2012

FLEXIGROUP ANNUAL REPORT

FLEXIGROUP

ABN 75 122 574 583

ANNUAL REPORT

Contents

DIRECTORS' REPORT

Your Directors present their report on the consolidated entity (referred to hereafter as the Group) consisting of FlexiGroup Limited ("the company") and the entities it controlled at the end of, or during, the year ended 30 June 2012.

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

David Stevens

Principal activities

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

- lease and rental financing services for office, technology and related equipment
- interest-free loans
- mobile broadband products and plans

No significant change in the nature of these activities occurred during the year. Also refer below on significant changes in state of affairs.

Dividends

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

Final ordinary dividend of 5.5 cents (2011: 4.5 cents) per fully paid share was paid on 13 October 2011. The total amount paid was $15,282,446.

Interim ordinary dividend for the year ended 30 June 2012 of 6 cents (2011: 5 cents) per fully paid share paid on 18 April 2012. Total amount paid was $16,756,100.

The Directors declared a final ordinary dividend of 6.5 cents (2011: 5.5 cents) per fully paid ordinary share on 8 August 2012. This dividend has a record date of 14 September 2012 and is expected to be paid on 18 October 2012.

Review of operations

The Group's net profit after tax for the year ended 30 June 2012 was $59.0m (2011: $51.8m), an increase of $7.2m over the prior year. This increase in profit continues to result from the Group's focus on growth of the leasing, interest-free and vendor finance businesses.

The Group is to continue to grow these areas in the future as it aims to take advantage of the parts of the market currently under serviced.

FlexiGroup continues to be well placed to take advantage of such opportunities with $140.5m (2011: $247.2m) of unused funding facilities as at 30 June 2012 (refer to note 18).

Significant changes in state of affairs

The Group was involved in the acquisition of two businesses during the year. The acquisition of Paymate Pty Limited ("Paymate"), an online payments business, significantly expands the Group's strategic footprint as the Group aims at capitalising on significant shift to online retailing and high growth online payments market. The acquisition extends the Group's diversified financial services strategy and provides a new online distribution channel, a broader range of merchant categories and access to international markets. In addition, the acquisition of Lombard Finance Pty Limited ("Lombard"), an Interest Free and Visa card business, represents a compelling opportunity to expand the Group's footprint in the highly attractive Interest Free retail market, 95% of which is dominated by "Interest Free" cards. The Lombard products complement our existing "no interest ever" products well, opening up new industry segments, and enabling us to offer a Visa card to FlexiGroup's existing and new customers.

Matters subsequent to end of the financial year

No matter or circumstance has arisen since 30 June 2012 that has significantly affected, or may significantly affect:

(a) the company's operations in future financial years, or

(b) the results of those operations in future financial years, or

(c) the company's state of affairs in future financial years.

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 59)

Chairman, Independent, Non-Executive

BEc, MBA, Hon LLD (Monash), FCA

Experience
Margaret was appointed a Director of the Company in November 2006.

Margaret is also President of Australian Volunteers International and Chairman of the Advisory Board for the Salvation Army Southern Territory.

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
None

Former directorships in last three years
Billabong International Limited

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

Interests in shares and options
2,126,012 ordinary shares in FlexiGroup Limited

John DeLano
(Age 52)

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 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

Shares
8,526,685 ordinary shares in FlexiGroup Limited

Options, performance rights and deferred shares
1,522,500 performance options in FlexiGroup Limited (detailed description on page 10)

2,400,000 performance rights in FlexiGroup Limited (detailed description on page 12)

Andrew Abercrombie
(Age 56)

Founding Director
Non-Independent, Non–Executive

BEc, LLB, MBA

Experience
Andrew became a 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
78,763,302 ordinary shares in FlexiGroup Limited

DIRECTORS' REPORT (CONTINUED)

Rajeev Dhawan
(Age 46)

Independent, Non-Executive

BCom, ACA, MBA

Experience
Rajeev represented Colonial First State Private Equity managed funds ("CFSPE") on the Board of Flexirent Holdings Pty Limited from February 2003 to December 2004. Upon CFSPE's exit from Flexirent Holdings in December 2004, Rajeev continued in an advisory capacity to the Flexirent business. Currently a partner of Equity Partners, Rajeev has 19 years' venture capital and private equity experience and has been a Director of a number of listed and unlisted portfolio companies.

Other current directorships
None

Former directorships in last three years
Snowball Group Limited

Traffic Technologies Limited

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

Interests in shares and options
389,099 ordinary shares in FlexiGroup Limited

R John Skippen
(Age 64)

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 31 years' experience as a chartered accountant.

Other current directorships
Emerging Leaders Investment Limited

Super Retail Group Limited

Slater & Gordon Limited

Former directorships in last three years
Briscoe Group Limited (New Zealand)

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

Interests in shares and options
140,000 ordinary shares in FlexiGroup Limited

Meetings of Directors

	FlexiGroup Limited							
	Scheduled Board meetings		Audit & Risk Committee		Nomination Committee		Remuneration Committee	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
M Jackson	10	10	3	3	2	2	4	4
J DeLano	10	10	+	+	+	+	+	+
A Abercrombie	10	10	+	+	2	2	4	4
R Dhawan	10	10	3	2	2	2	4	4
R J Skippen	10	10	3	3	2	2	4	4

+ Not a member of the relevant committee

Company Secretary

The Company Secretary is David Stevens. David was appointed to the position of Company Secretary in August 2008. David has over 13 years' experience in financial services and professional services.

Remuneration Report

The directors are pleased to present the company's 2012 remuneration report which sets out remuneration information for FlexiGroup Limited's non-executive directors, executive directors and other key management personnel.

