years' venture capital and private equity experience and has been a Director of a number of listed and unlisted portfolio companies.

Other current directorships
Snowball Group Limited
Portland Orthopaedics Limited (alternate director)

Former directorships in last three years
Traffic Technologies Limited

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

Interests in shares and options
820,706 ordinary shares in FlexiGroup Limited

R John Skippen
(Age 60)

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 30 years' experience as a chartered accountant.

Other current directorships
Briscoe Group Limited (NZ)
Mint Wireless Ltd
Super Cheap Auto Group Limited

Former directorships in last three years
Harvey Norman Holdings Limited
Rebel Sport Limited
Pertama Holding Limited (Singapore)
Courts (Singapore) Limited

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

Interests in shares and options
378,533 ordinary shares in FlexiGroup Limited

Meetings of Directors

	FlexiGroup Limited									
	Scheduled Board Meetings		Unscheduled Board Meetings		Audit & Risk Committee		Nomination Committee		Remuneration Committee	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended
M Jackson	14	14	3	3	6	6	–	–	7	7
J DeLano	14	14	3	3	+	+	–	–	+	+
A Abercrombie	14	14	3	3	+	+	–	–	7	7
R Dhawan	14	14	3	3	6	6	–	–	7	7
R J Skippen	14	14	3	3	6	6	–	–	7	7

\+ Not a member of the relevant committee.

Company Secretary

The Company Secretary is Paul McMahon. Paul was appointed to the position of Company Secretary in November 2006. Paul has over 25 years' experience in the financial services industry.

Remuneration Report

The remuneration report is set out under the following main headings:

A. Principles used to determine the nature and amount of remuneration
B. Details of remuneration
C. Service agreements
D. Share-based compensation – FlexiGroup Limited arrangements
E. Share-based compensation – pre IPO arrangements of Flexirent Holdings Group
F. Interest in shares
G. Additional information

The information provided in this remuneration report has been audited as required by section 308(3C) of the *Corporations Act 2001*.

A. Principles used to determine the nature and amount of remuneration

The objective of the Group's executive reward framework is to ensure reward for performance are competitive and appropriate for the results delivered. The framework aligns executive rewards with achievement of strategic objectives and the creation of value for shareholders and conforms to market best practice for delivery of reward. The Board ensures that executive remuneration satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness
- acceptability to shareholders
- performance linkage/alignment of executive compensation
- transparency
- capital management

In consultation with external remuneration consultants, the Group has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the organisation.

Alignment to shareholders' interests:

- has economic profit as a core component of plan design
- focuses on sustained growth in shareholder wealth as measured by growth in earnings per share and other financial and non-financial performance indicators
- attracts and retains high calibre executives

Alignment to program participants' interests:

- rewards capability and experience
- ref ects competitive reward for contribution to growth in shareholder wealth
- provides a clear structure for earning rewards
- provides recognition for contribution

The framework provides a mix of fixed and variable pay, and a blend of short and long-term incentives. As executives gain seniority with the Group, the balance of this mix shifts to a higher proportion of "at risk" rewards.

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 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 set when the Company listed on 12 December 2006. Non-Executive Directors' fees are determined within an aggregate Directors' fee pool limit of $1.2 million.

The following fee structure has applied since listing:

Base fees (per annum)	
M Jackson (Chairman)	$150,000
A Abercrombie	$120,000
Other Non-Executive Directors	$80,000

Additional fees (per annum)	
Audit & Risk Committee – Chairman	$10,000
Nomination Committee – Chairman	$10,000
Remuneration Committee – Chairman	$10,000

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.

Executive pay
The executive pay and reward framework has four components:

- base pay and benefits
- short-term performance incentives
- long-term incentives through participation in the FlexiGroup Long-Term Incentive Plan, and
- other remuneration such as superannuation.

The combination of these comprises the executive's total remuneration.

Base pay
Executives are offered a competitive salary that comprises the components of base pay and benefits. Base pay for senior executives is reviewed annually by the Remuneration Committee to ensure the executive's pay is competitive with the market. An executive's pay is also reviewed on promotion.

Short-term performance incentives
Short-term performance incentives ("STI"s) vary according to individual contracts; however, for Senior Executives they are broadly based as follows:

- A component of the STI is linked to the individual performance of the executive (this is based on a number of factors, including performance against budgets, achievement of key performance indicators (KPIs) and others personal objectives).
- A component of the STI is linked to the financial performance of the business or measured against budgets determined at the beginning of each financial year.

All STI payments to Senior Executives are approved by the Remuneration Committee and are usually paid in late August or early September of the following financial year.

Using various profit performance targets and personal performance objectives assessed against KPIs, the Company ensures variable reward is only paid when value has been created for shareholders.

For middle and lower level management, total STIs are linked to individual performance measures and also to the financial performance of the business.

The short-term bonus payments may be adjusted up or down in line with under or over achievement against the target performance levels. This is at the discretion of the Remuneration Committee.

The STI target annual payment is reviewed annually.

Long-term incentives
Long-term incentives to the Chief Executive Officer and certain senior employees are provided via the FlexiGroup Long-Term Incentive Plan. Information on the plan is detailed on pages 27 to 31.

B. Details of remuneration

Amounts of remuneration

Details of the remuneration of the Directors and the Key Management Personnel (as defined in 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 Chief Executive Officer. This includes the five Group executives who received the highest remuneration for the year ended 30 June 2008.

The following amounts were paid to the Key Management Personnel during the 2008 year as part of their ongoing remuneration:

2008	Short-term employee benefits		Post-employment benefits	Long-term benefits	Share-based payments	
Name	Cash salary and fees $	Cash bonus $	Super-annuation $	Long service leave $	Options & performance rights $	Total $
Non-Executive Directors of FlexiGroup Limited						
M Jackson (Chairman)	150,000	–	13,500	–	–	163,500
A Abercrombie	130,000	–	11,700	–	–	141,700
R Dhawan	90,000	–	8,100	–	–	98,100
RJ Skippen	90,000	–	8,100	–	–	98,100
Executives of FlexiGroup						
J DeLano Director and Chief Executive Officer	521,552	300,000	35,612	5,496	380,909**	1,243,569
P McMahon Chief Financial Officer	344,037	140,625	54,186	1,007	120,466**	660,321
N Roberts Head of National Sales	327,473	74,375	32,234	169	121,257	555,508
D Klotz* Head of Operations	263,262	124,154	11,068	74	198,744	597,302
P Laughton Chief Information Officer	271,882	105,692	25,847	237	43,920	447,578
	2,188,206	744,846	200,347	6,983	865,296	4,005,678

* D Klotz commenced employment on 19 April 2007.

** In addition to the above there is a share-based payments expense arising from options issued to J DeLano and P McMahon of $533,272 and $76,182 respectively by the former shareholders of Flexirent Holdings Pty Limited. Refer to page 29 for further details of this arrangement.

The following amounts were paid to the Key Management Personnel during the 2007 year as part of their ongoing remuneration:

2007	Short-term employee benefits		Post-employment benefits	Long-term benefits	Share-based payments	
Name	Cash salary and fees $	Cash bonus $	Super-annuation $	Long service leave $	Options & performance rights $	Total $
Non-Executive Directors of FlexiGroup Limited						
M Jackson (Chairman)[5]	91,644	–	8,248	–	–	99,892
A Abercrombie[1]	160,083	–	17,598	–	–	177,681
R Dhawan[6]	54,986	–	4,949	–	–	59,935
RJ Skippen[7]	54,986	–	4,949	–	–	59,935
Executives of FlexiGroup						
J DeLano Director and Chief Executive Officer	504,153	687,500	34,691	3,266	212,310	1,441,920
P McMahon[8,9] Chief Financial Officer	328,501	281,250	46,079	863	69,734	726,427
N Roberts[2,9] Head of Consumer Direct	261,800	179,000	17,636	–	64,581	523,017
P Laughton[3,9] Chief Information Officer	283,520	89,584	17,902	–	21,475	412,481
B Taylor[9] Chief Marketing Officer	223,486	63,036	20,114	519	8,414	315,569
D Berkman[4]	131,923	–	11,873	–	–	143,796
	2,095,082	1,300,370	184,039	4,648	376,514	3,960,653

1. Included in A Abercrombie's remuneration is $98,096 which represents salary and superannuation paid to him while he was an employee of Flexirent Capital Pty Limited from 1 July 2006 to 8 December 2006.
2. N Roberts commenced employment on 15 August 2006.
3. P Laughton commenced employment on 1 August 2006.
4. D Berkman was a Director of Flexirent Holdings Pty Limited from 1 July 2006 to 8 December 2006. He did not receive any Director fees. The payment detailed above related to salary entitlements.
   One-off remuneration amounts for Directors and Key Management Personnel either at the time of the IPO or incurred prior to the IPO were as follows:
5. At the time of the IPO, the former shareholders of Flexirent Holdings Pty Limited agreed to procure that the Company issue 1,961,382 shares at the issue price to M Jackson. This is a one off-charge to share-based payment expense totalling $3,922,764.
6. Included in R Dhawan's remuneration are:
   – Fees totalling $929,203 paid to a company related to R Dhawan representing fees for advice to Flexirent Holdings during the IPO and associated trade sale process.
   – At the time of the IPO, the former shareholders of Flexirent Holdings Pty Limited agreed to procure that the Company issue 353,049 shares at the issue price to R Dhawan. This is a one-off charge to share-based payment expense totalling $706,098.
   – Dhawan Trust (an entity associated with R Dhawan) had an equity participation entitlement in Flexirent Holdings Pty Limited. The share-based payment expense in relation to the entitlement was $35,661.
7. At the time of the IPO, the former shareholders of Flexirent Holdings Pty Limited agreed to procure that the Company issue 147,104 shares at the issue price to R J Skippen. This is a one-off charge to share-based payment expense totalling $294,208.
8. P McMahon received an incentive fee of $100,000 relating to the IPO process.
9. P McMahon, N Roberts, P Laughton and B Taylor each received 500 shares with a value of $1,000 for nil consideration under the Employee Gift Offer made in December 2006.

2007 (continued)

Remuneration expense arising from options issued to J DeLano and P McMahon by the former shareholders of Flexirent Holdings Pty Limited was $297,234 and $42,462 respectively (refer to page 29) for further details of this arrangement).

As a result, the total Director and Key Management Personnel compensation for 2008 and 2007 was as follows:

	2008 $	2007 $
Cash salary and fees	**2,188,206**	3,024,285
Cash bonus	**744,846**	1,400,370
Post-employment benefits – superannuation	**200,347**	184,039
Long service leave	**6,983**	4,648
Share-based payments expense – options and performance rights	**1,474,750**	5,678,941
	4,615,132	10,292,283

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	
Name	2008	2007	2008	2007	2008	2007
Executives of FlexiGroup						
J DeLano Chief Executive Officer	**45%**	38%	**24%**	48%	**31%**	14%
P McMahon Chief Financial Officer	**61%**	52%	**21%**	39%	**18%**	9%
N Roberts Head of Sales	**65%**	53%	**13%**	34%	**22%**	13%
D Klotz Head of Operations	**46%**	N/A	**21%**	N/A	**33%**	N/A
P Laughton Chief Information Officer	**66%**	73%	**24%**	22%	**10%**	5%
B Taylor Chief Marketing Officer	**N/A**	77%	**N/A**	20%	**N/A**	3%
A Abercrombie	**N/A**	100%	**N/A**	–	**N/A**	–
D Berkman	**N/A**	100%	**N/A**	–	**N/A**	–

N/A – Not a Key Management Personnel in the respective year, or no longer an employee.

C. Service agreements

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

All employment agreements are unlimited in term but capable of termination on up to three months notice by either the Company or the executive. The Company can make a payment in lieu of notice.

In the event of retrenchment, the executives listed in the table on page 24 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.

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

D. Share-based compensation – FlexiGroup Limited arrangements

The FlexiGroup Long-Term Incentive Plan ("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 Company. 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.

The terms and conditions of the options and the performance rights are summarised below.

Details of the options

Instrument	Each option represents an entitlement to one ordinary share.
Exercise price	Determined at the time of invitation and payable by the option holder at the time of exercise.
Vesting conditions	Vesting to occur upon the satisfaction of the EPS and KPI performance conditions as summarised in this table and on page 35. Following the satisfaction of the performance hurdles described below, the options comprising each tranche will vest on, and become exercisable on or after, the relevant vesting date.
EPS performance target	The basic EPS ("Basic EPS") for the purpose of the options is equal to 13.0 cents per share, being the pro forma forecast earnings per share of FlexiGroup for FY2007 as calculated under Australian Accounting Standards Board ("AASB") 133 less the share-based payments expenses (as determined under AASB 2) relating to the grants of options over shares from Eighth SRJ Pty Limited and Viewlove Pty Limited (former shareholders of Flexirent Holdings Pty Limited) to certain Senior Executives of the Group and adjusted for extraordinary items as determined by the Board. Performance testing ("Testing Date") against the EPS hurdle will take place on the date of announcement of the relevant annual financial results of FlexiGroup. For some but not all tranches, retesting will occur at the retesting date in respect of the next financial year-end date immediately following the relevant Initial Testing Date. Options that do not vest on retesting will be taken to have lapsed. The applicable EPS hurdle for each test period is measured on an annual compounding basis to the relevant performance test date, using the Basic EPS as the base line number. The Board has the discretion to vary at any time the EPS hurdle applicable to all or part of the options.
Why the EPS performance target was chosen	EPS was chosen as a performance condition as it is aligned to earnings growth and the generation of value to shareholders.

Details of the options (continued)

KPI performance target	The KPI hurdles may include any combination of operational, volume and product mix, cultural, financial and other measures as determined and modified by the Board from time to time. In the case of FY2008, the relevant KPI hurdles were determined by the Board. The KPI hurdles will be performance tested against those measures over each relevant financial year unless otherwise determined by the Board. In determining whether the KPI performance hurdles have been satisfied, a report is prepared for the Remuneration Committee detailing each KPI performance hurdle and the performance of the executive against the hurdle. The Remuneration Committee approves that rating for all KPI performance hurdles.
Why the KPI performance target was chosen	KPI hurdles were included in the determination of awarding options to ensure that financial and non-financial measures are aligned and drive shareholder value.
Vesting date	Following the satisfaction of the performance hurdles applying to an option, the option vests on, and becomes exercisable on or after, a date predetermined by the Board ("vesting date"). The vesting date is effectively the tenure condition. It means that an option holder may only exercise options that vest following the satisfaction of the applicable performance hurdles on or after the vesting date provided that they remain employed by FlexiGroup as at the date. If an option holder ceases to be employed by FlexiGroup or any of its subsidiaries for any reason on or prior to the vesting date relating to a tranche of options, all options in the tranche will lapse immediately unless the Board makes a determination that those options have vested. Following the vesting date or the accelerated vesting of an option, the vested option may be exercised by the executive subject to any exercise conditions and the payment of the Exercise Price (if any), and the executive will then be allocated or issued shares on a one-for-one basis.
Exercise period	Vesting date to expiry date.
Expiry date	31 December 2011 or 31 December 2012 depending upon the tranche.

Summary of performance targets for options

	EPS hurdle – % of tranche options vesting (applicable to 80% of each tranche)						% of tranche tied to KPI hurdle
Tranche	Equal to prospectus forecast EPS	5% or more than prospectus forecast EPS	Equal to 5% EPS growth	Equal to 10% EPS growth	Equal to 15% EPS growth	Equal to or more than 20% EPS growth	
1	60%	100%	–	–	–	–	20%
2	–	–	10%	33%	75%	100%	20%
3	–	–	10%	33%	75%	100%	20%
4	–	–	15%	50%	100%	–	20%

Not all options have a Tranche 1. Where performance falls between target EPS thresholds (e.g. more than 5% EPS but less than 10% EPS) then pro-rata vesting will apply.

Options granted by former shareholders of Flexirent Holdings Pty Limited to certain executives in 2007 year
Eighth SRJ Pty Limited as Trustee of the Philadelphia Trust and Viewlove Pty Limited as Trustee of David Berkman Family Trust, both former shareholders of Flexirent Holdings Pty Limited, agreed at the time of the IPO to grant options over shares owned by them. The options are over 6,995,034 shares and 1,704,966 shares respectively and are in favour of certain executives of the Company. These options are subject to the same terms and conditions including achievement of performance hurdles and rights to exercise as the options issued on 8 December 2006 to the Directors of the Company and Key Management Personnel.