Directors and key management personnel disclosed in this report

Name	Position
Non-executive and executive directors – see pages 3 to 4 above	
Other key management personnel	
Garry McLennan	Chief Financial Officer
Anthony Roberts	Head of Vendor and Commercial Finance
Jeff McLean	Head of Group Shared Services
Jane Scotcher	Head of Retail Sales
Rob May	General Manager – Certegy
Doc Klotz	Head of Operations (until 14 December 2011)
Pearl Laughton	Chief Information Officer (until 31 March 2012)
Neil Roberts	Head of National Sales (until 29 February 2012)

Role of the remuneration committee

The remuneration committee is a committee of the board. It is primarily responsible for making recommendations to the board on:

- non-executive director fees
- remuneration levels of executive directors and other key management personnel
- the over-arching executive remuneration framework and operation of the incentive plan, and
- key performance indicators and performance hurdles for the executive team

Their objective is to ensure that remuneration policies and structures are fair and competitive and aligned with the long term interests of the company.

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. 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 is 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. During the year, FlexiGroup Limited's remuneration committee employed the services of Egan and Associates to review its existing remuneration policies and to provide recommendations in respect of executive long term incentive plan design. These recommendations also covered the group's key management personnel. Egan and Associates was paid $25,410 for these services.

Egan and Associates has confirmed that the recommendations have been made free from undue influence by members of the group's key management personnel.

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

- Egan and Associates was engaged by, and reported directly to, the chair of the remuneration committee. The agreement for the provision of remuneration consulting services was executed by the chair of the remuneration committee and the chair of the company.
- The report containing the remuneration recommendations was provided by Egan and Associates directly to the chair of the remuneration committee.

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

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
- reflects 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 and benchmarked where appropriate by the Board. Non-Executive Directors do not receive share options. Non-Executive Directors may opt each year to receive a percentage of their remuneration in FlexiGroup Limited shares which would be acquired on–market. Shareholders approved this arrangement on 20 November 2006 but no Directors have as yet elected to participate in the arrangement.

Non-Executive Directors' fees

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

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

Base fees (per annum)

M Jackson (Chairman)	$250,000
A Abercrombie	$160,000
Other Non-Executive Directors	$120,000

Additional fees (per annum)

Audit & Risk Committee – Chairman	$25,000
Remuneration Committee – Chairman	$25,000

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

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

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

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.

Superannuation

Superannuation is provided to employees under the terms of the current federal government legislation.

Voting and comments made at the company's 2011 Annual General Meeting

FlexiGroup received more than 90% of "yes" votes on its remuneration report for the 2011 financial year. The company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

Performance of FlexiGroup Limited

Over the last 4 years, FlexiGroup has achieved a Total Shareholder's Return ("TSR") of 558.2% and was ranked number 2 when compared to the peer group of companies in the S&P/ASX 300 Index (excluding resources companies).

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 ("KPI's") and other 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 STI's 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 in Section D of this report.

DIRECTORS' REPORT (CONTINUED)

B. Details of remuneration

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

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

2012	Short-term employee benefits		Post-employment benefits	Long-term benefits	Share-based payments	
Name	Cash salary and fees $	Cash bonus $	Superannuation $	Long service leave $	Options, performance rights and deferred shares* $	Total $
Non-Executive Directors						
M Jackson (Chairman)	250,000	–	22,500	–	–	272,500
A Abercrombie	160,000	–	14,400	–	–	174,400
R Dhawan	145,000	–	13,050	–	–	158,050
R J Skippen	145,000	–	13,050	–	–	158,050
Subtotal non-executive directors	700,000	–	63,000	–	–	763,000
Executive Director						
J Delano	504,587	687,500	45,413	8,034	731,413	1,976,947
Other key management personnel (group)						
G McLennan	372,110	250,000	33,490	–	328,409	984,009
D Klotz (from 1/7/2011 to 14/12/2011 – resignation)	228,779	–	9,332	–	46,899	285,010
P Laughton (from 1/7/2011 to 31/03/2012 – resignation)	194,993	–	15,990	–	42,277	253,260
N Roberts (from 1/7/2011 to 29/02/2012 – resignation)	250,733	–	18,694	–	65,359	334,786
R May**	223,409	158,500	18,900	5,250	181,350	587,409
J McLean**	212,934	69,750	19,164	6,700	143,548	452,096
A Roberts**	257,339	112,200	23,161	4,302	293,585	690,587
J Scotcher**	151,334	51,502	12,270	13,635	30,802	259,543
Subtotal other key management personnel	1,891,631	641,952	151,001	29,887	1,132,229	3,846,700
Total key management personnel compensation (group)	**3,096,218**	**1,329,452**	**259,414**	**37,921**	**1,863,642**	**6,586,647**

* Remuneration for share based payments includes negative amounts for performance rights and options forfeited during the year.

** Identified as KMPs with effect from 1 July 2011.

The following amounts were paid to the Key Management Personnel during the 2011 year as part of their ongoing remuneration:

2011	Short-term employee benefits		Post-employment benefits	Long-term benefits	Share-based payments	
Name	Cash salary and fees $	Cash bonus $	Superannuation $	Long service leave $	Options, performance rights and deferred shares $	Total $
Non-Executive Directors						
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
R J Skippen	90,000	–	8,100	–	–	98,100
Subtotal non-executive directors	460,000	–	41,400	–	–	501,400
Executive Director						
J DeLano	504,587	687,000	45,413	15,866	779,292	2,032,158
Other key management personnel						
G McLennan	368,174	202,798	30,055	2,835	104,713	708,575
D Klotz	399,406	112,554	18,474	2,440	113,380	646,254
P Laughton	433,951	66,048	21,256	4,096	78,901	604,252
N Roberts	334,038	94,631	21,212	7,578	114,867	572,326
Subtotal other key management personnel	1,535,569	476,031	90,997	16,949	411,861	2,531,407
Total key management personnel compensation (group)	**2,500,156**	**1,163,031**	**177,810**	**32,815**	**1,191,153**	**5,064,965**

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	2012 %	2011 %	2012 %	2011 %	2012 Rights %	2012 Options %	2011 %
Executives of FlexiGroup							
J DeLano	**28**	32	**35**	39	**72**	**(35)**	29
G McLennan	**42**	56	**25**	29	**27**	**6**	15
N Roberts	**80**	63	**n/a**	17	**20**	**-**	20
D Klotz	**84**	65	**n/a**	17	**16**	**-**	18
P Laughton	**83**	76	**n/a**	11	**17**	**-**	13
R May	**42**	n/a	**27**	n/a	**30**	**1**	n/a
J McLean	**54**	n/a	**15**	n/a	**29**	**2**	n/a
A Roberts	**42**	n/a	**16**	n/a	**42**	**-**	n/a
J Scotcher	**68**	n/a	**20**	n/a	**11**	**1**	n/a

DIRECTORS' REPORT (CONTINUED)

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 5 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 Group. The Company's founding shareholders approved the terms, the implementation and the operation of the LTIP on 20 November 2006.

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

The Board is responsible for administering the LTIP in accordance with the LTIP Rules and the terms and conditions of specific grants of options and/or performance rights to participants in the LTIP.

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

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

Details of the options – issued in December 2006

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 11. 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 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.
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 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 this 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 2012.

Summary of performance targets for options – issued in December 2006

	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.

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.

DIRECTORS' REPORT (CONTINUED)

Details of the performance rights
The details of the performance rights issued to J DeLano in November 2011 are set out below:

Instrument	Each performance right represents an entitlement to one ordinary share.
Exercise price	Nil
Vesting conditions	The Performance Rights are to be allocated in 3 equal tranches. The Performance Rights allocated in each tranche will vest on, and become exercisable on or after, the applicable Vesting Date to the extent that certain performance-based conditions are achieved in the relevant Performance Period and a tenure condition is satisfied. The measures used to determine FlexiGroup's financial performance are the Cash Earnings Per Share growth targets ("Cash EPS Hurdle") and the Total Shareholder Return ("TSR Hurdle"). For each tranche, 50% is applicable to the Cash EPS hurdle and the remaining 50% is applicable to the TSR hurdle.
Cash EPS performance target	The first performance-based Vesting Condition is based on growth on an adjusted "Cash NPAT" earnings per share measure used by the Company to track earnings per share on an underlying performance basis. This adjusted "Cash NPAT" earnings per share measure ("**Cash EPS**") is calculated by the Company for a financial year as: • the reported statutory net profit after tax for the financial year, after adding back the amount of intangibles amortisation recorded in the annual accounts and after adjusting for any material one-off income or expense items the Board believes appropriate to reflect underlying recurring earnings; • divided by the weighted average number of ordinary shares on issue during the year. The performance condition tests the growth in Cash EPS for the relevant Performance Period financial year above the Cash EPS for the immediately preceding financial year, measured as a percentage, ("**Cash EPS Growth**"). The Cash EPS Growth condition will be satisfied for a Performance Period in accordance with the following: **Nil** – if the Company's Cash EPS growth is less than 5%. **20%** – if the Company's Cash EPS growth equals 5%. **Prorata between 20% and 66%** – if the Company's Cash EPS growth is between 5% and 10%. **Pro rata between 66% and 100%** – if Cash EPS is between 10% and 15%. **100%** – if Cash EPS is more than 15%. For the FY12 Performance Period, the performance condition vesting profile will be as set out above. However, the Board will have the discretion to vary the Cash EPS Growth condition at any time for the FY13 and FY14 Performance Periods from that set out in the table if it believes it is appropriate to do so to reflect the Company's circumstances. But the Cash Growth EPS level at which 100% of the Performance Rights available in a given year will satisfy the Cash EPS Growth performance condition will not be reduced below 12.5%.

TSR Performance target	The second performance-based Vesting Condition for each tranche of Performance Rights relates to the Company's Total Shareholder Return ("**TSR**") for the relevant Performance Period when compared to the peer group of companies in the S&P/ASX 300 Index (excluding resources companies). For each Performance Period, the TSR for the Company will be determined by calculating the amount by which the sum of: • the 30 day volume weighted average price ("**VWAP**") for FlexiGroup Shares in the period up to and including the 30 June at the end of the relevant Performance Period; and • the dividends paid on a Company Share during the relevant Performance Period, exceeds the 30 day VWAP for the Company's Shares in the period up to and including 1 July at the beginning of the relevant Performance Period, expressed as a percentage. The relative TSR performance condition will be satisfied in accordance with the following: **Nil** – if the Company's TSR ranked in the 4th or 3rd quartiles (i.e. 51st to 100th ranking) of companies in S&P/ASX 300 Index (excluding resources companies). **50%** – if the Company's TSR equals performance of the 50th ranking company in S&P/ASX 300 Index (excluding resource companies). **Pro rata between 50% and 100%** – if the Company's TSR ranked in the 2nd quartile (i.e. 26th to 50th ranking) of companies in S&P/ASX 300 Index (excluding resources companies). **100%** if the Company's TSR ranked in the 1st quartile (i.e. 1st to 25th ranking) of companies in S&P/ASX 300 Index (excluding resources companies).
Why vesting conditions were chosen	The vesting conditions were chosen as performance conditions as they reflect, at the date they were granted, the generation of significant shareholder value.
Vesting date	Tranche 1 – 1 September 2012 Tranche 2 – 1 September 2013 Tranche 3 – 1 September 2014
Exercise period	Vesting date to expiry date
Expiry date	Tranche 1 – 31 December 2013 Tranche 2 – 31 December 2014 Tranche 3 – 31 September 2015
Disposal restriction	No disposal restriction imposed at the time of this grant.
Retesting – Performance Rights – Cash EPS	Tranche 1: If the performance condition is not met by the end of the performance period for Tranche 1 it is retested at the end of the performance period for Tranche 2, the effective performance period for retesting is 1 July 2011 to 30 June 2013. Tranche 2: If the performance condition is not met by the end of the performance period for Tranche 2 it is retested at the end of the performance period for Tranche 3, the effective performance period for retesting is 1 July 2012 to 30 June 2014. Tranche 3: There is no retesting if the performance condition is not met by the end of the performance period for Tranche 3. Performance Rights that do not satisfy the Cash EPS growth hurdle on re-testing will be taken to have lapsed under the LTIP rules.
Retesting – Performance Rights – TSR	Tranche 1: If the performance condition is not met by the end of the performance period for Tranche 1 it is retested at the end of the performance period for Tranche 2, the effective performance period for retesting is 1 July 2011 to 30 June 2013. Tranche 2: If the performance condition is not met by the end of the performance period for Tranche 2 it is retested at the end of the performance period for Tranche 3, the effective performance period for retesting is 1 July 2012 to 30 June 2014. Tranche 3: There is no retesting if the performance condition is not met by the end of the performance period for Tranche 3. Performance Rights that do not satisfy the TSR growth hurdle on re-testing will be taken to have lapsed under the LTIP rules.