A share-based payment expense relating to the options granted by the former shareholders is included in the statement of profit and loss and also in the total key management personnel remuneration note on page 26 for those executives who received the grant.

Details of the performance rights
This table sets out the details of the performance rights issued to J DeLano.

Instrument	Each performance right represents an entitlement to one ordinary share.
Exercise price	Nil
Vesting Conditions	Vesting will occur on the achievement of one of the following conditions: • EPS of the Company for a financial year ending on or before 30 June 2011 is at least 24.6 cents per share. The EPS target number may be adjusted as the Board reasonably determines. The actual EPS for a financial year will be that set out in the Company's annual audited accounts for the relevant financial year; • The Company's market capitalisation before 30 June 2011 is at least $1.2 billion for a continuous period of six months based on the existing capital structure. The market capitalisation target will be adjusted for any new share issues (excluding any shares issued for the exercise of these performance rights); or • A change of control of the Company occurs before 30 June 2011 under a transaction that implies a market capitalisation value of the Company greater than $1.2 billion based on the existing capital structure. The market capitalisation target will be adjusted for any new share issues (excluding any shares issued for the exercise of these performance rights). The Board will confirm in writing to the performance rights holders when any of the above conditions have been satisfied (''Confirmation Notice'').
Why Vesting Conditions were chosen	The Vesting Conditions were chosen as performance conditions as they ref ect, at the date they were granted, the generation of significant shareholder value.
Vesting date	Date the Company gives a Confirmation Notice. If one of the Vesting Conditions is met, the performance rights will vest. Should the performance rights holders cease to be employed on or prior to the performance rights vesting, all of the performance rights will lapse immediately unless the Board makes a determination that those performance rights have vested. Any performance rights that do not vest following the measurements of performance against the hurdles described above will lapse on the Expiry Date if not earlier.
Exercise period	Vesting date to Expiry Date
Expiry date	31 December 2012
Disposal restriction	• 6 months following vesting date for 870,000 performance rights • 12 months following vesting date for 870,000 performance rights • 18 months following vesting date for 434,820 performance rights

Details of the performance rights

This table sets out the details of the performance Rights issued to N Roberts, P Laughton and D Klotz.

Instrument	Each performance right represents an entitlement to one ordinary share.
Exercise price	Nil
Vesting conditions	Performance rights 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 and the achievement of pre-determined Key Performance Indicators ("KPI hurdle") have been satisfied over the performance measurement period. The measure used to determine FlexiGroup's financial performance is Earnings Per Share growth targets ("EPS hurdle"). Eighty per cent (80%) of each tranche of performance rights will be subject to the EPS hurdle, while the remaining twenty per cent (20%) will be subject to the KPI hurdle.
EPS Performance Target	The basic EPS ("Basic EPS") for the purposes of the grant of performance rights under this invitation is 13.0 cents per share. The applicable EPS hurdle for each test period is measured on an annual compounding basis to the relevant performance test date, using the Basic EPS as the base line number. Performance testing ("Testing Date") against the EPS hurdle will take place on the date of announcement of the relevant annual financial results of FlexiGroup. For some but not all tranches, retesting will occur at the retesting date in respect of the next financial year-end date immediately following the relevant initial testing date. Performance rights that do not vest on retesting will be taken to have lapsed. The applicable EPS hurdle for each test period is measured on an annual compounding basis to the relevant performance test date, using the basic EPS as the base line number. The Board has the discretion to vary at any time the EPS hurdle applicable to all or part of the performance rights.
Why vesting conditions were chosen	The vesting conditions were chosen as performance conditions as they ref ect, at the date they were granted, the generation of significant shareholder value.
KPI performance target	The KPI hurdle may include any combination of operational, volume and product mix, cultural, financial and other measures as determined and modified by the Board from time to time. The KPI hurdle will be performance tested against these measures over each relevant financial year unless otherwise determined by the Board. The relevant KPI hurdle for each year will be determined by the Board by 30 September of the relevant financial year. In the case of FY2008, the relevant KPI hurdles were determined by the Board. The KPI hurdles will be performance tested against those measures over each relevant financial year unless otherwise determined by the Board. In determining whether the KPI performance hurdles have been satisfied, a report is prepared for the Remuneration Committee detailing each KPI performance hurdle and the performance of the executive against the hurdle. The Remuneration Committee approves that rating for all KPI performance hurdles.
Vesting date	Tranches 1, 2 and 3 – 1 September 2010 at 5.00pm (Sydney time) Tranche 4 – 1 September 2011 at 5.00pm (Sydney time)
Exercise period	Tranche 1 – From vesting date to Expiry Date Tranche 2 – From vesting date to Expiry Date Tranche 3 – From vesting date to Expiry Date Tranche 4 – From vesting date to Expiry Date
Expiry date	Tranches 1, 2 and 3 – 31 December 2012 at 5.00pm (Sydney time) Tranche 4 – 31 December 2013 at 5.00pm (Sydney time)
Disposal restriction	No disposal restriction imposed at the time of this grant.

Details of retention rights

This table sets out the details of the retention rights (a form of performance rights) issued to N Roberts, P Laughton and D Klotz.

Instrument	Each retention right represents an entitlement to one ordinary share.
Exercise price	Nil
Vesting conditions	Subject to the executive remaining an employee of FlexiGroup as at the vesting date, retention rights will vest on, and become exercisable on or after, the vesting date. There are no performance hurdles applicable to the retention rights.
Why vesting conditions were chosen	The vesting conditions are designed to ensure retention of key executives.
Vesting date	1 September 2010
Exercise period	1 September 2010 – 31 December 2012
Expiry date	31 December 2012
Disposal restriction	No disposal restriction imposed at the time of this grant.

The terms and conditions of each grant of options and performance rights to the Directors of the Company and Key Management Personnel of the Group that will affect remuneration in this or future reporting periods are as follows:

	Grant date	Options Granted by former shareholders of Flexirent Holdings	Options / Performance rights granted under LTIP	Number of options / performance rights awarded (aggregate)
Directors of FlexiGroup Limited				
M Jackson	–	–	–	–
J DeLano	8 Dec 2006	7,612,500	5,437,500	13,050,000
	29 Nov 2007	–	2,174,820	2,174,820
A Abercrombie	–	–	–	–
R Dhawan	–	–	–	–
RJ Skippen	–	–	–	–
Executives of FlexiGroup				
P McMahon	8 Dec 2006	1,087,500	1,633,000	2,720,500
N Roberts	8 Dec 2006	–	1,654,000	1,654,000
	3 Apr 2008	–	700,000	700,000
	3 Apr 2008	–	300,000	300,000
D Klotz	19 Apr 2007	–	1,400,000	1,400,000
	3 Apr 2008	–	700,000	700,000
	3 Apr 2008	–	300,000	300,000
P Laughton	8 Dec 2006	–	550,000	550,000
	3 Apr 2008	–	700,000	700,000
	3 Apr 2008	–	300,000	300,000

Options Granted Table

a The Exercise price must be paid by the option holder to exercise the options when the option vests.
b Vesting date is the date the Company gives a "Confirmation Notice".
c The performance right is exercisable on the vesting date.

	Tranche number	Number of options / performance rights in each tranche	Date vested	Date exercisable	Expiry Date	Exercise Price[a]	Fair value per option at Grant Date
	–	–	–	–	–	–	–
	1	1,957,500	1 Sep 2010	1 Sep 2010	31 Dec 2011	$2.00	40 cents
	2	3,719,250	1 Sep 2010	1 Sep 2010	31 Dec 2011	$2.00	40 cents
	3	3,719,250	1 Sep 2010	1 Sep 2010	31 Dec 2011	$2.00	40 cents
	4	3,654,000	1 Jun 2011	1 Jun 2011	31 Dec 2012	$2.00	41 cents
	1	2,174,820	b	c	31 Dec 2012	$Nil	2.5 cents
	–	–	–	–	–	–	–
	–	–	–	–	–	–	–
	–	–	–	–	–	–	–
	1	408,075	1 Sep 2010	1 Sep 2010	31 Dec 2011	$2.00	40 cents
	2	775,343	1 Sep 2010	1 Sep 2010	31 Dec 2011	$2.00	40 cents
	3	775,343	1 Sep 2010	1 Sep 2010	31 Dec 2011	$2.00	40 cents
	4	761,739	1 Jun 2011	1 Jun 2011	31 Dec 2012	$2.00	41 cents
	1	248,100	1 Sep 2010	1 Sep 2010	31 Dec 2011	$2.00	40 cents
	2	471,390	1 Sep 2010	1 Sep 2010	31 Dec 2011	$2.00	40 cents
	3	471,390	1 Sep 2010	1 Sep 2010	31 Dec 2011	$2.00	40 cents
	4	463,120	1 Jun 2011	1 Jun 2011	31 Dec 2012	$2.00	41 cents
	1	175,000	1 Sep 2010	1 Sep 2010	31 Dec 2012	$Nil	34 cents
	2	175,000	1 Sep 2010	1 Sep 2010	31 Dec 2012	$Nil	34 cents
	3	175,000	1 Sep 2010	1 Sep 2010	31 Dec 2012	$Nil	34 cents
	4	175,000	1 Sep 2011	1 Sep 2011	31 Dec 2013	$Nil	34 cents
	1	300,000	1 Sep 2010	1 Sep 2010	31 Dec 2012	$Nil	34 cents
	1	466,667	1 Sep 2008	1 Sep 2008	31 Dec 2011	$2.93	51 cents
	2	466,667	1 Sep 2009	1 Sep 2009	31 Dec 2011	$2.93	53 cents
	3	466,666	1 Sep 2010	1 Sep 2010	31 Dec 2012	$2.93	58 cents
	1	175,000	1 Sep 2010	1 Sep 2010	31 Dec 2012	$Nil	34 cents
	2	175,000	1 Sep 2010	1 Sep 2010	31 Dec 2012	$Nil	34 cents
	3	175,000	1 Sep 2010	1 Sep 2010	31 Dec 2012	$Nil	34 cents
	4	175,000	1 Sep 2011	1 Sep 2011	31 Dec 2013	$Nil	34 cents
	1	300,000	1 Sep 2010	1 Sep 2010	31 Dec 2012	$Nil	34 cents
	1	82,500	1 Sep 2010	1 Sep 2010	31 Dec 2011	$2.00	40 cents
	2	156,750	1 Sep 2010	1 Sep 2010	31 Dec 2011	$2.00	40 cents
	3	156,750	1 Sep 2010	1 Sep 2010	31 Dec 2011	$2.00	40 cents
	4	154,000	1 Jun 2011	1 Jun 2011	31 Dec 2012	$2.00	41 cents
	1	175,000	1 Sep 2010	1 Sep 2010	31 Dec 2012	$Nil	34 cents
	2	175,000	1 Sep 2010	1 Sep 2010	31 Dec 2012	$Nil	34 cents
	3	175,000	1 Sep 2010	1 Sep 2010	31 Dec 2012	$Nil	34 cents
	4	175,000	1 Sep 2011	1 Sep 2011	31 Dec 2013	$Nil	34 cents
	1	300,000	1 Sep 2010	1 Sep 2010	31 Dec 2012	$Nil	34 cents

The Directors of the Company and Key Management Personnel of the consolidated entity were granted the following options and performance rights during the reporting period.

Name	Number of options & performance rights awarded during the year[a] 2008	2007	Number of options & performance rights vested during the year 2008	2007
	(All issues are performance rights)	(All issues are options)		
Directors of FlexiGroup Limited				
M Jackson	–	–	–	–
J DeLano	2,174,820	13,050,000	–	–
A Abercrombie	–	–	–	–
R Dhawan	–	–	–	–
RJ Skippen	–	–	–	–
Executives of FlexiGroup				
P McMahon	–	2,720,500	–	–
N Roberts	1,000,000	1,654,000	–	–
D Klotz	1,000,000	N/A	–	N/A
P Laughton	1,000,000	550,000	–	–
B Taylor	N/A	200,000	N/A	–

a Included in the options detailed in the table are the options granted over 8,700,000 shares owned by former shareholders of Flexirent Holdings Pty Limited (refer to page 29 for further details).
N/A – Not a Key Management Personnel in the respective year.

The assessed fair value at Grant Date of options and performance rights granted to the individuals is allocated equally over the period from Grant Date to vesting date, and the amount is included in the remuneration table on page 25. 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 options and performance rights granted during the year ended 30 June 2008 included:

- Exercise Price: various per options and performance rights granted
- Grant Date: various per options and performance rights granted
- Expiry date: various per options and performance rights granted
- Share price at grant date: various per options and performance rights granted
- Expected price volatility of the Company's shares: 50% (2007: 26% to 28%)
- Expected dividend yield: 13% (2007: 5%)
- Risk-free interest rate: various ranging from 6.09% to 6.15% (2007: 5.73% to 6.14%)

Shares provided on exercise of remuneration options
No ordinary shares in the Company were issued as a result of the exercise of any remuneration options.

Summary of performance criteria that must be met before options vest

The options issued on 8 December 2006 to the Directors of the Company and Key Management Personnel of the consolidated entity will be performance tested as follows:

Performance Targets

							EPS hurdle – % of tranche options vesting (applicable to 80% of each tranche)				% of tranche tied to KPI hurdle
Tranche	Size (% of initial grant)	Testing Date	Vesting date	EPS hurdle test period from date of grant to	Equal to prospectus forecast EPS	5% or more than prospectus forecast EPS	Equal to 5% EPS growth	Equal to 10% EPS growth	Equal to 15% EPS growth	Equal to or more than 20% EPS growth	
1	15.0%	30 Jun 2007	1 Sep 2010	30 Jun 2007	60%	100%	–	–	–	–	20%
2	28.5%	30 Jun 2008	1 Sep 2010	30 Jun 2008	–	–	10%	33%	75%	100%	20%
3	28.5%	30 Jun 2009	1 Sep 2010	30 Jun 2009	–	–	10%	33%	75%	100%	20%
4	28.0%	30 Jun 2010	1 Sep 2011	30 Jun 2010	–	–	15%	50%	100%	–	20%

EPS is measured on an annual compounding basis to the relevant performance Testing Date using the Basic EPS of 13.0 cents per share detailed above as the base line number. Where performance falls between target EPS thresholds (e.g. more than 5% EPS but less than 10% EPS) then pro-rata vesting will apply.

Retesting of the EPS hurdle for any unvested Tranche 1 options will not be permitted. Tranche 1 options that do not vest on the measurement of the EPS hurdle will be taken to have lapsed under the LTIP rules.

Retesting of the EPS hurdle for any unvested Tranche 2, 3 and 4 options will occur at the Testing Date in respect of the next financial year end date immediately following the relevant initial Testing Date, with the measurement period taken from the date of grant of the options to the relevant retesting date. Performance will be measured on a compounding basis. The options that do not vest on retesting will be taken to have lapsed under the LTIP rules.

Summary of performance criteria that must be met before performance rights vest

The performance rights issued on 3 April 2008 to the Directors of the Company and Key Management Personnel of the consolidated entity will be performance tested as follows:

Performance targets

					EPS hurdle – % of tranche performance rights vesting (applicable to 80% of each tranche)				% of tranche tied to KPI hurdle
	Size (% of initial grant)	Testing date	Vesting date	EPS hurdle test period from date of grant to	Equal to 5% EPS growth	Equal to 10% EPS growth	Equal to 15% EPS growth	Equal to or more than 20% EPS growth	
1	25.0%	30 Jun 2008	1 Sep 2010	30 Jun 2008	10%	33%	75%	100%	20%
2	25.0%	30 Jun 2009	1 Sep 2010	30 Jun 2009	25%	75%	100%	–	20%
3	25.0%	30 Jun 2010	1 Sep 2010	30 Jun 2010	25%	75%	100%	–	20%
4	25.0%	30 Jun 2011	1 Sep 2011	30 Jun 2011	25%	100%	–	–	20%

EPS is measured on an annual compounding basis to the relevant Performance Testing Date using the Basic EPS of 13.0 cents per share detailed above as the base line number. Where performance falls between target EPS thresholds (e.g. more than 5% EPS but less than 10% EPS) then pro-rata vesting will apply.