Details of the performance rights issued in October 2009
The details of the performance rights issued to A Roberts are set out below:

Instrument	Each performance right represents an entitlement to one ordinary share.
Exercise price	Nil
Tranche components	33.33% of each tranche of performance rights relates to vesting condition 1 33.34% of each tranche of performance rights relates to vesting condition 2 33.33% of each tranche of performance rights relates to vesting condition 3
Vesting conditions	**Vesting condition 1** The performance hurdle set by the Board in relation to vesting condition 1 for each Tranche is based on TSR of the Company for the relevant performance period. If the TSR of the Company equals: • 10% or higher for the performance period between 1 July 2009 to 30 June 2010 ("performance period 1"); or • 15% or higher for the performance periods between 1 July 2010 to 30 June 2011 ("performance period 2") and 1 July 2011 to 30 June 2012 ("performance period 3"), all of the performance rights for the relevant tranche that are subject to vesting condition 1 will vest. The TSR for performance periods 2 and 3 is determined by calculating the amount by which the sum of the 30 day volume weighted average price ("**VWAP**") for FlexiGroup's ordinary shares in the period up to and including 30 June (that is the end) of the relevant performance period and the dividends paid on an ordinary share in FlexiGroup during the performance period exceeds the 30 day VWAP for FlexiGroup's ordinary shares in the period up to and including 1 July (that is the beginning) of the performance period, expressed as a percentage. **Vesting condition 2** The performance hurdle set by the Board in relation to vesting condition 2 for each Tranche is based on TSR growth of the Company measured against other companies in the S&P/ASX 300 Index (not including resources companies) TSR growth for the relevant performance period. TSR for the Company for a performance period will be measured in the same way as for vesting condition 1. The same 30 day VWAP calculations will be used to determine the TSR for a performance period of the other companies in the S&P/ASX 300 Index (not including resources companies). The performance hurdle for vesting condition 2 will be considered satisfied in accordance with the following percentages of the tranches earned: **Nil** – if the Company's TSR ranked in the 4th quartile (i.e. 76th to 100th ranking) of companies in S&P/ASX 300 Index (excluding resources companies). **25%** – if the Company's TSR equals performance of the 75th ranking company in S&P/ASX 300 Index (excluding resources companies). **Pro rata between 25% and 50%** – if the Company's TSR ranked in the 3rd quartile (i.e. 51st to 75th ranking) of companies in S&P/ASX 300 Index (excluding resources companies). **Pro rata between 50% and 100%** – if the Company's TSR ranked in the 2nd quartile (i.e. 26th to 50th ranking) of companies in S&P/ASX 300 Index (excluding resources companies). **100%** if the Company's TSR ranked in the 1st quartile (i.e. 1st to 25th ranking) of companies in S&P/ASX 300 Index (excluding resources companies). **Vesting condition 3** The performance hurdle in relation to vesting condition 3 is based on personal key performance indicators ("KPIs") applicable set by the Board with respect to each performance period. A KPI hurdle may include any combination of operational, volume/product mix, cultural, financial and other measures as determined by the Board and notified from time to time. The KPI hurdle will be performance tested over each relevant performance period unless otherwise determined by the Board.
Why vesting conditions were chosen	The vesting conditions were chosen as performance conditions as they reflect, at the date they were granted, the generation of significant shareholder value.
Vesting date	1 September 2012 for all tranches

Retention date	1 September 2013 at 5.00pm (Sydney time)
Performance period	Tranche 1 – Performance period 1 (being 1 July 2009 to 30 June 2010) Tranche 2 – Performance period 2 (being 1 July 2010 to 30 June 2011) Tranche 3 – Performance period 3 (being 1 July 2011 to 30 June 2012)
Expiry date	31 December 2014

Details of the performance rights and deferred shares issued in September 2010
The details of the performance rights issued to G McLennan, R May, A Roberts and J McLean and deferred shares issued to J Scotcher are set out below:

Instrument	Each performance right/deferred share represents an entitlement to one ordinary share.
Exercise price	Nil
Vesting conditions	Performance rights and deferred shares 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. The measure used to determine FlexiGroup's financial performance is Earnings Per Share growth targets ("Cash EPS hurdle") and Total Shareholder Return ("TSR Hurdle"). 66.66% percent of each tranche of performance rights and deferred shares will be subject to the Cash EPS hurdle, while the remaining 33.34% percent will be subject to the TSR hurdle.
Cash EPS performance target	The Cash EPS ("Cash EPS") for the year ending 30 June 2011 is 20.0 cents per share and 30 June 2012 is 22.4 cents per share. Performance testing ("testing date") against the Cash EPS hurdle will take place on the date of announcement of the relevant annual financial results of FlexiGroup. There will be no retesting of performance rights and deferred shares under the Cash EPS target. Performance rights and deferred shares that do not vest will be taken to have lapsed. The Board has the discretion to vary at any time the Cash EPS hurdle applicable to all or part of the performance rights and deferred shares.
TSR performance target	The performance hurdle set by the Board in relation to each Tranche is based on TSR growth of the Company measured against other companies in the S&P/ASX 300 Index (not including resources companies) TSR growth for the relevant performance period. The TSR for FlexiGroup will be determined by calculating the amount by which the sum of: • the 30 day volume weighted average price ("VWAP") for FlexiGroup Shares in the period up to and including 30 June at the end of the relevant Performance Period; and • the dividends paid on a FlexiGroup Share during the relevant performance period, exceeds the 30 day VWAP for FlexiGroup Shares in the period up to and including 1 July at the beginning of the relevant performance period, expressed as a percentage. **Nil** – if the Company's TSR ranked in the 4th quartile (i.e. 76th to 100th ranking) of companies in S&P/ASX 300 Index (excluding resources companies). **25%** – if the Company's TSR equals performance of the 75th ranking company in S&P/ASX 300 Index (excluding resources companies). **Pro rata between 25% and 50%** – if the Company's TSR ranked in the 3rd quartile (i.e. 51st to 75th ranking) of companies in S&P/ASX 300 Index (excluding resources companies). **Pro rata between 50% and 100%** – if the Company's TSR ranked in the 2nd quartile (i.e. 26th to 50th ranking) of companies in S&P/ASX 300 Index (excluding resources companies). **100%** if the Company's TSR ranked in the 1st quartile (i.e. 1st to 25th ranking) of companies in S&P/ASX 300 Index (excluding resources companies).
Why vesting conditions were chosen	The vesting conditions were chosen as performance conditions as they reflect, at the date they were granted, the generation of significant shareholder value.
Vesting date	Tranche 1 – 1 September 2012 Tranche 2 – 1 September 2013
Exercise period	Tranches 1 & 2 – From vesting date to expiry date
Expiry date	Tranche 1 & 2 – 31 December 2014
Disposal restriction	No disposal restriction imposed at the time of this grant.

DIRECTORS' REPORT (CONTINUED)

Retesting – Performance Rights and deferred shares – TSR
If the TSR vesting condition is not met for any Tranche 1 performance rights and deferred shares when measured on the testing date for performance period 1 and those performance rights and deferred shares have not otherwise lapsed, those performance rights and deferred shares may be exercised during the exercise period for Tranche 2 if the TSR hurdle is met on the testing date for performance period 2. For these purposes, the performance period will be from 1 July 2010 (the beginning of performance period 1) to 30 June 2012 (the end of performance period 2).

If the TSR vesting condition is not met for any Tranche 2 performance rights and deferred shares when measured on the testing date for performance period 2 and those performance rights and deferred shares have not otherwise lapsed, those performance rights and deferred shares may be exercised during the exercise period for Tranche 2 if the TSR hurdle is met on the testing date for performance period 2 with the performance period measured for these purposes from 1 July 2010 (the beginning of performance period 1) to 30 June 2012 (the end of performance period 2).

Details of the performance rights and deferred shares issued in June 2011, August 2011 and April 2012
The details of the performance rights issued to R May and J McLean in June 2011 and A Roberts and J McLean in August 2011 and J Scotcher in April 2012, and deferred shares issued to J Scotcher in June 2011 are set out below:

Instrument	Each performance right/deferred share represents an entitlement to one ordinary share.
Exercise price	Nil
Vesting conditions	Performance rights and deferred shares 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. The measure used to determine FlexiGroup's financial performance is Earnings Per Share growth targets ("Cash EPS hurdle") and Total Shareholder Return ("TSR Hurdle"). Fifty percent (50%) of each tranche of performance rights and deferred shares will be subject to the Cash EPS hurdle, while the remaining fifty percent (50%) will be subject to the TSR hurdle.
Cash EPS performance target	The Cash EPS ("Cash EPS") for the year ending 30 June 2012 is 21.5 cents per share, 30 June 2013 is 24.8 cents per share and 30 June 2014 is 28.5 cents per share. Performance testing ("testing date") against the Cash EPS hurdle will take place on the date of announcement of the relevant annual financial results of FlexiGroup. 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 and deferred shares that do not vest on retesting will be taken to have lapsed. The applicable Cash EPS hurdle for each test period is measured on an annual compounding basis to the relevant performance test date, using the Cash EPS as the base line number. The Board has the discretion to vary at any time the Cash EPS hurdle applicable to all or part of the performance rights.
TSR performance target	The performance hurdle set by the Board in relation to each Tranche is based on TSR growth of the Company measured against other companies in the S&P/ASX 300 Index (not including resources companies) TSR growth for the relevant performance period. The TSR for FlexiGroup will be determined by calculating the amount by which the sum of: • the 30 day volume weighted average price ("VWAP") for FlexiGroup Shares in the period up to and including 30 June at the end of the relevant performance period; and • the dividends paid on a FlexiGroup Share during the relevant performance period, exceeds the 30 day VWAP for FlexiGroup Shares in the period up to and including 1 July at the beginning of the relevant performance period, expressed as a percentage. **Nil** – if the Company's TSR ranked in the 4th quartile (i.e. 76th to 100th ranking) of companies in S&P/ASX 300 Index (excluding resources companies). **25%** – if the Company's TSR equals performance of the 75th ranking company in S&P/ASX 300 Index (excluding resources companies). **Pro rata between 25% and 50%** – if the Company's TSR ranked in the 3rd quartile (i.e. 51st to 75th ranking) of companies in S&P/ASX 300 Index (excluding resources companies). **Pro rata between 50% and 100%** – if the Company's TSR ranked in the 2nd quartile (i.e. 26th to 50th ranking) of companies in S&P/ASX 300 Index (excluding resources companies). **100%** if the Company's TSR ranked in the 1st quartile (i.e. 1st to 25th ranking) of companies in S&P/ASX 300 Index (excluding resources companies).

Why vesting conditions were chosen	The vesting conditions were chosen as performance conditions as they reflect, at the date they were granted, the generation of significant shareholder value.
Vesting date	Tranche 1 – 1 December 2012 Tranche 2 – 1 December 2013 Tranche 3 – 1 December 2014
Exercise period	Tranches 1, 2 & 3 – From vesting date to expiry date
Expiry date	Tranche 1 – 31 December 2014 Tranche 2 – 31 December 2015 Tranche 3 – 31 December 2016
Disposal restriction	No disposal restriction imposed at the time of this grant.

Retesting – Performance Rights and deferred shares – Cash EPS
If the Cash EPS Performance Rights and deferred shares vesting condition is not met for any Tranche 1 performance rights/deferred shares when measured on the testing date for performance rights and deferred shares performance period 1 and those Tranche 1 performance rights and deferred shares have not otherwise lapsed, those Tranche 1 performance rights and deferred shares may be exercised during the performance rights and deferred shares exercise period for Tranche 2 performance rights and deferred shares if the Cash EPS hurdle is met on the testing date for performance rights/deferred shares performance period 2.

If the Cash EPS performance rights and deferred shares vesting condition is not met for any Tranche 2 performance rights and deferred shares when measured on the testing date for performance rights/deferred shares performance period 2 and those Tranche 2 performance rights and deferred shares have not otherwise lapsed, those Tranche 2 performance rights and deferred shares may be exercised during the performance rights and deferred shares exercise period for performance rights and deferred shares Tranche 3 if the Cash EPS hurdle is met on the testing date for performance rights/deferred shares performance period 3.

There is no retesting for Tranche 3 performance rights if the Cash EPS performance rights vesting condition is not met for any Tranche 3 performance rights when measured on the testing date for performance rights performance period 3.

Retesting – Performance Rights and deferred shares – TSR
If the TSR performance rights and deferred shares vesting condition is not met for any Tranche 1 performance rights and deferred shares when measured on the testing date for performance rights/deferred shares performance period 1 (as set out above) and those Tranche 1 performance rights and deferred shares have not otherwise lapsed, those Tranche 1 performance rights and deferred shares may be exercised during the performance rights and deferred shares exercise period for Tranche 2 performance rights and deferred shares if the TSR hurdle is met on the testing date for performance rights/deferred shares performance period 2. For these purposes, the performance rights/deferred shares performance period will be from 1 July 2012 (the beginning of performance rights/deferred shares performance period 1) to 30 June 2013 (the end of performance rights/deferred shares performance period 2).

If the TSR performance rights vesting condition is not met for any Tranche 2 performance rights when measured on the testing date for performance rights performance period 2 and those Tranche 2 performance rights have not otherwise lapsed, those Tranche 2 performance rights may be exercised during the performance rights exercise period for performance rights Tranche 3 if the TSR hurdle is met on the testing date for performance rights performance period 3. For these purposes, the performance rights performance period will be from 1 July 2012 (the beginning of performance rights performance period 2) to 30 June 2014 (the end of performance rights performance period 3). There is no retesting for Tranche 2 deferred shares if the TSR deferred shares Vesting Condition is not met for any Tranche 2 deferred shares when measured on the Testing Date for deferred shares performance Period 2).

There is no retesting for Tranche 3 performance rights if the TSR performance rights vesting condition is not met for any Tranche 3 performance rights when measured on the testing date for performance rights performance period 3.

Details of the deferred shares issued in June 2009
The details of the deferred shares issued to R May, J McLean and J Scotcher are set out below:

Instrument	Each deferred share represents an entitlement to one ordinary share.
Exercise price	Nil
Tranche components	33.33% of each tranche of deferred shares relates to vesting condition 1 33.33% of each tranche of deferred shares relates to vesting condition 2 33.33% of each tranche of deferred shares relates to vesting condition 3

DIRECTORS' REPORT (CONTINUED)

Vesting conditions	**Vesting condition 1** The performance hurdle set by the Board in relation to vesting condition 1 for each Tranche is based on TSR of the Company for the relevant performance period. If the TSR of the Company equals: • 10% or higher for the performance period between 1 July 2009 to 1 July 2010 ("performance period 1"); or • 15% or higher for the performance periods between 1 July 2010 to 30 June 2011 ("performance period 2") and 1 July 2011 to 30 June 2012 ("performance period 3"), all of the deferred shares for the relevant tranche that are subject to vesting condition 1 will vest. The TSR for performance periods 2 and 3 is determined by calculating the amount by which the sum of the 30 day volume weighted average price ("**VWAP**") for FlexiGroup's ordinary shares in the period up to and including 30 June (that is the end) of the relevant performance period and the dividends paid on an ordinary share in FlexiGroup during the performance period exceeds the 30 day VWAP for FlexiGroup's ordinary shares in the period up to and including 1 July (that is the beginning) of the performance period, expressed as a percentage. **Vesting condition 2** The performance hurdle set by the Board in relation to vesting condition 2 for each Tranche is based on TSR growth of the Company measured against other companies in the S&P/ASX 300 Index (not including resources companies) TSR growth for the relevant performance period. TSR for the Company for a performance period will be measured in the same way as for vesting condition 1. The same 30 day VWAP calculations will be used to determine the TSR for a performance period of the other companies in the S&P/ASX 300 Index (not including resources companies). The performance hurdle for vesting condition 2 will be considered satisfied in accordance with the following percentages of the tranches earned: **Nil** – if the Company's TSR ranked in the 4th quartile (i.e. 76th to 100th ranking) of companies in S&P/ASX 300 Index (excluding resources companies). **25%** – if the Company's TSR equals performance of the 75th ranking company in S&P/ASX 300 Index (excluding resources companies). **Pro rata between 25% and 50%** – if the Company's TSR ranked in the 3rd quartile (i.e. 51st to 75th ranking) of companies in S&P/ASX 300 Index (excluding resources companies). **Pro rata between 50% and 100%** – if the Company's TSR ranked in the 2nd quartile (i.e. 26th to 50th ranking) of companies in S&P/ASX 300 Index (excluding resources companies). **100%** if the Company's TSR ranked in the 1st quartile (i.e. 1st to 25th ranking) of companies in S&P/ASX 300 Index (excluding resources companies).
Vesting conditions (continued)	**Vesting condition 3** The performance hurdle in relation to vesting condition 3 is based on personal key performance indicators ("KPIs") applicable set by the Board with respect to each performance period. A KPI hurdle may include any combination of operational, volume/product mix, cultural, financial and other measures as determined by the Board and notified from time to time. The KPI hurdle will be performance tested over each relevant performance period unless otherwise determined by the Board.
Why vesting conditions were chosen	The vesting conditions were chosen as performance conditions as they reflect, at the date they were granted, the generation of significant shareholder value.
Retention date	1 September 2012 at 5.00pm (Sydney time)
Distributions/Dividends	Participants are entitled to receive distributions/dividends made in respect of the deferred shares.
Performance period	Tranche 1 – Performance period 1 (being 1 July 2009 to 30 June 2010) Tranche 2 – Performance period 2 (being 1 July 2010 to 30 June 2011) Tranche 3 – Performance period 3 (being 1 July 2011 to 30 June 2012)
Disposal restriction	Deferred shares that vest in accordance with the applicable vesting conditions will be subject to a restriction on disposal until the retention date of 1 September 2012.