Retesting of the EPS hurdle for any unvested Tranche 1 performance rights will not be permitted. Tranche 1 performance rights that do not vest on the measurement of the EPS hurdle will be taken to have lapsed under the Plan Rules.

Retesting of the EPS hurdle for any unvested Tranche 2, 3 and 4 performance rights will occur at the testing date in respect of the next financial year end date immediately following the relevant initial testing date, with the measurement period taken from the Grant Date of the performance rights to the relevant retesting date. Performance will be measured on a compounding basis. The performance rights that do not vest on retesting will be taken to have lapsed under the Plan Rules.

E. Share-based compensation – 2007 pre-IPO arrangements of Flexirent Holdings Group

At the time of the Initial Public Offering ("IPO") of the Company, the previous Flexirent Holdings Group had entered into various share-based compensation arrangements with some of the Directors, executives and an adviser. These arrangements were dealt with at the time of the IPO as follows.

Cancellation of equity participation entitlement
Dhawan Trust (an entity associated with R Dhawan) had an equity participation entitlement in Flexirent Holdings Pty Limited ("Flexirent Holdings"). Dhawan Trust agreed with the Company, Flexirent Holdings and the previous shareholders to cancel this equity participation entitlement in return for a cash payment by the previous shareholders. Dhawan Trust reinvested some of those proceeds and applied for 379,515 shares at the offer price.

Cancellation of existing performance options
Dhawan Trust and certain Senior Executives ("Flexirent option holders") held performance options in Flexirent Holdings and Flexirent Capital Pty Limited ("Flexirent Capital").

As part of the arrangement for the acquisition of Flexirent Holdings, the Company, Flexirent Holdings and Flexirent Capital (and in respect of certain Flexirent option holders, also the previous shareholders) entered into arrangements with the Flexirent option holders for the cancellation of their options in return for cash payments of $27.5m in aggregate, some of which was funded by Flexirent Capital from existing cash reserves and the balance by the previous shareholders. Four of the Flexirent option holders elected to reinvest all or part of the cash proceeds payable to them on cancellation of their options and applied for shares in the Company at the offer price. In total 1,933,376 shares were issued to the relevant Flexirent option holders in connection with these arrangements.

Certain existing Long-Term Incentive Plan entitlements
Key Senior Executives and sales executives of the Flexirent Holdings Group were participants in Long-Term Incentive Plans ("participants") established by Flexirent Capital. Under the terms of these Long-Term Incentive Plans the IPO triggered certain incentive entitlements becoming payable to the participants in three separate instalments, conditional broadly on the participants remaining employees of the Company at the time each instalment is payable.

The Company and Flexirent Capital entered into arrangements with the participants for the payment of their incentive entitlements as follows:

- the first instalment of their incentive payment (34% of the total amount) was payable on completion of the IPO and was satisfied by Flexirent Capital in the form of cash
- the obligations of Flexirent Capital in relation to the second and third instalments of their incentive payment (each 33% of the total amount) have been assumed by the Company and are included in the options disclosed in this section
- shares issued to participants are subject to escrow arrangements and are liable to be released or forfeited if the participant ceases to be an eligible employee of FlexiGroup (for the purpose of the terms of the Long-Term Incentive Plans) within two years after the shares are issued. If the participant ceases to be an eligible employee due to redundancy, the participant will become immediately entitled to all the shares. If the participant ceases to be an eligible employee during a tranche period due to a reason other than redundancy, summary dismissal or resignation, the participant will become immediately entitled to a proportion of the relevant tranche of shares relating to the tranche period, pro-rata to length of time since the issue of the shares or the prior anniversary date of the issue of the shares (whichever is most recent). If the participant ceases to be an eligible employee for any other reason, the participant will forfeit all the shares which have not been released from the escrow arrangements. If shares are forfeited, the participant must procure, or permit the Company to procure, the on-market sale of the relevant number of shares in the ordinary course of trading on ASX and pay the net proceeds of sale to the Company
- under the arrangements, a total of 2,416,942 shares were issued to participants

F. Interest in shares

The number of shares in the Company held during the financial year by each Director of the Company and other Key Management Personnel of the Group, including their personally related parties, are set out below.

2008	Balance at the start of the year	Received from sale of shares in Flexirent Holdings at IPO	Received from pre-IPO share based compensation arrangements	Other changes during the year	Received at time of IPO	Balance at the end of the year
Directors of FlexiGroup Limited						
Ordinary shares						
Margaret Jackson	1,961,382	–	–	919,167	–	2,880,549
John DeLano	2,880,810	–	–	260,846	–	3,141,656
Andrew Abercrombie	65,228,250	–	–	9,784,028	–	75,012,278
R Dhawan	732,564	–	–	88,142	–	820,706
R John Skippen	147,104	–	–	231,429	–	378,533
Executives of FlexiGroup						
Ordinary shares						
P McMahon	440,544	–	–	39,344	–	479,888
N Roberts	500	–	–	969,317	–	969,817
D Klotz	–	–	–	50,000	–	50,000
P Laughton	298,500	–	–	–	–	298,500

2007	Balance at the start of the year	Received from sale of shares in Flexirent Holdings at IPO	Received from pre-IPO share based compensation arrangements[5,6]	Other changes during the year	Received at time of IPO	Balance at the end of the year
Directors of FlexiGroup Limited						
Ordinary shares						
Margaret Jackson[1]	–	–	–	–	1,961,382	1,961,382
John DeLano[2]	–	2,880,810	–	–	–	2,880,810
Andrew Abercrombie[3]	–	65,228,250	–	–	–	65,228,250
R Dhawan[4]	–	–	379,515	–	353,049	732,564
R John Skippen[1]	–	–	–	–	147,104	147,104
Executives of FlexiGroup						
Ordinary shares						
P McMahon[7]	–	–	440,044	–	500	440,544
N Roberts[8]	–	–	–	–	500	500
P Laughton[9]	–	–	297,000	1,000	500	298,500
B Taylor[10]	–	–	395,999	25,000	500	421,499

1. Shares issued at the direction of the previous shareholders and Dhawan Trust as part of the acquisition of Flexirent Holdings Pty Limited.
2. 1,860,810 shares held by John and Kylie DeLano as Trustees of the DeLano Family Investment Trust, 680,000 shares held by Afianzar Pty Ltd as Trustee of the KPP Superannuation Fund, 340,000 shares held by John DeLano as Trustee of the DeLano Family Superannuation Fund and issued as consideration for the sale of shares in Flexirent Holdings Pty Limited.
3. Shares held by Eighth SRJ Pty Limited as Trustee of the Philadelphia Trust and issued as consideration for the sale of shares in Flexirent Holdings Pty Limited.
4. Shares held by B R Dhawan Trust comprising 732,564 shares issued on the reinvestment of part of the cash proceeds from the cancellation of Dhawan Trust's equity participation entitlements and/or from the reinvestment of part of the cash consideration payable to Dhawan Trust on cancellation of its performance option and/or at the direction of existing shareholders and Dhawan Trust.
5. In respect of the part cancellation of their Long-Term Incentive Plan entitlement, cash payments were made to P Laughton of $287,311 and B Taylor of $383,081.
6. In respect of equity participation entitlements, cash payments were made to Dhawan Trust of $5,305,405, DeLano Trust of $14,396,235 and P McMahon of $3,136,985.
7. Shares held by P McMahon. 440,044 shares issued as part consideration on cancellation of his performance option and 500 shares issued as part of the employee Gift Offer at the time of the IPO.
8. Shares held by N Roberts. 500 shares issued as part of the employee Gift Offer at the time of the IPO.
9. Shares held by P Laughton. 297,000 shares issued as part consideration on cancellation of her Long-Term Incentive Plan entitlement, 500 shares issued as part of the employee Gift Offer at the time of the IPO and 1,000 shares purchased at time of IPO.
10. Shares held by B Taylor. 395,999 shares issued as part consideration on cancellation of his Long-Term Incentive Plan entitlement. In addition to the above shares held by B Taylor, entities associated with B Taylor received 500 shares as part of the employee Gift Offer at the time of the IPO and 25,000 shares were purchased at the time of the IPO.

All the shareholdings detailed above are subject to escrow arrangements as set out in the prospectus issued at the time of the IPO.

G. Additional information

Details of remuneration: cash bonuses and options and performance rights

For each cash bonus and grant of options and performance rights included in the tables on pages 32 and 33, 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 on page 35. 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.

	Cash Bonus		Options & performance rights					
2008	Paid %	Forfeited %	Year granted	Vested %	Forfeited %	Financial years in which options and performance rights may vest	Minimum total value of grant yet to vest $	Maximum total value of grant yet to vest $
Executive Directors of FlexiGroup Limited								
J DeLano (Chief Executive Officer)	44	56	2008	–	–	30 June 2011	Nil	2,150,723
Executives of FlexiGroup								
P McMahon	50	50	2008	–	–	30 June 2011	Nil	448,356
N Roberts	42.5	57.5	2008	–	–	30 June 2011	Nil	324,999
D Klotz	80	20	2008	–	–	30 June 2011	Nil	335,099
P Laughton	70	30	2008	–	–	30 June 2011	Nil	143,052

	Cash Bonus		Options					
2007	Paid %	Forfeited %	Year granted	Vested %	Forfeited %	Financial years in which options and performance rights may vest	Minimum total value of grant yet to vest $	Maximum total value of grant yet to vest $
Executive Directors of FlexiGroup Limited								
J DeLano (Chief Executive Officer)	100	Nil	2007	–	–	30 Jun 2011	Nil	3,064,903
Executives of FlexiGroup								
P McMahon	100	Nil	2007	–	–	30 Jun 2011	Nil	638,933
N Roberts	100	Nil	2007	–	–	30 Jun 2011	Nil	388,456
P Laughton	100	Nil	2007	–	–	30 Jun 2011	Nil	129,172
B Taylor	85	15	2007	–	–	30 Jun 2011	Nil	46,972

Share-based compensation: options & performance rights

Further details relating to options and performance rights are set out below.

	A	B	C	D	E
2008	Ongoing remuneration options & consisting of performance rights	Value at Grant Date $	Value at Exercise Date $	Value at Lapse Date $	Total of columns B-D $
Executive directors of FlexiGroup Limited					
J DeLano (Chief Executive Officer)	31%	3,574,447	–	–	3,574,447
Executives of FlexiGroup					
P McMahon	18%	745,156	–	–	745,156
N Roberts	22%	510,837	–	–	510,837
D Klotz	33%	571,880	–	–	571,880
P Laughton	10%	208,447	–	–	208,447

Share-based compensation: options

Further details relating to options are set out below.

	A	B	C	D	E
2007	Ongoing remuneration options & consisting of performance rights	Value at Grant Date $	Value at Exercise Date $	Value at Lapse Date $	Total of columns B-D $
Executive directors of FlexiGroup Limited					
J DeLano (Chief Executive Officer)	14%	3,574,447	–	–	3,574,447
Executives of FlexiGroup					
P McMahon	9%	745,156	–	–	745,156
N Roberts	13%	453,037	–	–	453,037
P Laughton	5%	150,647	–	–	150,647
B Taylor	3%	54,781	–	–	54,781

A = The percentage of the value of remuneration consisting of options and performance rights, based on the value of options and performance rights expensed during the current year.

B = The value at Grant Date calculated in accordance with AASB 2 shared-based Payment of options granted during the year as part of remuneration.

C = The value at Exercise Date of options and performance rights that were granted as part of remuneration and were exercised during the year, being the intrinsic value of the options and performance rights at that date.

D = The value at Lapse Date of options and performance rights that were granted as part of remuneration and that lapsed during the year. Lapsed options refer to options that vested but expired unexercised.

Shares under options or performance rights

As at the date of this report, there were 25,204,320 unissued ordinary shares of FlexiGroup Limited subject to options or performance rights. Of those unissued ordinary shares, 17,437,500 are subject to option with Expiry Dates between 31 December 2011 and 31 December 2012 and Exercise Prices between $0.58 and $2.93 with a weighted average Exercise Price of $2.09. The remaining 7,766,820 unissued ordinary shares are the subject of performance rights with Expiry Dates between 31 December 2012 and 31 December 2013.

Options granted over 8,700,000 shares by former shareholders of Flexirent Holdings Pty Limited in favour of certain executives of the Company are not included in this calculation as the shares have already been issued.

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

Directors' indemnification

During the year ended 30 June 2008, 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.

Proceedings on behalf of the Company

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

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

Non-audit services

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

Details of the amounts paid or payable to the auditor (PricewaterhouseCoopers) for audit and non-audit services provided during the year are set out in note 34 of the financial report.

The Board of Directors has considered the position and, in accordance with advice received from the Audit and 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 below, 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 and 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 report, 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 and Sydney owned by a company associated with Mr A Abercrombie. The lease is on standard market terms.

Rounding of amounts

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

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 42 and forms part of this report.

Auditor

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

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

Margaret Jackson
Chairman

Sydney
25 August 2008

Auditor's Independence Declaration

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers
ABN 52 780 433 757

Darling Park Tower 2
201 Sussex Street
GPO BOX 2650
SYDNEY NSW 1171
DX 77 Sydney
Australia
Telephone +61 2 8266 0000
Facsimile +61 2 8266 9999

As lead auditor for the audit of FlexiGroup Limited and its controlled entities for the year ended 30 June 2008, 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.

PricewaterhouseCoopers

PricewaterhouseCoopers

Victor Clarke
Partner

Sydney
25 August 2008

Corporate Governance

Composition of the Board

At the date of this statement, the Board comprises four non-executive directors, three of whom are independent and one executive director (Chief Executive Officer). The names of the Directors, including details of their qualifications and experience, are set out in the Directors' Profile section of the 2008 FlexiGroup Limited Annual Report.

Role of the Board

The role of the Board is to provide overall strategic guidance for the Company and effective oversight of management.

The primary responsibilities of the Board include:

- overseeing the development of the Company's corporate strategy including reviewing and approving strategic plans and performance objectives of the Company
- the appointment of the Chief Executive Officer and Senior Executives, monitoring senior management's performance and approving senior management remuneration policies and practices
- effective communication with shareholders including reporting to shareholders and ensuring that all regulatory requirements are met
- establishing and monitoring policies governing the Company's relationship with other stakeholders and the broader community, including establishing and maintaining environmental, employment, occupation, health and safety policies
- actively promoting ethical and responsible decision-making
- reviewing and approving annual and half-yearly financial reports, monitoring financial results on an ongoing basis, overseeing the Company's accounting and financial management systems, approving and monitoring major capital expenditure, capital management, major acquisitions, divestitures, restructures and determining dividend policy
- establishing and overseeing the Company's controls and systems for identifying, assessing, monitoring and reviewing material risks.

Independent professional advice

Following consultation with the chairperson, Directors may seek independent professional advice at the Company's expense. Generally, this advice will be available to all Directors.

Performance assessment

The Board undertakes an annual self assessment of its collective performance, the performance of the Chairman and of its Committees. The Chairman meets privately with each Director to discuss individual and collective performance of Directors.

Re-election of Directors

At each annual general meeting of the Company there must be an election of Directors. The Directors who must retire from office (but are eligible to stand for re-election) at the general meeting are as follows:

(a) each Director who has held office without re-election:

   i. beyond the third annual general meeting following the Director's appointment or last election, or

   ii. for at least three years, whichever is the longer period

(b) each Director who was appointed by the Directors under article 10.7 of the constitution

(c) if neither (a) or (b) is applicable, the Director who has served in office longest without re-election. If there are two or more such Directors who have been in office an equal length of time, then in default of agreement, the Director to retire will be determined by lot.

Conflicts of interest

Directors are required to keep the Board advised, on an ongoing basis, of any interest that could potentially conf ict with those of the Company. Where the Board believes that a significant conf ict may exist, the Director concerned does not receive the relevant Board papers and is not present at the meeting while the item is considered. Additionally, Directors are required to advise the Board of any Board or executive appointments to other companies and any related party transactions including financial transactions with the Group.

Financial reporting

The Chief Executive Officer and Chief Financial Officer have certified to the Board that the Company's financial reports are complete and present a true and fair view, in all material respects, of the financial condition and operational results of the Company and are in accordance with relevant accounting standards. The Board receives monthly reports from management on the financial and operational performance of the Group.

Board committees

The Board may delegate responsibility to committees to consider certain issues in further detail and then report back to and advise the Board.

Committees established by the Board have adopted charters setting out the authority, responsibilities, membership and operation of the committee.

There are currently three committees:

- Audit and Risk Committee
- Nomination Committee and
- Remuneration Committee

The Board charter is available on the FlexiGroup website.

Audit and Risk Committee

The role of the Committee is to assist the Board in carrying out its accounting, auditing and financial reporting responsibilities, including oversight of:

(a) the integrity of the Company's external financial reporting and financial statements

(b) the appointment, remuneration, independence and competence of the Company's external auditors

(c) the performance of the external audit function and review of its audits

(d) the effectiveness of the Company's system of risk management and internal controls, and

(e) the Company's systems and procedures for compliance with applicable legal and regulatory requirements.

The Audit and Risk Committee provides advice to the Board and reports on the status and management of the risks to the Company. The purpose of the Committee's risk management process is to ensure that risks are identified, assessed and appropriately managed.

The Board has adopted a policy regarding the services that the Company may obtain from its external auditor. It is the policy of the Company that its:

- external auditor firm must be independent of the Company, the Directors and Senior Executives. To ensure this, the Group will require a formal confirmation for independence from its external auditor on an annual basis, and
- external auditor may not provide services to the Company that are perceived to be materially in conflict with the role of the external auditor. Services which involve the external auditor acting in a managerial or decision-making capacity, or processing or originating transactions, are not appropriate. However, the external auditor may be permitted to provide additional services, which are not perceived to be materially in conflict with the role of the external auditor, if the Board or Audit and Risk Committee has approved those additional services or they fall within the terms of any approved policy. Such additional services may include financial audits, audits or reviews undertaken for regulatory purposes, completion audits, tax compliance, advice on accounting standards, and due diligence on certain acquisition or sale transactions.

The Committee must comprise at least three directors, all of whom must be Non-Executive Directors and a majority of whom must be independent. The Chairman of the Committee must be an independent Non-Executive Director who is not the Chairman of the Board.

The Committee will meet as often as is required to undertake its role effectively. The Chief Executive Officer and Chief Financial Officer are expected to attend each scheduled meeting of the Committee and a standing invitation will be issued to the external auditors. The Committee chairperson may also invite directors who are not members of the Committee, other senior managers and external advisors to attend meetings of the Committee. The Committee may request management and/or others to provide such input and advice as is required. The Committee will regularly report to the Board about Committee activities, issues and related recommendations.

The Audit and Risk Committee charter is available on the FlexiGroup website.

The Committee comprises R John Skippen (Chair), Margaret Jackson and Rajeev Dhawan.

Remuneration Committee
The role of the Remuneration Committee is to review and make recommendations to the Board on remuneration packages and polices related to the Directors, the Chief Executive Officer and Senior Executives and to ensure that the remuneration policies and practices are consistent with the Company's strategic goals and human resource objectives and comply with relevant legal requirements.

The Committee will consist of at least three members. The Company will endeavour to ensure that a majority of the members are independent, Non-Executive Directors.

The Committee will meet as often as is required to perform its functions.

The Remuneration Committee charter is available on the FlexiGroup website.

The Committee comprises Rajeev Dhawan (Chair), Margaret Jackson, R John Skippen and Andrew Abercrombie.

Nomination Committee
The Committee assists and advises the Board on:

(a) Director selection and appointment practices
(b) Director performance evaluation processes and criteria
(c) Board composition
(d) succession planning for the Board and senior management.

The Committee also ensures that the Board is of size and composition conducive to making decisions expediently, with the benefit of a variety of perspectives and skills, and in the best interests of the Company as a whole.

The Committee will consist of at least three members. The Company will endeavour to ensure that a majority of the Committee members are independent, Non-Executive Directors.

The Nomination Committee charter is available on the FlexiGroup website.

The Committee comprises Andrew Abercrombie (Chair), Margaret Jackson, R John Skippen and Rajeev Dhawan.

Code of Conduct

The Company has adopted a Code of Conduct. The Code of Conduct ("Code") sets out the ethical standards and rules of the Company and provides a framework for how the Company will operate its business in a manner that will protect its stakeholders.

The Code applies to all Directors, officers, employees, contractors, consultants and associates of the Company.

The Code specifically covers conflicts of interest, corporate opportunities and other benefits, confidentiality, privacy, fair dealing, discrimination, protection of and use of the Company's assets and property, compliance with laws and regulations, approach to disclosure and financial reporting, insider trading and whistleblower protection.

The Code of Conduct is available on the FlexiGroup website.

Communications with shareholders

The Company communicates to shareholders through the Company's annual reports, annual general meeting, half-year and full-year results and Company website. All announcements are made available on the website.

During periods of particular sensitivity, the Company's policy is to avoid any discussion with shareholders, media, analysts or other market operators for thirty days prior to the close of the half and full-year accounting periods to the time of the half and full-year profit announcements. This policy is subordinate to the ASX requirements of continuous disclosure.

Continuous disclosure

The Company Secretary has been nominated as the person responsible for communication with the Australian Securities Exchange ("ASX"). This role includes responsibility for ensuring compliance with the continuous disclosure requirements in the ASX Listing Rules and overseeing and co-ordinating information disclosure to the ASX, analysts, brokers, shareholders, the media and the public. All information disclosed to the ASX is posted on the Company's website as soon as it is disclosed to the ASX. When analysts are briefed following half-year and full-year results announcements, the material used in the presentations is released to the ASX prior to the commencement of the briefing. This information is also posted on the Company's website. The Company ensures that if any price sensitive information is inadvertently disclosed, this information is also immediately released to the market. The Company is committed to ensuring that all stakeholders and the market are provided with relevant and accurate information regarding its activities in a timely manner.

Directors and senior management dealings in Company securities

The Company's constitution permits Directors to acquire securities in the Company. However, the Board has adopted a Trading Policy that prohibits Directors, senior management and staff from dealing in the Company's securities at any time while in possession of price sensitive information which is not generally available to the marketplace.

The following approvals must also be obtained before a Director or designated person can deal in the Company's securities:

Person	Approval required from
Chairman	Chairman of the Audit and Risk Committee and Chief Executive Officer
Managing Director or Chief Executive Officer	Chairman
Directors (except Chairman)	Chairman
Chief Financial Officer or Company Secretary	Chief Executive Officer
Direct reports to Chief Executive Officer and other designated persons nominated by the Board	Chief Financial Officer

The share dealing policy also extends to dealing in a financial product which operates to limit the economic risk of a holding in the Company's securities. Dealing in those types of products is not permitted.

The granting of approval to deal in the Company's securities is co-ordinated by the Company Secretary who is also responsible for reporting all transactions by Directors, senior managers and designated persons to the Board.

In accordance with the provisions of the *Corporations Act 2001* and the Listing Rules of the ASX, the Company advises the ASX of any transaction conducted by Directors in securities in the Company.

The share trading policy is made available to employees through the Company's internal compliance and governance intranet sites and is also included in the offer of employment to new employees.

The trading policy is on the FlexiGroup website.

External Auditors

PricewaterhouseCoopers was appointed as the external auditor in 2005. It is PricewaterhouseCoopers' policy to rotate audit engagement partners on listed companies at least every five years. The performance of the external auditor is reviewed annually. An analysis of fees paid to the external auditor, including a break-down of fees for the non-audit services, is provided in the notes to the full financial report. It is the policy of the external auditor to provide an annual declaration of independence to the Audit and Risk Committee. The external auditor is required to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the audit report.

Loans to Directors and Executives

Directors of FlexiGroup Limited or the specified executives of the consolidated entity, including their personally related entities, who had loans with the Company during the year are detailed in note 28 of the financial statements.

Indemnification

The constitution of the Company provides an indemnity (to the maximum extent permitted by law) in favour of current and past Directors, Company Secretaries, and all other past and present executive officers when acting in their capacities in respect of:

(a) all liabilities to another person (other than the Company or related entities) if the relevant officers have acted in good faith, and

(b) the costs and expenses of successfully defending legal proceedings.

Under Deeds of Access and Indemnity, the Company has agreed to indemnify each current Director and each Company Secretary for all liabilities that may arise as a result of the Directors or Company secretary acting in that capacity to the full extent permitted by law. The deed stipulates that the Company will meet the full amount of any such liabilities including legal costs.

Annual Financial Report

30 June 2008

This financial report covers both FlexiGroup Limited as an individual entity and the consolidated entity consisting of FlexiGroup Limited and its subsidiaries. The financial report is 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 entity's operations and its principal activities is included in the review of operations and activities in the Directors' Report on page 18, both of which are not part of this financial report.

The financial report was authorised for issue by the Directors on 25 August 2008. The Company has the power to amend and reissue the financial report.

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 reports and other information are available at Investor Information on our website: www.f exigroup.com.au.

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Income Statements

For the year ended 30 June 2008

	Notes	Consolidated 2008 $'000	Consolidated 2007 $'000	Parent entity 2008 $'000	Parent entity 2007 $'000
Revenue from continuing operations	4	**166,780**	140,260	**23,924**	31
Borrowing costs		**(44,844)**	(38,459)	**–**	–
Employee benefits expense		**(31,682)**	(27,311)	**–**	–
Impairment losses on loans and receivables	5	**(21,910)**	(12,919)	**–**	–
Impairment of investment in subsidiary	17	**–**	–	**(294,198)**	–
Administration expenses		**(9,290)**	(8,972)	**–**	–
Share-based payments expense		**(2,155)**	(6,226)	**–**	(4,923)
Depreciation and amortisation expenses	5	**(3,164)**	(3,285)	**–**	–
Communications and MIS expenses		**(2,379)**	(2,218)	**–**	–
Marketing and travel expenses		**(4,082)**	(3,968)	**–**	–
Profit before income tax		**47,274**	36,902	**(270,274)**	(4,892)
Income tax expense	6	**(15,018)**	(13,473)	**–**	(9)
Profit for the year	26(b)	**32,256**	23,429	**(270,274)**	(4,901)

	Notes	Cents	Cents	Cents	Cents
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the Company:					
Basic earnings per share	36	**14.8**	17.4	**–**	–
Diluted earnings per share	36	**14.8**	16.4	**–**	–

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

Balance Sheets

As at 30 June 2008

	Notes	Consolidated 2008 $'000	Consolidated 2007 $'000	Parent entity 2008 $'000	Parent entity 2007 $'000
Assets					
Current assets					
Cash and cash equivalents	7	**59,426**	56,677	**–**	–
Receivables	8	**228,512**	228,632	**12,551**	8,677
Customer loans	9	**10,324**	6,424	**–**	–
Rental equipment	10	**2,891**	2,966	**–**	–
Total current assets		**301,153**	294,699	**12,551**	8,677
Non-current assets					
Receivables	11	**219,408**	234,210	**–**	–
Customer loans	12	**47,453**	31,586	**–**	–
Plant and equipment	13	**3,880**	3,325	**–**	–
Deferred tax assets	14	**6,183**	6,100	**1,521**	2,028
Goodwill	15	**50,159**	50,159	**–**	–
Other intangible assets	16	**8,053**	5,446	**–**	–
Other financial assets	17	**–**	–	**135,000**	429,198
Total non-current assets		**335,136**	330,826	**136,521**	431,226
Total assets		**636,289**	625,525	**149,072**	439,903
Liabilities					
Current liabilities					
Payables	18	**25,512**	19,498	**–**	–
Borrowings	19	**209,788**	218,498	**–**	–
Current tax liability	20	**8,194**	9,325	**6,694**	8,179
Provisions	21	**667**	554	**–**	–
Total current liabilities		**244,161**	247,875	**6,694**	8,179
Non-current liabilities					
Borrowings	22	**268,521**	269,173	**–**	–
Deferred tax liabilities	23	**24,630**	24,335	**–**	–
Provisions	24	**332**	269	**–**	–
Total non-current liabilities		**293,483**	293,777	**–**	–
Total liabilities		**537,644**	541,652	**6,694**	8,179
Net assets		**98,645**	83,873	**142,378**	431,724
Equity					
Contributed equity	25	**34,272**	29,422	**440,172**	435,322
Reserves	26(a)	**(3,624)**	(5,212)	**1,303**	1,303
Retained profits	26(b)	**67,997**	59,663	**(299,097)**	(4,901)
Total equity		**98,645**	83,873	**142,378**	431,724

The above balance sheets should be read in conjunction with the accompanying notes.

Statement of Changes in Equity

For the year ended 30 June 2008

		Consolidated		Parent entity	
	Notes	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Total equity at the beginning of the financial year		**83,873**	57,640	**431,724**	–
Exchange differences on translation of foreign operation		**(567)**	544	**–**	–
Net income recognised directly in equity	26(a)	**(567)**	544	**–**	–
Profit/(loss) for the year		**32,256**	23,429	**(270,274)**	(4,901)
Total recognised income and expense for the year		**31,689**	23,973	**(270,274)**	(4,901)
Transactions with equity holders in their capacity as equity holders:					
Contributions of equity, net of transaction costs		**4,850**	8,457	**4,850**	435,322
Dividends provided for or paid		**(23,922)**	–	**(23,922)**	–
Movement in share-based payments reserve	26(a)	**2,155**	(6,197)	**–**	1,303
		(16,917)	2,260	**(19,072)**	436,625
Total equity at the end of the financial year		**98,645**	83,873	**142,378**	431,724

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

Cash Flow Statements

For the year ended 30 June 2008

	Notes	Consolidated 2008 $'000	Consolidated 2007 $'000	Parent entity 2008 $'000	Parent entity 2007 $'000
Cash flows from operating activities					
Lease rentals received		**396,546**	389,666	**–**	–
Customer loan repayments received		**19,570**	5,610	**–**	–
Bank interest received		**5,525**	4,348	**–**	–
Other portfolio income and rental asset disposal proceeds		**61,144**	46,934	**–**	–
Payment to suppliers and employees		**(352,833)**	(392,472)	**–**	–
Customer loans advanced		**(41,246)**	(36,503)	**–**	8,744
Borrowing costs		**(44,844)**	(38,459)	**–**	–
Net increase in borrowings		**18,550**	72,558	**–**	–
Loss reserve payments		**(17,804)**	(11,519)	**–**	–
Dividend received		**–**	–	**23,924**	–
Taxation paid		**(15,847)**	(10,265)	**(978)**	(2,571)
Net cash inflow provided from operating activities	**30**	**28,761**	29,898	**22,946**	6,173
Cash flows from investing activities					
Payments for purchase of software and plant and equipment		**(6,350)**	(3,523)	**–**	–
Proceeds from disposals of plant and equipment		**45**	123	**–**	–
Proceeds of loans by related parties		**–**	500	**(3,874)**	–
Loans to shareholder related entities		**–**	–	**–**	(266,287)
Net cash (outflow) from investing activities		**(6,305)**	(2,900)	**(3,874)**	(266,287)
Cash flows from financing activities					
Dividend paid		**(19,072)**	–	**(19,072)**	–
Share capital raised		**–**	–	**–**	260,114
Share-based payments paid	**26(a)**	**–**	(7,500)	**–**	–
Net cash (outflow) from financing activities		**(19,072)**	(7,500)	**(19,072)**	260,114
Net increase in cash and cash equivalents		**3,384**	19,498	**–**	–
Cash and cash equivalents at the beginning of the financial year		**56,677**	36,880	**–**	–
Effects of exchange rate changes on cash and cash equivalents		**(635)**	299	**–**	–
Cash and cash equivalents at end of year	**7**	**59,426**	56,677	**–**	–
Financing arrangements	**22**				

The above cash f ow statements should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

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1. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report includes separate financial statements for FlexiGroup Limited as an individual entity and the consolidated entity consisting of FlexiGroup Limited and its subsidiaries.

The following is a summary of the material accounting policies adopted by the consolidated entity in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

a. Basis of preparation

This general purpose financial report has been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS), other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group (UIG) interpretations and the *Corporations Act 2001*.

Compliance with IFRS
Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the consolidated financial statements and notes of FlexiGroup Limited comply with International Financial Reporting Standards (IFRS).

Historical cost convention
These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and liabilities (including derivative instruments) at fair value through profit or loss, certain classes of property plant and equipment and investment property.