Details of the options issued in June 2011

The details of the options issued to G McLennan, R May, J McLean, A Roberts and J Scotcher are set out below:

Instrument	Each option represents an entitlement to one ordinary share.
Exercise price	$2.11 – $2.29
Vesting conditions	Options 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. The measure used to determine FlexiGroup's financial performance is Earnings Per Share growth targets ("Cash EPS hurdle") and Total Shareholder Return ("TSR Hurdle"). Fifty percent (50%) of each tranche of options will be subject to the Cash EPS hurdle, while the remaining fifty percent (50%) will be subject to the TSR hurdle.
Cash EPS performance target	The Cash EPS ("Cash EPS") for the year ending 30 June 2014 is 28.5 cents per share. Performance testing ("testing date") against the Cash EPS hurdle will take place on the date of announcement of the relevant annual financial results of FlexiGroup. There will be no retesting of options. Options that do not vest will be taken to have lapsed. The Board has the discretion to vary at any time the Cash EPS hurdle applicable to all or part of the options.
TSR performance target	The performance hurdle set by the Board in relation to each Tranche is based on TSR growth of the Company measured against other companies in the S&P/ASX 300 Index (not including resources companies) TSR growth for the relevant performance period. The TSR for FlexiGroup will be determined by calculating the amount by which the sum of: • the 30 day volume weighted average price ("VWAP") for FlexiGroup Shares in the period up to and including 30 June at the end of the relevant Performance Period; and • the dividends paid on a FlexiGroup Share during the relevant Performance Period, exceeds the 30 day VWAP for FlexiGroup Shares in the period up to and including 1 July at the beginning of the relevant Performance Period, expressed as a percentage. **Nil** – if the Company's TSR ranked in the 4th quartile (i.e. 76th to 100th ranking) of companies in S&P/ASX 300 Index (excluding resources companies). **25%** – if the Company's TSR equals performance of the 75th ranking company in S&P/ASX 300 Index (excluding resources companies). **Pro rata between 25% and 50%** – if the Company's TSR ranked in the 3rd quartile (i.e. 51st to 75th ranking) of companies in S&P/ASX 300 Index (excluding resources companies). **Pro rata between 50% and 100%** – if the Company's TSR ranked in the 2nd quartile (i.e. 26th to 50th ranking) of companies in S&P/ASX 300 Index (excluding resources companies). **100%** if the Company's TSR ranked in the 1st quartile (i.e. 1st to 25th ranking) of companies in S&P/ASX 300 Index (excluding resources companies).
Why vesting conditions were chosen	The vesting conditions were chosen as performance conditions as they reflect, at the date they were granted, the generation of significant shareholder value.
Vesting date	1 December 2014
Exercise period	From vesting date to expiry date
Expiry date	31 December 2016
Disposal restriction	No disposal restriction imposed at the time of this grant.

DIRECTORS' REPORT (CONTINUED)

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

Grant date	Tranche number	Date vested and exercisable	Expiry date	Exercise price* $	Value per option, performance right, deferred share at grant date
8 Dec 2006**	1	1 Sep 2010	31 Dec 2011	1.98	$0.40
	2	1 Sep 2010	31 Dec 2011	1.98	$0.40
	3	1 Sep 2010	31 Dec 2011	1.98	$0.40
	4	1 Jun 2011	31 Dec 2012	1.98	$0.41
25 June 2009	1	1 Sep 2012	1 Sep 2022	Nil	$0.60
	2	1 Sep 2012	1 Sep 2022	Nil	$0.60
	3	1 Sep 2012	1 Sep 2022	Nil	$0.60
31 Oct 2009	1	1 Sep 2012	1 Dec 2014	Nil	$1.01
	2	1 Sep 2012	1 Dec 2014	Nil	$1.01
	3	1 Sep 2012	1 Dec 2014	Nil	$1.01
15 Sep 2010	1	1 Sep 2012	31 Dec 2014	Nil	$1.06
	2	1 Sep 2013	31 Dec 2014	Nil	$0.95
3 June 2011	1	1 Dec 2012	31 Dec 2014	Nil	$1.74
	2	1 Dec 2013	31 Dec 2015	Nil	$1.645
	3	1 Dec 2014	31 Dec 2016	Nil	$1.455
3 June 2011	1	1 Dec 2014	31 Dec 2016	$2.11	$0.51
5 Aug 2011	1	1 Dec 2012	31 Dec 2014	Nil	$1.74
	1	1 Dec 2012	31 Dec 2014	Nil	$1.26
	2	1 Dec 2013	31 Dec 2015	Nil	$1.66
	2	1 Dec 2013	31 Dec 2015	Nil	$1.25
	3	1 Dec 2014	31 Dec 2016	Nil	$1.57
	3	1 Dec 2014	31 Dec 2016	Nil	$0.98
5 Aug 2011	1	1 Dec 2014	31 Dec 2016	$2.29	$0.48
	1	1 Dec 2014	31 Dec 2016	$2.29	$0.36
30 Nov 2011	1	1 Sep 2012	31 Dec 2013	Nil	$2.14
	1	1 Sep 2012	31 Dec 2013	Nil	$1.80
	2	1 Sep 2013	31 Dec 2014	Nil	$2.03
	2	1 Sep 2013	31 Dec 2014	Nil	$1.42
	3	1 Sep 2014	31 Dec 2015	Nil	$1.93
	3	1 Sep 2014	31 Dec 2015	Nil	$1.08
23 April 2012	1	1 Dec 2013	31 Dec 2015	Nil	$2.14
	1	1 Dec 2013	31 Dec 2015	Nil	$1.80
23 April 2012	1	1 Dec 2014	31 Dec 2016	$2.27	$0.48
	1	1 Dec 2014	31 Dec 2016	$2.27	$0.36