Critical accounting estimates
The preparation of financial statements in conformity with AIFRS 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 of complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2.

b. Principles of consolidation

Subsidiaries
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of FlexiGroup Limited ("Company" or "parent entity") as at 30 June 2008 and the results of all the subsidiaries for the year then ended. FlexiGroup Limited and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

Subsidiaries are all those entities (including special purpose entities) over which the Group has the power to govern the financial and operational policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group.

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.

c. Segment reporting

The Group operates predominately in one business segment (financial services) and one geographical segment (Australasia).

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 at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when they are deferred in equity as qualifying cash f ow hedges and qualifying net investment hedges or are attributable to part of the net investments in foreign operations.

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation differences on non-monetary financial 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. Translation differences

1. Summary of significant accounting policies (continued)

on non-monetary financial assets such as equities classified as available-for-sale financial assets are included in the fair value reserve in equity.

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 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 as a separate component of equity.

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 taken to shareholders' equity. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, a proportionate share of such exchange differences are recognised in the income statement, as part of the gain or loss on sale where applicable.

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

e. Revenue recognition
Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and amounts collected on behalf of third parties. Revenue is recognised for the major business activities as follows:

i. Lease finance interest revenue
Lease finance interest revenue 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 accrual basis. Proceeds from the sale of rental assets are recognised upon disposal of the relevant assets.

ii. Interest income and expense
Interest income on loans and cash balances 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 (for example, prepayment options) but does not consider future credit losses.

iii. Other 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.

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.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting or taxable profit or loss.

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 tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

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

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

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

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the Group. Details about the tax funding agreement are disclosed in note 6. 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. 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.

h. 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 a Personal or Business Loan.

i. Allowance for losses
The collectability of lease and loan receivables is assessed on an ongoing basis. A provision is made for losses based on historical roll rates of arrears and the current delinquency position of the portfolio.

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

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases (note 29). 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.

k. Cash and cash equivalents
For cash f ow statement presentation purposes, 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 and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

l. 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 each report date.

1. Summary of significant accounting policies (continued)

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.

The Group had no assets in this category at 30 June 2008.

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 (notes 8, 9, 11 and 12).

iii. Held-to-maturity investments
Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity.

The Group had no assets in this category at 30 June 2008.

iv. Available-for-sale financial assets
Available-for-sale financial assets 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 management intends to dispose of the investment within 12 months of the balance sheet date.

The Group had no assets in this category at 30 June 2008.

Regular purchases and sales of investments are recognised on trade-date (the date on which the Group commits to purchase or sell the asset). Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash f ows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Available-for-sale financial assets and financial assets at fair value through profit and loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Gains or losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category, including interest and dividend income, are presented in the income statement within other income or other expenses in the period in which they arise.

Changes in fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences are recognised in profit or loss and other changes in carrying amount are recognised in equity. Changes in the fair value of other monetary and non-monetary securities classified as available-for-sale are recognised in equity. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as gains and losses from investment securities.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash f ow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The Group assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered in determining whether the security is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit and loss) is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments classified as available-for-sale are not reversed through the income statement.

m. Rental equipment
Rental equipment is carried at the lower of cost and net realisable value and comprises returned rental equipment and items remaining on rental after the end of the contractual rental period.

n. 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 f ow 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 f ow to the Group and the cost of the item can be measured reliably. 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 great 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.

o. 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 on acquisitions of subsidiaries is included in intangible assets. 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.

ii. Software development

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, which is assessed at 2.5 to 5 years.

iii. Contractual payments for access rights

Payments to dealers or dealer groups that result in the group acquiring a preference to supply services are capitalised as intangible assets, and amortisation commences from the start of the supply service period. The carrying value is tested for impairment annually or more frequently if events or changes in circumstances indicate it might be impaired.

p. 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 reviewed 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 inf ows which are largely independent of the cash inf ows 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 each reporting date.

q. Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

r. 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.

1. Summary of significant accounting policies (continued)

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.

s. Borrowing costs

Borrowing costs are expensed.

t. Provisions

Provisions for legal claims are recognised when the Group has a present legal or constructive obligation as a result of past events if 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.

u. Employee benefits

i. Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating vesting sick leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

ii. Long service leave

The liability for long service leave 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 reporting date 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 reporting date on national government bonds with terms to maturity and currency that match as closely as possible the estimated future cash outflows.

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 37.

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.

v. 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.

If the entity reacquires its own equity instruments, e.g. as the result of a share buy-back, those instruments are deducted from equity and the associated shares are cancelled. No gain or loss is recognised in the profit or loss and the consideration paid including any directly attributable incremental costs (net of income taxes) is recognised directly in equity.

w. 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.

x. 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.

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 shares assumed to have been used for no consideration in relation to dilutive potential ordinary shares.

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

In the balance sheets receivables and payables are stated inclusive of the amount of GST receivable or payable, with the exception of lease receivables, which are shown net of GST on the rentals not yet due. 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 f ows are presented on a gross basis. The GST components of cash f ows arising from investing or financing activities which are recoverable from, or payable to, the taxation authority are presented as operating cash f ows.

z. 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 report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars.

aa. New accounting standards and UIG interpretations
Certain new accounting standards and UIG interpretations have been published that are not mandatory for 30 June 2008 reporting periods. The Group and the parent entity's assessment of the impact of these new standards and interpretations is set out below.

AASB-I 11 AASB 2 – Group and Treasury Share Transactions and AASB 2007-1 Amendments to Australian Accounting Standards arising from AASB Interpretation 11
AASB-I 11 and AASB 2007-1 are effective for annual reporting periods commencing on or after 1 March 2007. AASB-I 11 addresses whether certain types of share-based payment transactions should be accounted for as equity-settled or as cash settled transactions and specifies the accounting in a subsidiary's financial statements for share-based payment arrangements involving equity instruments of the parent. The Group will apply AASB-I 11 from 1 July 2008, but it is not expected to have any impact on the Group's financial statements.

AASB 8 Operating Segments and AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8
AASB 8 and AASB 2007-3 are effective for annual reporting periods commencing on or after 1 January 2009. AASB 8 will result in a significant change in the approach to segment reporting, as it requires adoption of a "management approach" to reporting on the financial performance. The information being reported will be based on what the key decision-makers use internally for evaluating segment performance and deciding how to allocate resources to operating segments. The Group has not yet decided when to adopt AASB 8. Application of AASB 8 may result in different segments, segment results and different types of information being reported in the segment note of the financial report. However, it will not affect any of the amounts recognised in the financial statements.

Revised AASB 101 Presentation of Financial Statements and AASB 2007-8 Amendments to Australian Accounting Standards arising from AASB 101
The revised AASB 101 that was issued in September 2007 is applicable for annual reporting periods beginning on or after 1 January 2009. It requires the presentation of a statement of comprehensive income and makes changes to the statement of changes in equity but will not affect any of the amounts recognised in the financial statements. If an entity has made a prior period adjustment or a reclassification of items in the financial statements, it will also need to disclose a third balance sheet (statement of financial position), this one being as at the beginning of the comparative period.

AASB 2008-1 Amendments to Australian Accounting Standard – Share-based Payments: Vesting Conditions and Cancellations
AASB 2008-1 was issued in February 2008 and will become applicable for annual reporting periods beginning on or after 1 January 2009. The revised standard clarifies that vesting conditions are service conditions and performance conditions only and that other features of a share-based payment are not vesting conditions. It also specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The Group will apply the revised standard from 1 July 2009, but it is not expected to affect the accounting for the Group's share-based payments.

Revised AASB 3 Business Combinations, AASB 127 Consolidated and Separate Financial Statements and AASB 2008-3 Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127
Revised accounting standards for business combinations and consolidated financial statements were issued in March 2008 and are operative for annual reporting periods beginning on or after 1 July 2009, but may be applied earlier. The Group has not yet decided when it will apply the revised standards. However, the new rules generally apply only prospectively to transactions that occur after the application date of the standard.

1. Summary of significant accounting policies (continued)

Their impact will therefore depend on whether the Group enters into any business combinations or other transactions that affect the level of ownership held in the controlled entities in the year of initial application. For example, under the new rules:

- all payments (including contingent consideration) to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments subsequently remeasured at fair value through income
- all transaction costs will be expensed
- the Group will need to decide whether to continue calculating goodwill based only on the parent's share of net assets or whether to recognise goodwill also in relation to the non-controlling (minority) interest, and
- when control is lost, any continuing ownership interest in the entity will be remeasured to fair value and a gain or loss recognised in profit or loss.

Amendments to IFRS 1 and IAS 27 Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
In May 2008, the IASB made amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards and IAS 27 Consolidated and Separate Financial Statements. The new rules will apply to financial reporting periods commencing on or after 1 January 2009. Amendments to the corresponding Australian Accounting Standards are expected to be issued shortly. The Group will apply the revised rules prospectively from 1 July 2008. After that date, all dividends received from investments in subsidiaries, jointly controlled entities or associates will be recognised as revenue, even if they are paid out of pre-acquisition profits, but the investments may need to be tested for impairment as a result of the dividend payment. Furthermore, when a new intermediate parent entity is created in internal reorganisations it will measure its investment in subsidiaries at the carrying amounts of the net assets of the subsidiary rather than the subsidiary's fair value.

Improvements to IFRS
In May 2008, the IASB issued a number of improvements to existing International Financial Reporting Standards. The amendments will generally apply to financial reporting periods commencing on or after 1 January 2009, except for some changes to IFRS 5 Non-current Assets Held for Sale and Discontinued Operations regarding the sale of the controlling interest in a subsidiary which will apply from 1 July 2009. Subject to approval of a similar standard by the AASB, the Group will apply the revised standards from 1 July 2008.

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.

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

iii. Resetting of the Group's tax cost base
As a result of the creation of a new tax consolidation Group on 11 December 2006 following the acquisition of Flexirent Holdings Pty Limited by FlexiGroup Subco Pty Limited, the Group is required to reset for taxation purposes the tax cost base of each of its assets. In order to complete this task, the Group is in the process of obtaining formal valuation of each asset, as well as tax advice on the process for resetting the tax cost base. It is possible that the Group will also seek a private ruling from the Australian Taxation Office before resetting its tax cost base.

At this time it is not possible to quantify the impact of resetting the tax base; however, based on information currently available to the Directors, it is unlikely that a loss will arise, and it is possible that a one-off gain will arise for the Group. Any adjustment arising from the impact of resetting the tax cost base will be recognised when the Directors are satisfied that the adjustment is probable.

iv. Assessment of impairment of goodwill and investment 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. Such an assessment was required in the current year for the parent entity with respect to its investments in subsidiaries. Details of the basis of performance of the assessment is set out in notes 15 and 17 respectively.

3. Segment information

The Group operates predominately in one business segment (financial services) and one geographical segment (Australasia).

4. Revenue

	Consolidated		Parent entity	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
From continuing operations				
Gross interest and finance lease income	**135,184**	126,207	**–**	–
Amortisation of initial direct transaction costs (note 1(g)(ii))	**(25,287)**	(26,505)	**–**	–
Interest on leases and loan receivables	**109,897**	99,702	**–**	–
Other portfolio income	**49,843**	35,643	**–**	–
Other revenue				
Interest income – Banks	**5,525**	4,348	**–**	31
Dividend income	**–**	–	**23,924**	–
Sundry income	**1,515**	567	**–**	–
	166,780	140,260	**23,924**	31

5. Expenses

	Consolidated		Parent entity	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Profit before income tax includes the following specific expenses:				
Depreciation				
– Plant and Equipment	**979**	1,007	**–**	–
Amortisation				
– Software	**2,185**	2,278	**–**	–
Total depreciation and amortisation expenses	**3,164**	3,285	**–**	–
Bad debts written off	**20,525**	12,026	**–**	–
Movement in allowance for losses	**1,385**	893	**–**	–
Losses on loans and receivables	**21,910**	12,919	**–**	–

6. Income tax expense

	Consolidated		Parent entity	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
(a) Income tax expense				
Current tax	**14,806**	10,505	**(507)**	(496)
Deferred tax	**212**	2,968	**507**	505
	15,018	13,473	**–**	9
Income tax expense is attributable to:				
Profit from continuing operations	**15,018**	13,473	**–**	9
Aggregate income tax expense	**15,018**	13,473	**–**	9
Deferred income tax (revenue) expense included in income tax expense comprises:				
Decrease (increase) in deferred tax assets (note 14)	**(83)**	363	**507**	505
(Decrease) increase in deferred tax liabilities (note 23)	**295**	2,605	**–**	–
	212	2,968	**507**	505
(b) Numerical reconciliation of income tax expense to prima facie tax payable				
Profit from continuing operations before income tax	**47,274**	36,902	**(270,274)**	(4,892)
Tax at the Australian tax rate of 30% (2007: 30%)	**14,182**	11,071	**(81,082)**	(1,468)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:				
Share-based payments	**647**	1,868	**–**	1,477
Non-taxable intergroup dividends	**–**	–	**(7,177)**	–
Impairment of investment in subsidiaries	**–**	–	**88,259**	–
Sundry items	**104**	534	**–**	–
	14,933	13,473	**–**	9
Difference in overseas tax rates	**85**	–	**–**	–
	15,018	13,473	**–**	9

(c) Tax consolidation legislation

FlexiGroup Limited and its wholly owned Australian controlled entities implemented the tax consolidation legislation from December 2006. Previously Flexirent Holdings Pty Limited was the head entity of the tax consolidated group. 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 are 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 (note 8).

7. Cash and cash equivalents

	Consolidated		Parent entity	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Cash at bank and on hand	**59,426**	56,677	**–**	–
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 f ows, as follows:				
Balances as above	**59,426**	56,677	**–**	–
Balances per statement of cash f ows	**59,426**	56,677	**–**	–

The weighted average interest rate on this balance is 7.00% (2007: 6.06%).

Included in cash at bank are amounts of $13.2million (2007: $9.4million) which are held as part of the Group's funding arrangements and are not available to the Group.

8. Current assets – Receivables

	Consolidated		Parent entity	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Lease receivables				
Gross rental receivables	**312,263**	308,392	**–**	–
Guaranteed residuals	**640**	614	**–**	–
Unguaranteed residuals	**9,290**	8,946	**–**	–
Unearned income	**(112,223)**	(111,767)	**–**	–
Unamortised initial direct transaction costs	**21,238**	20,761	**–**	–
Net lease receivables	**231,208**	226,946	**–**	
Allowance for losses	**(3,627)**	(3,680)	**–**	–
	227,581	223,266	**–**	–
Other debtors	**931**	5,366	**–**	–
Inter company receivables	**–**	–	**12,551**	8,677
	228,512	228,632	**12,551**	8,677

9. Current assets – Customer loans

	Consolidated		Parent entity	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Loan receivables	**10,719**	6,529	**–**	–
Allowance for losses	**(395)**	(105)	**–**	–
	10,324	6,424	**–**	–

10. Current assets – Rental equipment

	Consolidated		Parent entity	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Returned rental equipment	**79**	80	**–**	–
Extended rental assets	**2,812**	2,886	**–**	–
	2,891	2,966	**–**	–

11. Non-current assets – Receivables

	Consolidated		Parent entity	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Lease receivables				
Gross rental receivables	**264,920**	277,871	**–**	–
Guaranteed residuals	**1,567**	1,672	**–**	–
Unguaranteed residuals	**11,341**	17,912	**–**	–
Unearned income	**(65,944)**	(70,449)	**–**	–
Unamortised initial direct transaction costs	**11,173**	11,087	**–**	–
	223,057	238,093	**–**	–
Allowance for losses	**(3,649)**	(3,883)	**–**	–
	219,408	234,210	**–**	–

12. Non-current assets – Customer loans

	Consolidated		Parent entity	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Loan receivables	**49,352**	32,101	**–**	–
Allowance for losses	**(1,899)**	(515)	**–**	–
	47,453	31,586	**–**	–

(a) Fair values

The fair values and carrying values of non-current receivables and loans of the Group approximate the carrying amount stated above based on the implicit rates in the underlying contracts.

(b) Credit risk

The Group's exposure to credit risk is set out in note 38.

13. Non-current assets – Plant and equipment

	Consolidated $'000	Parent entity $'000
Plant and equipment		
Year ended 30 June 2007		
Opening net book amount	3,599	–
Exchange differences	(16)	
Additions	857	–
Disposals	(108)	–
Depreciation charge	(1,007)	–
Closing book amount	3,325	–
At 30 June 2007		
Cost	7,233	–
Accumulated depreciation	(3,908)	–
Net book amount	3,325	–
Year ended 30 June 2008		
Opening net book amount	**3,325**	**–**
Exchange differences	**(4)**	**–**
Additions	**1,570**	**–**
Disposals	**(32)**	**–**
Depreciation charge	**(979)**	**–**
Closing net book amount	**3,880**	**–**
At 30 June 2008		
Cost	**8,752**	**–**
Accumulated depreciation	**(4,872)**	**–**
Net book amount	**3,880**	**–**

14. Non-current assets – Deferred tax assets

	Consolidated		Parent entity	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
The balance comprises temporary differences attributable to:				
Amounts recognised in profit or loss				
Doubtful debts	**2,583**	2,133	**–**	–
Employee entitlements	**1,418**	1,332	**–**	–
Provisions	**661**	607	**–**	–
IPO expenses	**1,521**	2,028	**1,521**	2,028
Total deferred tax assets	**6,183**	6,100	**1,521**	2,028
Movements:				
Opening balance at 1 July	**6,100**	3,930	**2,028**	–
Credited/(charged) to the income statement	**83**	(363)	**(507)**	(505)
IPO expenses credited directly to equity	**–**	2,533	**–**	2,533
Closing balance at 30 June	**6,183**	6,100	**1,521**	2,028
Deferred tax assets to be recovered within 12 months	**2,486**	2,996	**507**	507
Deferred tax assets to be recovered after more than 12 months	**3,697**	3,104	**1,014**	1,521
	6,183	6,100	**1,521**	2,028

15. Non-current assets – Goodwill

	Consolidated		Parent entity	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Intangibles				
Goodwill at 1 July	**50,159**	50,159	**–**	–
Balance at 30 June	**50,159**	50,159	**–**	–

The Group is required to test the balance of goodwill annually for impairment. Impairment would arise if the recoverable amount of the goodwill were lower than its carrying amount. The recoverable amount of the goodwill for this purpose is the higher of its value in use or its fair value. Currently the Group performs this assessment based on fair value calculations. The Group refers to the share price of the company as traded on the Australian Securities Exchange to assess the fair value calculation. Based on recent trading in the Group's shares, no impairment arises. If the share price of the company were to trade consistently below 44 cents for a period, the company would be required to consider performing a value in use calculation to determine if an impairment arose.

16. Non-current assets – Intangible assets

	Consolidated		Parent entity	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Software				
Balance at 1 July	**4,446**	4,084	**–**	–
Additions	**4,792**	2,666	**–**	–
Exchange differences	**–**	(26)	**–**	–
Amortisation charge	**(2,185)**	(2,278)	**–**	–
Balance at 30 June	**7,053**	4,446	**–**	–
Access rights				
Balance at 1 July (note 1(o)(iii))	**1,000**	–	**–**	–
Additions	**–**	1,000	**–**	–
Balance at 30 June	**1,000**	1,000	**–**	–
	8,053	5,446	**–**	–

17. Non-current assets – Other financial assets

	Consolidated		Parent entity	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Investment in subsidiary (note 32)	**–**	–	**429,198**	429,198
Impairment charge	**–**	–	**(294,198)**	–
Closing net book amount	**–**	–	**135,000**	429,198

As a result of the decline in the share price of the Group over the course of the year, the Directors concluded that an indicator of impairment had occurred for the parent entity's investment in subsidiaries. In accordance with the accounting standards, the Company performed an impairment assessment of the investment in subsidiaries. Arising from that assessment, an impairment loss of $294,198,000 was recognised in the current period. This impairment loss has no impact on the consolidated result.

The recoverable amount of the investment in subsidiaries was determined as the value in use of the subsidiaries to the Group which was assessed to be the higher of the fair value of the asset and its value in use. The value in use calculation used cash f ow projections for 2009 and beyond this period extrapolated these cash f ows using an estimated growth rate of 3%. The valuation has been performed using a discount rate of between 16.5% and 18.5%.

18. Current liabilities – Payables

	Consolidated		Parent entity	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Trade payables	**10,570**	2,962	**–**	–
Other payables	**14,942**	16,536	**–**	–
	25,512	19,498	**–**	–

19. Current liabilities – Borrowings

	Consolidated		Parent entity	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Secured				
Loan advances – Secured	**235,140**	238,382	**–**	–
Total secured current borrowings	**235,140**	238,382	**–**	–
Loss reserve	**(25,352)**	(19,884)	**–**	–
Total current borrowings	**209,788**	218,498	**–**	–

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.

20. Current liabilities – Current tax liabilities

	Consolidated		Parent entity	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Income tax	**8,194**	9,325	**6,694**	8,179

21. Current liabilities – Provisions

	Consolidated		Parent entity	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Protect plan provision				
Carrying amount at beginning of the year	**554**	490	**–**	–
Provisions made during the year	**113**	64	**–**	–
Carrying amount at end of the year	**667**	554	**–**	–

For a description of the nature of the provision, refer to note 1(e)(iii).

22. Non-current liabilities – Borrowings

	Consolidated 2008 $'000	Consolidated 2007 $'000	Parent entity 2008 $'000	Parent entity 2007 $'000
Secured				
Loan advances – secured	**286,042**	285,449	**–**	–
Total secured non-current borrowings	**286,042**	285,449	**–**	–
Loss reserve	**(17,521)**	(16,276)	**–**	–
Total non-current borrowings	**268,521**	269,173	**–**	–

Refer to note 19 for detail on assets pledged as security.

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

	Consolidated 2008 $'000	Consolidated 2007 $'000	Parent entity 2008 $'000	Parent entity 2007 $'000
Total loan facilities available	**689,177**	795,476	**–**	–
Loan facilities used at balance date	**(521,182)**	(523,831)	**–**	–
Loan facilities unused at balance date*	**167,995**	271,645	**–**	–

* Subsequent to balance date the Group secured an additional $100million facility in relation to the Company's agreement to acquire the business and selected assets of Certegy Australia Limited. At 25 August 2008 this facility was unused.

Borrowings (current and non-current) maturity analysis

2008	Loan advances $'000	Loss reserve $'000	Net borrowings $'000
Floating rate	53,277	–	53,277
Fixed rate			
1 year or less	215,543	(25,352)	190,191
Over 1 to 2 years	146,896	(12,968)	133,928
Over 2 to 3 years	100,913	(3,886)	97,027
Over 3 to 4 years	4,102	(608)	3,494
Over 4 to 5 years	451	(59)	392
Total	521,182	(42,873)	478,309

2007	Loan advances $'000	Loss reserve $'000	Net borrowings $'000
Floating rate	33,712	–	33,712
Fixed rate			
1 year or less	216,810	(19,884)	196,926
Over 1 to 2 years	170,585	(10,159)	160,426
Over 2 to 3 years	95,724	(5,700)	90,024
Over 3 to 4 years	6,189	(369)	5,820
Over 4 to 5 years	811	(48)	763
Total	523,831	(36,160)	487,671

23. Non-current liabilities – Deferred tax liabilities

	Consolidated 2008 $'000	Consolidated 2007 $'000	Parent entity 2008 $'000	Parent entity 2007 $'000
The balance comprises temporary differences attributable to:				
Amounts recognised in profit or loss				
Difference between lease principal to be returned as assessable income and depreciation on leased assets to be claimed as a tax deduction	**15,722**	15,771	**–**	–
Initial direct transaction costs	**8,908**	8,564	**–**	–
	24,630	24,335	**–**	–
Movements:				
Opening balance at 1 July	**24,335**	21,730	**–**	–
Credited/(charged) to the income statement	**295**	2,605	**–**	–
Closing balance 30 June	**24,630**	24,335	**–**	–
Deferred tax liabilities	**24,630**	24,335	**–**	–
Deferred tax liabilities to be settled within 12 months	**12,322**	14,695	**–**	–
Deferred tax liabilities to be settled after more than 12 months	**12,308**	9.640	**–**	–
	24,630	24,335	**–**	–

24. Non-current liabilities – Provisions

	Consolidated 2008 $'000	Consolidated 2007 $'000	Parent entity 2008 $'000	Parent entity 2007 $'000
Employee benefits – long service leave	**332**	269	**–**	–

25. Contributed equity

(a) Share capital

	Parent entity 2008 shares	Parent entity 2007 shares
Ordinary shares – fully paid	**225,467,325**	217,482,000

(b) Movement in ordinary share capital

	Number of shares	Consolidated entity $'000	Parent entity $'000
1 July 2006	–	20,965	–
14 November 2006 – Issues of shares in FlexiGroup Limited at $1 per share	–	–	–*
12 December 2006 – Issues of shares in FlexiGroup Limited at $2 per share	217,482,000	8,100	434,964
	–	29,065	434,964
Less: Transaction costs arising on share issue	–	(8,449)	(8,449)
Deferred tax credit recognised directly in equity	–	2,534	2,534
	–	23,150	429,050
Other equity contributions			
Other equity contributed by previous shareholders	–	6,272	6,272
30 June 2007 balance	**–**	**29,422**	**435,322**
16 May 2008 – Dividend reinvestment plan issues at $0.607425	7,985,325	4,850	4,850
30 June 2008 balance	**225,467,325**	**34,272**	**440,172**

* Amount less than $1,000.

(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 person, or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

(d) Options and performance rights

Information relating to the FlexiGroup Employee Option and Performance Rights Plan, including details of options and performance rights issued, 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 37.

(e) Capital risk management

The Group's and parent entity's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they 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 and parent entity monitor 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 or disposal of assets.

26. Reserves and retained profits

	Consolidated 2008 $'000	Consolidated 2007 $'000	Parent entity 2008 $'000	Parent entity 2007 $'000
(a) Reserves				
Share-based payment reserve (note 1(u)(iv))	**(3,242)**	(5,397)	**1,303**	1,303
Foreign currency translation reserve (note 1(d)(ii))	**(382)**	185	**–**	–
	(3,624)	(5,212)	**1,303**	1,303
Movements:				
Share-based payments reserve				
Balance at 1 July	**(5,397)**	800	**1,303**	–
Incentive plan and pre IPO options paid during the year	**–**	(7,500)	**–**	–
Share-based payments expense for the year	**2,155**	1,303	**–**	1,303
Movement for the year	**2,155**	(6,197)	**–**	1,303
Balance at 30 June	**(3,242)**	(5,397)	**1,303**	1,303
Movements:				
Foreign currency translation reserve				
Balance at 1 July	**185**	(359)	**–**	–
Currency translation differences arising during the year	**(567)**	544	**–**	–
Balance at 30 June	**(382)**	185	**–**	–

(b) Retained profits

Movements in retained profits were as follows:

	Consolidated 2008 $'000	Consolidated 2007 $'000	Parent entity 2008 $'000	Parent entity 2007 $'000
Balance at 1 July	**59,663**	36,234	**(4,901)**	–
Net profit/(loss) for the year	**32,256**	23,429	**(270,274)**	(4,901)
Dividends	**(23,922)**	–	**(23,922)**	–
Balance at 30 June	**67,997**	59,663	**(299,097)**	(4,901)

(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.

27. Dividends

(a) Ordinary shares

	Parent entity 2008 $'000	Parent entity 2007 $'000
Final dividend for the year ended 30 June 2007 of 5.5 cents (2006: Nil) per fully paid share paid on 24 October 2007 (2006: Nil)		
Fully franked based on tax paid @ 30% – 5.5 cents (2006: Nil) per share	**11,961**	–
Interim dividend for the year ended 30 June 2008 of 5.5 cents (2007: Nil) per fully paid share paid 16 May 2008 (2007: Nil)		
Fully franked based on tax paid @ 30% – 5.5 cents (2007: Nil) per share	**11,961**	–

(b) Franked dividends

	Consolidated 2008 $'000	Consolidated 2007 $'000	Parent entity 2008 $'000	Parent entity 2007 $'000
Franking credits available for subsequent financial years based on a tax rate of 30% (2007: 30%)	**20,714**	18,295	**20,714**	18,295

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:

(a) franking credits that will arise from the payment of the amount of the provision for income tax

(b) franking debits that will arise from the payment of dividends recognised as liability at the reporting date, and

(c) franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

The consolidated amounts include franking credits that would be available to the parent entity if distributable profits of subsidiaries were paid as dividends.

28. Key Management Personnel disclosures

a. Directors

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

M Jackson	(Chairman – Non-Executive)
J DeLano	(Executive Director)
A Abercrombie	(Non-Executive Director)
R J Skippen	(Non-Executive Director)
R Dhawan	(Non-Executive Director)

b. Other Key Management Personnel

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

J DeLano	Chief Executive Officer	Flexirent Capital Pty Ltd
P McMahon	Chief Financial Officer	Flexirent Capital Pty Ltd
N Roberts	Head of National Sales	Flexirent Capital Pty Ltd
D Klotz	Head of Operations	Flexirent Capital Pty Ltd
P Laughton	Chief Information Officer	Flexirent Capital Pty Ltd

All of the above persons were also Key Management Persons during the year ended 30 June 2007, except for D Klotz who commenced employment with the Group in 2007. B Taylor (Chief Marketing Officer) was a Key Management Person in the year ended 30 June 2007.

28. Key Management Personnel disclosures (continued)

c. Key Management Personnel compensation

	Consolidated		Parent entity	
	2008 $	2007 $	2008 $	2007 $
Short-term employee benefits	**2,933,052**	4,424,655	**–**	–
Post-employment benefits	**200,347**	184,039	**–**	–
Long-term benefits	**6,983**	4,648	**–**	–
Share-based payments	**1,474,750**	5,678,941	**–**	–
	4,615,132	10,292,283	**–**	–

Detailed remuneration disclosures are provided in sections A – G of the remuneration report on pages 22–40.

d. Equity instrument disclosures relating to Directors and Key Management Personnel

i. Options and performance rights holdings

2008 Name	Balance at start of year	Granted as compensation	Exercised	Other changes	Balance at end of year	Vested and exercisable	Unvested
J DeLano (Chief Executive Officer)	13,050,000	2,174,820	–	–	15,224,820	–	15,224,820
Other Key Management Personnel							
P McMahon	2,720,500	–	–	–	2,720,500	–	2,720,500
N Roberts	1,654,000	1,000,000	–	–	2,654,000	–	2,654,000
D Klotz	1,400,000	1,000,000	–	–	2,400,000	–	2,400,000
P Laughton	550,000	1,000,000	–	–	1,550,000	–	1,550,000

2007 Name	Balance at start of year	Granted as compensation	Exercised	Other changes	Balance at end of year	Vested and exercisable	Unvested
J DeLano (Chief Executive Officer)	–	13,050,000	–	–	13,050,000	–	13,050,000
Other Key Management Personnel							
P McMahon	–	2,720,500	–	–	2,720,500	–	2,720,500
N Roberts	–	1,654,000	–	–	1,654,000	–	1,654,000
P Laughton	–	550,000	–	–	550,000	–	550,000
B Taylor	–	200,000	–	–	200,000	–	200,000

ii. Share holdings

2008 Name	Balance at start of year	Received during the year on the exercise of options	Other changes during the year	Balance at end of year
Non-Executive Directors				
M Jackson (Chairman)	1,961,382	–	919,167	2,880,549
A Abercrombie	65,228,250	–	9,784,028	75,012,278
R Dhawan	732,564	–	88,142	820,706
RJ Skippen	147,104	–	231,429	378,533
Executive Director				
J DeLano (Chief Executive Officer)	2,880,810	–	260,846	3,141,656
Other Key Management Personnel				
P McMahon	440,544	–	39,344	479,888
N Roberts	500	–	969,317	969,817
D Klotz	–	–	50,000	50,000
P Laughton	298,500	–	–	298,500

2007 Name	Balance at start of year	Received during the year on the exercise of options	Received from sale of shares in Flexirent Holdings Pty Limited at IPO	Received from pre-IPO share-based compensation arrangements	Other changes during the year	Received at time of IPO	Balance at end of year
Non-Executive Directors							
M Jackson (Chairman)	–	–	–	–	–	1,961,382	1,961,382
A Abercrombie	–	–	65,228,250	–	–	–	65,228,250
R Dhawan	–	–	–	379,515	–	353,049	732,564
RJ Skippen	–	–	–	–	–	147,104	147,104
Executive Director							
J DeLano (Chief Executive Officer)	–	–	2,880,810	–	–	–	2,880,810
Other Key Management Personnel							
P McMahon	–	–	–	440,044	–	500	440,544
N Roberts	–	–	–	–	–	500	500
P Laughton	–	–	–	297,000	1,000	500	298,500
B Taylor	–	–	–	395,999	25,000	500	421,499

28. Key Management Personnel disclosures (continued)

e. Loans to Key Management Personnel

Details of loans made to Directors of FlexiGroup Limited and other Key Management Personnel of the Group, including their personally related parties, are set out below:

Aggregates for Key Management Personnel

Group	Balance at the start of the period $	Interest paid and payable for the year $	Interest not charged $	Balance at the end of the period $	Number in Group at the end of the period
2008	**–**	**–**	**–**	**–**	**–**
2007	500,000	32,219	–	–	–

f. Other transactions with related parties

Flexirent Capital Pty Limited has rented premises in Melbourne and Sydney owned by entities associated with Mr A Abercrombie. The rental arrangements for the Melbourne premises are based on market terms and conditions and are renewable on the expiry of the lease in 2008. The agreement for the Sydney premises was on market terms and expired in February 2008.

	Consolidated		Parent entity	
	2008 $	2007 $	2008 $	2007 $
Rental of Sydney and Melbourne premises	**189,011**	202,227	**–**	–

29. Capital and leasing commitments

	Consolidated		Parent entity	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Operating lease commitments				
Non-cancellable operating leases contracted for but not capitalised in the financial statements due:				
– within one year	**2,567**	1,592	**–**	–
– later than one year but not later than five years	**9,015**	622	**–**	–
	11,582	2,214	**–**	–

30. Reconciliation of profit after income tax to net cash inflow from operating activities

	Consolidated		Parent entity	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Profit/(loss) for the year	**32,256**	23,429	**(270,274)**	(4,901)
Share-based payments	**2,155**	6,226	**–**	4,923
Depreciation and amortisation	**3,164**	3,285	**–**	–
Impairment of investment in subsidiaries	**–**	–	**294,198**	–
Other non-cash movements	**1,497**	584	**–**	–
Net cash inf ow from operating activities before change in assets and liabilities	**39,072**	33,524	**23,924**	22
Change in operating assets and liabilities:				
(Increase)/Decrease in other receivables	**4,435**	1,108	**–**	–
(Increase)/Decrease in net lease and loan receivables	**(16,410)**	(68,329)	**–**	–
(Increase)/Decrease in residuals	**6,306**	37	**–**	–
(Decrease)/Increase in funder loans	**(2,649)**	72,558	**–**	–
(Increase)/Decrease in loss reserve	**(6,713)**	(11,519)	**–**	–
(Decrease)/Increase in trade and other creditors	**6,014**	2,258	**–**	–
(Increase)/Decrease in rental equipment	**75**	(305)	**–**	–
(Decrease)/Increase in protect plan provision	**113**	64	**–**	–
(Increase)/Decrease in capitalised initial direct transaction costs	**(563)**	(2,709)	**–**	–
(Decrease)/Increase in current tax	**(1,131)**	242	**(1,485)**	8,179
(Decrease)/Increase in deferred tax liabilities	**295**	2,605	**–**	–
(Increase)/Decrease in deferred tax assets that impact profit	**(83)**	364	**507**	(2,028)
Net cash inflow from operating activities	**28,761**	29,898	**22,946**	6,173

31. Events occurring after balance date

On 14 July 2008 the Group entered into an agreement with Fidelity National Information Services Inc to acquire the business and selected assets of Certegy Australia Limited for approximately $31.4 million. The transaction will be settled with $15 million of cash on hand, a $15 million interest only subordinated vendor note with final maturity extendible to 3 years and 3 million shares in FlexiGroup. The acquisition is expected to be completed by 31 October 2008; however, information technology development work to facilitate accounting and funding will determine the final completion date. Full details of this acquisition are detailed on the ASX website in an announcement dated 14 July 2008.

Subsequent to balance date the Group also secured an additional $100 million facility in relation to the Company's agreement to acquire the business and selected assets of Certegy Australia Limited. The Group also restructured an existing facility to provide access to an additional $50 million to fund the Certegy portfolio.

No other significant events have occurred since the balance sheet date.

32. Subsidiaries

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

	Country of incorporation	Percentage of shares held 2008	2007
FlexiGroup SubCo Pty Limited	Australia	**100%**	100%
Flexirent Holdings Pty Limited	Australia	**100%**	100%
Flexirent Capital Pty Limited	Australia	**100%**	100%
Flexirent SPV No 1 Pty Limited	Australia	**100%**	100%
Flexirent SPV No 2 Pty Limited	Australia	**100%**	100%
Flexirent SPV No 3 Pty Limited	Australia	**100%**	100%
Flexirent SPV No 4 Pty Limited	Australia	**100%**	100%
Flexicare Claims Management Pty Limited	Australia	**100%**	100%
Flexirent SPV No 6 Pty Limited	Australia	**100%**	100%
Subfinco Pty Limited	Australia	**100%**	–
Subopco Pty Limited	Australia	**100%**	–
Flexirent Capital (New Zealand) Limited	New Zealand	**100%**	100%
Flexirent Ireland Group Holdings Limited	Ireland	**100%**	–
Flexirent Ireland Limited	Ireland	**100%**	–

33. Related party transactions

a. Parent entity
The parent entity of the Group is FlexiGroup Limited.

b. Subsidiaries
Interests in subsidiaries are set out in note 32.

Key Management Personnel compensation
Disclosures relating to Key Management Personnel are set out in note 28.

Transactions with related parties
The following transactions occurred with related parties:

	Consolidated 2008 $	Consolidated 2007 $	Parent entity 2008 $	Parent entity 2007 $
Tax consolidation legalisation				
Current tax payable assumed from wholly owned tax consolidated entities	**–**	–	**12,551,009**	8,676,658

Outstanding balances arising from provision of services

The following balances are outstanding at the reporting date in relation to transactions with related parties.

	Consolidated 2008 $	Consolidated 2007 $	Parent entity 2008 $	Parent entity 2007 $
Current receivables				
Subsidiaries	**–**	–	**12,551,009**	8,676,658

Related party loans are unsecured, interest free and have no agreed repayment schedules.

34. 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:

	Consolidated		Parent entity	
	2008 $	2007 $	2008 $	2007 $
a. Audit services				
PricewaterhouseCoopers Australian firm:				
Audit and review of financial reports	**470,895**	491,110	**–**	–
Related practices of PricewaterhouseCoopers Australian firm	**14,000**	–	**–**	–
Total remuneration for audit services	**484,895**	491,110	**–**	–
b. Non-audit services				
Audit-related services				
PricewaterhouseCoopers Australian firm:				
Other assurance services	**104,300**	59,777	**–**	–
Due diligence services on transactions and IPO	**212,732**	1,894,974	**–**	–
Total remuneration for audit-related services	**317,032**	1,954,751	**–**	–
Taxation services				
PricewaterhouseCoopers Australian firm:				
Tax compliance services	**75,876**	66,965	**–**	–
Tax advice on transactions and new operations	**635,914**	215,940	**–**	–
Total remuneration for taxation services	**711,790**	282,905	**–**	–
Total remuneration for non-audit services	**1,028,822**	2,237,656	**–**	–

It is the Group's policy to employ PricewaterhouseCoopers on assignments additional to its statutory audit duties where PricewaterhouseCoopers' expertise and experience with the Group are important. These assignments are principally tax advice and due diligence reporting on acquisitions, or where PricewaterhouseCoopers is awarded assignments on a competitive basis.

35. Contingencies

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

36. Earnings per share

	Consolidated	
	2008 Cents	2007 Cents
a. Basic earnings per share		
Profit from continuing operations attributable to the ordinary equity holders of the Company	**14.8**	17.4
Profit attributable to the ordinary equity holders of the Company	**14.8**	17.4
b. Diluted earnings per share		
Profit from continuing operations attributable to the ordinary equity holders of the Company	**14.8**	16.4
Profit attributable to the ordinary equity holders of the Company	**14.8**	16.4

36. Earnings per share (continued)

2007 earnings per share calculation

The earnings per share for 2007 has been calculated as the weighted average of the number of ordinary shares of Flexirent Holdings Pty Limited on issue for the period 1 July 2006 to 11 December 2006 and the number of ordinary shares of FlexiGroup Limited for the period 12 December 2006 to 30 June 2007.

As such, the earnings per share for 2007 as disclosed does not ref ect the interest of the current shareholders in the earnings of FlexiGroup and the 2008 earnings per share is not readily comparable to the 2007 earnings per share. This calculation of 2007 earnings per share results from the fact that the acquisition of Flexirent Holdings Pty Limited by FlexiGroup Limited has been accounted for as a reverse acquisition.

	Consolidated	
	2008 $	2007 $
c. Reconciliations of earnings used in calculating earnings per share		
Basic earnings per share		
Profit from continuing operations	**32,256**	23,429
Profit from continuing operations attributable to the ordinary equity holders of the Company used in calculating basic earnings per share	**32,256**	23,429
Profit attributable to the ordinary equity shareholders of the Company used in calculating basic earnings per share	**32,256**	23,429
Diluted earnings per share		
Profit attributable to the ordinary equity holders of the Company used in calculating basic earnings per share	**32,256**	23,429
Profit attributable to the ordinary equity holders of the Company used in calculating diluted earnings per share	**32,256**	23,429

	Consolidated	
	2008 Number	2007 Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**218,466,492**	134,369,860
Adjustments for calculation of diluted earnings per share:		
Options and performance rights	**109,455**	8,170,492
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	**218,575,947**	142,540,352

37. 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 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 a 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.

Summaries of options and performance rights granted under the plan:

2008 Grant Date	Expiry date	Exercise price	Balance at start of the period Number	Granted during the period Number	Exercised during the period Number	Forfeited during the period Number	Balance at end of the period Number	Vested and exercisable at end of the period Number
Consolidated and parent entity – 2008								
8/12/06	31/12/11							
	31/12/12	$2.00	21,579,500	–	–	(99,000)	21,480,500	–
26/2/07	31/12/11							
	31/12/12	$2.70	2,000,000	–	–	–	2,000,000	–
17/4/07	31/12/11	$0.00	550,000	–	–	–	550,000	–
19/4/07	31/12/11							
	31/12/12	$2.93	1,400,000	–	–	–	1,400,000	–
31/8/07	31/12/12							
	31/12/13	$2.53	–	517,000	–	–	517,000	–
2/10/07	31/12/11							
	31/12/12	$2.49	–	175,000	–	–	175,000	–
29/11/07	31/12/12	$0.00	–	2,174,820	–	–	2,174,820	–
28/12/07	31/12/12							
	31/12/13	$2.19	–	15,000	–	–	15,000	–
16/1/08	31/12/11							
	31/12/12	$2.08	–	50,000	–	–	50,000	–
3/4/08	31/12/11							
	31/12/12							
	31/12/13	$0.58	–	500,000	–	–	500,000	–
3/4/08	31/12/12							
	31/12/13	$0.00	–	5,042,000	–	–	5,042,000	–
Total			**25,529,500**	**8,473,820**	**–**	**(99,000)**	**33,904,320**	**–**
Weighted average exercise price				$0.26			$1.61	

37. Share-based payments (continued)

2007 Grant Date	Expiry date	Exercise price	Balance at start of the period Number	Granted during the period Number	Exercised during the period Number	Forfeited during the period Number	Balance at end of the period Number	Vested and exercisable at end of the period Number
Consolidated and parent entity – 2007								
8/12/06	31/12/11							
	31/12/12	$2.00	–	21,579,500	–	–	21,579,500	–
26/2/07	31/12/11							
	31/12/12	$2.70	–	2,000,000	–	–	2,000,000	–
17/4/07	31/12/11	$0.00	–	550,000	–	–	550,000	–
19/4/07	31/12/11							
	31/12/12	$2.93	–	1,400,000	–	–	1,400,000	–
Total			**–**	**25,529,500**	**–**	**–**	**25,529,500**	**–**
Weighted average exercise price				$2.06			$2.06	

No options have expired.

The weighted average share price at the date of exercise of options exercised during the year ended 30 June 2008 was nil as no options were exercised during the year (2007: Nil).

The weighted average remaining contractual life of share options and performance rights outstanding at the end of the year was 3.9 years (2007: 4.8 years).

Fair value of options and performance rights granted
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 options and performance rights granted during the year ended 30 June 2008 included:

(a) Exercise price: various per options and performance rights granted

(b) Grant date: various per options and performance rights granted

(c) Expiry date: various per options and performance rights granted

(d) Share price at Grant Date: various per options and performance rights granted

(e) Expected price volatility of the Company's shares: 50% (2007: 26% to 28%)

(f) Expected dividend yield: 13% (2007: 5%)

(g) Risk-free interest rate: various ranging from 6.09% to 6.15% (2007: 5.73% to 6.14%)

Shares provided on exercise of remuneration options
No ordinary shares in the Company were issued as a result of the exercise of any remuneration options.

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.

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.

It is intended that the ESAP will satisfy the requirements of Division 13A of the relevant Australian Tax Legislation.

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

Allocation of shares
Shares allocated under the ESAP may be existing shares or newly issued shares. Allocated shares must be held in the name of the employee. Any shares that are issued under the ESAP will rank equally with those traded on the ASX at the time of issue.

A participant under the ESAP is entitled to receive distributions/dividends made in respect of, and exercise voting rights attaching to, shares held under the ESAP (whether or not the shares are subject to disposal restrictions).

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

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

Employee Gift Offer
In December 2006, at the time of listing, all eligible employees of FlexiGroup were offered 500 shares totalling $1,000 based on the listing price of $2. In total, 254 eligible employees took up this offer resulting in an allocation of 127,000 shares.

	Consolidated		Parent entity	
	2008	2007	2008	2007
Shares issued under the plan to eligible employees	–	127,000	–	127,000
	–	127,000	–	127,000

37. Share-based payments (continued)

c. Pre-IPO Flexirent Holdings Group arrangements

At the time of the IPO of the Company, the previous Flexirent Holdings Group had entered into various share-based payment arrangements with some of its Directors and executives as well as a partner.

Details of the arrangements with the Directors and executives are included in the Directors' Report.

Full details of the arrangements with the partner were set out in the prospectus used at the time of the IPO. Under the arrangement, the partner received a payment of $40 million from the two previous majority shareholders in Flexirent Holdings Pty Limited. The Company has no ongoing obligations under those arrangements.

The majority of these arrangements were granted prior to 7 November 2002 and/or vested prior to 1 January 2005. As a result, for such arrangements, no expense was recognised in respect of such instruments. To the extent that these arrangements were entered into post those dates, they have been accounted for in accordance with the accounting policy set out in note 1(u)(iv) and are included in note (d) below in the 2007 year.

In addition, a further payment of additional commission of $1 million was made by the two previous majority shareholders to the partner and has been accounted for as a share-based payment in the 2007 year as it related to an amendment to the term of the partner agreement that was entered into post 1 January 2005 (see note 16).

d. 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:

	Consolidated		Parent entity	
	2008 $	2007 $	2008 $	2007 $
Options and/or performance rights issued under LTIP excluding options granted in favour of certain executives over shares owned by the former shareholders of Flexirent Holdings Pty Limited	**1,545,830**	659,204	**–**	–
Options over shares owned by the former shareholders of Flexirent Holdings Pty Limited	**609,454**	339,696	**–**	–
	2,155,284	998,900	**–**	–
Shares issued under Employee Share Scheme	**–**	254,000	**–**	–
Expense under previous Flexirent Holdings Pty Limited Long-Term Incentive Plans	**–**	50,000	**–**	–
	–	1,302,900	**–**	–
Shares issued to Directors at time of IPO (refer Directors' Report)	**–**	4,923,070	**–**	4,923,070
	2,155,284	6,225,970	**–**	4,923,070

38. Financial risk management

Overview

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'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 has no derivative financial instruments outstanding at 30 June 2008 (2007: Nil). 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 financial analysts, treasury and credit and risk departments.

The Company has experienced no material change in its risk exposures since the previous year.

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 receivables consist predominantly of fixed rate consumer and commercial instalment lease contracts. The interest rate is fixed for the life of the contract. Lease contracts are 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. Borrowings used to fund the lease asset receivables are also fixed for the term of the lease. The vast 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.

The Group also has a small consumer loan portfolio where the interest rates are fixed for the term of the loan. Borrowings to fund the consumer loan portfolio are at a variable rate and are reset on a monthly basis to market rates. As at balance date all new personal loan volumes are funded at fixed rates. The Group is subject to some interest rate risk on this portfolio which is described below. For sensitivity measurement purposes, a +/-1% pa sensitivity in interest rates has been selected as this is considered realistic given the current level of both short-term and long-term Australian dollar interest rates.

Based on the financial instruments held at 30 June 2008, if interest rates had changed by +/-1% from the year-end rates with all other variables held constant, the annualised impact on the consolidated entity's after-tax profits and equity would have been $343,000 lower/higher (2007: $414,000 lower/higher).

Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the New Zealand dollar. The Group recently commenced a start up operation in Ireland, on which the foreign exchange impact is immaterial.

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency and net investments in foreign operations. The Group manages its exposures to the New Zealand dollar by ensuring that its assets and liabilities in New Zealand are predominantly in New Zealand dollars.

For sensitivity measurement purposes, a +/-10% sensitivity in foreign exchange rates to the Australian dollar has been selected as this is considered realistic given the current levels of exchange rates, the recent levels of volatility and market expectations for future movements in exchange rates.

Based on the financial instruments held at 30 June 2008, had the Australian dollar weakened/strengthened by 10% against the New Zealand dollar compared to year-end rates, with other variables held constant, the consolidated entity's after-tax profits for the year and equity would have been $151,000 higher/$124,000 lower (2007: $47,000 higher/$37,000 lower), as a result of exposure to exchange rate f uctuations of foreign currency operations. All foreign exchange risk is due to the translation of the New Zealand and Ireland operations on consolildation.

Consolidated entity at 30 June 2008	Carrying amount $'000	Interest rate risk –1% Profit/ Equity $'000	Interest rate risk +1% Profit/ Equity $'000	Foreign exchange risk –10% Profit/ Equity $'000	Foreign exchange risk +10% Profit/ Equity $'000
Financial assets					
Cash and cash equivalents	59,426	(416)	416	491	(402)
Loans and receivables					
– Fixed interest rate	482,856	–	–	4,009	(3,280)
Loss reserve	42,873	(300)	300	298	(244)
Financial liabilities					
Payables	25,512	–	–	(99)	81
Borrowings					
– Fixed interest rate	467,905	–	–	(4,548)	3,721
– Floating interest rate	53,277	373	(373)	–	–
Total increase/(decrease)		(343)	343	151	(124)

38. Financial risk management (continued)

Consolidated entity at 30 June 2007	Carrying amount $'000	Interest rate risk –1% Profit/ Equity $'000	Interest rate risk +1% Profit/ Equity $'000	Foreign exchange risk –10% Profit/ Equity $'000	Foreign exchange risk +10% Profit/ Equity $'000
Financial assets					
Cash and cash equivalents	56,677	(397)	397	356	(291)
Loans and receivables					
– Fixed interest rate	477,187	–	–	4,421	(3,617)
Loss reserve	36,160	(253)	253	220	(180)
Financial liabilities					
Payables	19,498	–	–	(124)	102
Borrowings					
– Fixed interest rate	490,119	–	–	(4,826)	3,949
– Floating interest rate	33,712	236	(236)	–	–
Total increase/(decrease)		(414)	414	47	(37)

The Parent entity for 2008 and 2007 had no exposures to interest rate risk and foreign exchange risk.

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 Company to incur a financial loss. The Company 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 retail credit risk, the Company has developed a comprehensive credit assessment process. Loans and receivables consist mainly of lease contracts provided to consumer and commercial customers. Credit underwriting typically includes the use of an application scorecard and credit bureau report for each application. 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 bureaux determines the creditworthiness of applications based on the statistical interpretation of a range of application information. This credit risk assessment is supported by reviews of certain applications by dedicated credit staff who apply the Company's credit and underwriting policy within specific approval authorities. Portfolio performance and credit risk of new applications is monitored monthly by the Pricing, Risk and Credit Committee. The Group has a specialist collection function which manages all delinquent accounts.

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

Loans and receivables

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

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

	Consolidated		Parent entity	
	Contracts	$'000	Contracts	$'000
As at 30 June 2008				
Unimpaired past due loans and receivables				
Past due under 30 days	7,863	16,480	–	–
Past due 30 days to under 60 days	2,914	5,788	–	–
Past due 60 days to under 90 days	2,052	4,593	–	–
Past due 90 days and over	2,785	3,495	–	–
Total unimpaired past due loans and receivables	15,614	30,356	–	–
Total unimpaired loans and receivables	280,670	482,856	1	12,551
Unimpaired past due as a percentage of total unimpaired loans and receivables		6.3%	–	
Unimpaired past due 30 days and over as a percentage of total unimpaired loans and receivables		2.9%	–	
As at 30 June 2007				
Unimpaired past due loans and receivables				
Past due under 30 days	6,761	13,022	–	–
Past due 30 days to under 60 days	2,233	4,416	–	–
Past due 60 days to under 90 days	1,400	2,892	–	–
Past due 90 days and over	1,025	1,671	–	–
Total unimpaired past due loans and receivables	11,419	22,001	–	–
Total unimpaired loans and receivables	258,458	477,187	1	8,667
Unimpaired past due as a percentage of total unimpaired loans and receivables		4.6%		–
Unimpaired past due 30 days and over as a percentage of total unimpaired loans and receivables		1.9%		–

38. Financial risk management (continued)

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.

The Group does not identify any individual loan and lease receivables as significant and individually impaired. It assesses impairment on a collective basis. The Group either writes off or recognises a 100% allowance for losses for all leases and loans more than 90 days past due.

Liquidity risk
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 licenced banks in the countries in which the Group operates.

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 22.

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

The table below analyses the Group's financial liabilities into relevant maturity groupings. The amounts disclosed below are the contractual undiscounted cash f ows.

	Less than 1 year $'000	1 to 2 years $'000	2 to 5 years $'000	5 years plus $'000	Total $'000
At 30 June 2008 – Consolidated					
Payables	**25,512**	**–**	**–**	**–**	**25,512**
Loans from financial institutions	**270,500**	**172,076**	**136,661**	**6,783**	**586,020**
At 30 June 2008 – Parent entity					
Payables	**–**	**–**	**–**	**–**	**–**
Loans from financial institutions	**–**	**–**	**–**	**–**	**–**
At 30 June 2007– Consolidated					
Payables	19,498	–	–	–	19,498
Loans from financial institutions	270,278	187,917	115,690	3,956	577,841
At 30 June 2007 – Parent entity					
Payables	–	–		–	–
Loans from financial institutions	–	–	–	–	–

Fair value of financial assets and financial liabilities

The categories, carrying amount and fair value of financial assets and financial liabilities at the balance date are:

2008	Consolidated Carrying amount $'000	Consolidated Fair value $'000	Parent entity Carrying amount $'000	Parent entity Fair value $'000
Financial assets				
Cash and cash equivalents	**59,426**	**59,426**	**–**	**–**
Loans and receivables	**482,856**	**482,856**	**12,551**	**12,551**
Investments in wholly owned controlled entities	**–**	**–**	**135,000**	**135,000**
Financial liabilities				
Payables	**25,512**	**25,512**	**–**	**–**
Borrowings (gross)				
– Fixed interest rate	**467,905**	**456,929**	**–**	**–**
– Floating interest rate	**53,277**	**53,277**	**–**	**–**
Loss reserve	**(42,873)**	**(42,873)**	**–**	**–**

2007	Consolidated Carrying amount $'000	Consolidated Fair value $'000	Parent entity Carrying amount $'000	Parent entity Fair value $'000
Financial assets				
Cash and cash equivalents	56,677	56,677	–	–
Loans and receivables	477,187	477,187	8,677	8,677
Investments in wholly owned controlled entities	–	–	429,198	429,198
Financial liabilities				
Payables	19,498	19,498	–	–
Borrowings (gross)				
– Fixed interest rate	490,119	486,535	–	–
– Floating interest rate	33,712	33,712	–	–
Loss reserve	(36,160)	(36,160)	–	–

Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for disclosure purposes.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Techniques, such as estimated discounted cash f ows, are used to determine fair value for the financial instruments. The fair value of loan and lease receivables is estimated by discounting the future contractual cash f ows at the current market interest rate that the Group charges for similar financial instruments.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash f ows at the current market interest rate that is available to the Group for similar financial instruments.

39. Deed of Cross Guarantee

FlexiGroup Limited, FlexiGroup Subco Pty Limited, Flexirent Holdings Pty Limited, Flexirent Capital Pty Limited and Flexicare Claims Management Pty Limited are parties to a Deed of Cross Guarantee under which each company guarantees the debts of the others. By entering into the deed, the wholly-owned entities have been relieved from the requirement to prepare a financial report and directors' report under Class Order 98/1418 (as amended) issued by the Australian Securities and Investments Commission.

(a) Consolidated income statement and a summary of movements in consolidated retained profits

The above companies represent a "Closed Group" for the purposes of the Class Order, and as there are no other parties to the Deed of Cross Guarantee that are controlled by FlexiGroup Limited, they also represent the "Extended Closed Group".

Set out below is a consolidated income statement and a summary of movements in consolidated retained profits for the year ended 30 June 2008 of the Closed Group consisting of FlexiGroup Limited, FlexiGroup Subco Pty Limited, Flexirent Holdings Pty Limited, Flexirent Capital Pty Limited and Flexicare Claims Management Pty Limited.

	2008 $'000	2007 $'000
Revenue from continuing operations	**59,097**	78,118
Borrowing costs	**(376)**	(254)
Employee benefits expense	**(29,318)**	(26,912)
Impairment losses on loans and receivables / (recoveries)	**1,070**	4,442
Administration expenses	**(7,933)**	(9,341)
Share-based payments expense	**(2,155)**	(6,226)
Depreciation and amortisation expenses	**(3,035)**	(3,173)
Communications and MIS expenses	**(2,032)**	(1,958)
Marketing and travel expenses	**(3,597)**	(3,664)
Profit before income tax	**11,721**	31,032
Income tax expense	**(4,810)**	(769)
Profit for the year	**6,911**	31,801
Summary of movements in consolidated retained profits		
Retained profits at the beginning of the financial year	**50,071**	18,270
Profit for the year	**6,911**	31,801
Dividends provided for or paid	**(23,922)**	–
Retained profits at the end of the financial year	**33,060**	50,071

(b) Balance sheet

Set out below is a consolidated balance sheet as at 30 June 2008 of the Closed Group consisting of FlexiGroup Limited, FlexiGroup Subco Pty Limited, Flexirent Holdings Pty Limited, Flexirent Capital Pty Limited and Flexicare Claims Management Pty Limited.

	2008 $'000	2007 $'000
Assets		
Current assets		
Cash and cash equivalents	**34,174**	38,713
Receivables	**21,914**	24,878
Customer loans	**–**	1,059
Total current assets	**56,088**	64,650
Non-current assets		
Receivables	**10,172**	10,049
Plant and equipment	**3,720**	3,112
Deferred tax assets	**4,299**	4,134
Goodwill	**50,159**	50,159
Other intangible assets	**7,707**	5,367
Other financial assets	**923**	923
Total non-current assets	**76,980**	73,746
Total assets	**133,068**	138,396
Liabilities		
Current liabilities		
Payables	**45,060**	44,315
Current tax liability	**8,238**	8,178
Provisions	**620**	500
Total current liabilities	**53,918**	52,993
Non-current liabilities		
Deferred tax liabilities	**14,750**	11,147
Provisions	**332**	269
Total non-current liabilities	**15,082**	11,416
Total liabilities	**69,000**	64,409
Net assets	**64,068**	73,987
Equity		
Contributed equity	**34,272**	29,422
Reserves	**(3,264)**	(5,506)
Retained profits	**33,060**	50,071
Total equity	**64,068**	73,987

Directors' Declaration

30 June 2008

In the Directors' opinion:

(a) the financial statements and notes set out on pages 47 to 91 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 Company's and consolidated entity's financial position as at 30 June 2008 and of their 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 Extended Closed Group identified in note 39 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the Deed of Cross Guarantee in note 39.

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

This declaration is made in accordance with a resolution of the Directors.

Margaret Jackson

Margaret Jackson
Chairman

Sydney
25 August 2008

Independent Auditor's Report

To the members of FlexiGroup Limited

PricewaterhouseCoopers
ABN 52 780 433 757

Darling Park Tower 2
201 Sussex Street
GPO BOX 2650
SYDNEY NSW 1171
DX 77 Sydney
Australia
Telephone +61 2 8266 0000
Facsimile +61 2 8266 9999

Report on the financial report

We have audited the accompanying financial report of FlexiGroup Limited (the Company), which comprises the balance sheet as at 30 June 2008, and the income statement, statement of changes in equity and cash f ow statement for the period ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for both FlexiGroup Limited and the FlexiGroup Limited Group (the consolidated entity). The consolidated entity comprises the Company and the entities it controlled at the period's end or from time to time during the financial period.

Directors' responsibility for the financial report

The directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In note 1(a), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies 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. These Auditing 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 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.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

For further explanation of an audit, visit our website http://www.pwc.com/au/financialstatementaudit.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

Independent Auditor's Report

To the members of FlexiGroup Limited

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

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

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 Company's and consolidated entity's financial position as at 30 June 2008 and of their performance for the period ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

(b) the consolidated financial statements and notes 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 22 to 40 of the directors' report for the period ended 30 June 2008. 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 period ended 30 June 2008 complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

Victor Clarke
Partner

Sydney
25 August 2008

Shareholder Information

The shareholder information set out below was applicable as at 31 July 2008.

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	415	241,769	–	–
1,001–5,000	656	2,105,474	–	–
5,001–10,000	548	4,558,478	–	–
10,001–100,000	945	32,218,618	–	–
100,001 and over	143	186,342,986	–	–
Total	2,707	225,467,325	–	–

There were 438 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 %
Eighth SRJ Pty Ltd	71,134,417	31.55
National Nominees Ltd	15,662,208	6.95
HSBC Custody Nominees (Australia) Ltd	14,509,513	6.44
UBS Wealth Management Australia Nominees Pty Ltd	12,730,219	5.65
Yoogalu Pty Ltd	10,819,300	4.80
Citicorp Nominees Pty Ltd	4,093,829	1.82
M F Custodians Ltd	3,942,361	1.75
Suncorp Custodian Services Pty Limited	3,745,896	1.66
Afianzar Pty Ltd	2,602,381	1.15
UBS Nominees Pty Ltd	2,496,901	1.11
J P Morgan Nominees Australia Limited	2,157,332	0.96
M Jackson	2,138,978	0.95
Gordon Merchant No 2 Pty Ltd	1,346,272	0.60
Waros Pty Ltd	1,161,856	0.52
Behan Superannuation Pty Ltd	1,025,000	0.45
Beta Gamma Pty Ltd	1,000,000	0.44
I C Frith & Associates Pty Ltd	1,000,000	0.44
N Roberts	969,817	0.43
Crate Recovery Services Pty Ltd	887,000	0.39
T Angus	800,000	0.35
Total	154,223,280	68.41

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	25,204,320	52

The Company has no other unquoted equity securities.

C. Substantial holders

Substantial holders in the Company are set out below:

	Number held	Percentage %
Eighth SRJ Pty Ltd as trustee of the Philadelphia Trust and Andrew Abercrombie	75,012,278	33.27
Westpac Banking Corporation	13,126,653	5.82
Total	88,138,931	39.09

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
No voting rights.

Corporate Directory

Directors

Margaret Jackson (Chairman)
Andrew Abercrombie
John DeLano (Chief Executive Officer)
Rajeev Dhawan
R John Skippen

Secretary

David Stevens

Notice of Annual General Meeting

The Annual General Meeting of FlexiGroup Limited will be held at
Sofitel Wentworth Sydney, 61 Phillip Street, Sydney
at 4pm on 27 November 2008

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 1171
Australia

Solicitors

Mallesons Stephen Jaques
Level 60, Governor Phillip Tower
1 Farrer Place
Sydney NSW 2000
Australia

Bankers

Commonwealth Banking Corporation

Stock exchange listing

FlexiGroup Limited shares are listed on the Australian Securities Exchange

Website

www.flexigroup.com.au

www.flexigroup.com.au