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

** Includes Expired options not exercised by options holders, but retained in share option reserve as required by accounting standards.

Details of options granted to key management personnel are disclosed on pages 10 to 20 above. In addition, the following options were granted to officers who are among the five highest remunerated officers of the company and the group, but are not key management persons and hence not disclosed in the remuneration report:

Name of officer	Date granted	Issue price	Number of options granted
Andrew Pipolo	5 August 2011	$1.86	600,000

Details of options over ordinary shares in the company provided as remuneration to each Director of FlexiGroup Limited and each of the key management personnel of the parent entity and the group are set out below. When exercisable, each option and performance right is convertible into one ordinary share of FlexiGroup Limited. Further information on the options and performance rights is set out in note 33 to the financial statements.

Name	Number of options and performance rights granted during the year	Value of options and performance rights granted during the year $	Number of options and performance rights vested during the year	Number of options and performance rights lapsed during the year	Value at lapse date ($)
Directors of FlexiGroup Limited					
M Jackson	–	–	–	–	–
J DeLano	2,400,000	4,160,000	7,500,000	2,173,229	698,149
A Abercrombie	–	–	–	–	–
R Dhawan	–	–	–	–	–
R J Skippen	–	–	–	–	–
Executives of FlexiGroup Limited					
D Klotz	–	–	675,000	1,746,218	1,614,030
P Laughton	–	–	830,999	550,000	453,750
N Roberts	–	–	645,446	350,000	351,750
G McLennan	–	–	632,219	–	–
R May	–	–	–	–	–
A Roberts	125,000	77,250	–	–	–
J McLean	150,000	140,625	42,500	–	–
J Scotcher	47,000	61,590	77,354	–	–

The assessed fair value at grant date of options, performance rights and deferred shares 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 8. Fair values at grant date are independently determined using a binomial tree option pricing methodology that takes into account the exercise price, the term of the options and performance rights, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the options and performance rights.

The model inputs for performance rights and deferred shares granted during the year ended 30 June 2012 included:

a) Exercise price: various per performance rights and deferred shares granted
b) Grant date: various per performance rights and deferred shares granted
c) Expiry date: various per performance rights and deferred shares granted
d) Share price at grant date: various per performance rights and deferred shares granted
e) Expected price volatility of the Company's shares: 35%-40% (2011: 40%)
f) Expected dividend yield: 5% – 5.2% (2011: 5% – 5.5%)
g) Risk-free interest rate: 3.22% – 3.9% (2011: 4.38% – 4.97%)

Shares provided on exercise of remuneration options, performance rights and deferred shares
In current year, 2,976,156 ordinary shares in the Company were issued as a result of the exercise of remuneration options and performance rights.

DIRECTORS' REPORT (CONTINUED)

E. Additional information

Details of remuneration: cash bonuses and options, performance rights and deferred shares
For each cash bonus and grant of options, performance rights and deferred shares, 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, performance rights and deferred shares vest in accordance with the vesting schedules detailed below. No options and/or performance rights and/or deferred shares 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.

	2012 Cash bonus						
Name	Paid %	Forfeited %	Year granted	Vested %	Forfeited %	Financial years in which options, performance rights and deferred shares may vest	Maximum total value of grant yet to vest $
Executive Directors of FlexiGroup Limited							
J DeLano (Chief Executive Officer)	100	–	2012	–	–	30/6/2015	1,150,094
			2012	–	–	30/6/2014	1,210,105
			2012	–	–	30/6/2013	897,549
Executives of FlexiGroup							
G McLennan	100	–	2011	–	–	30/6/2015	676,464
			2011	–	–	30/6/2014	151,694
			2011	–	–	30/6/2013	66,951
R May	125	–	2011	–	–	30/6/2015	96,705
			2011	–	–	30/6/2014	130,283
			2011	–	–	30/6/2013	93,710
			2009	–	–	30/6/2013	812
J McLean	93	7	2012	–	–	30/6/2015	30,004
			2012	–	–	30/6/2014	101,054
			2011	–	–	30/6/2015	127,117
			2011	–	–	30/6/2014	165,556
			2011	–	–	30/6/2013	82,638
			2009	–	–	30/6/2013	1,840
A Roberts	80	20	2012	–	–	30/6/2015	49,207
			2012	–	–	30/6/2014	10,710
			2012	–	–	30/6/2013	7,961
			2011	–	–	30/6/2014	18,962
			2011	–	–	30/6/2013	8,369
			2010			30/6/2013	41,352
J Scotcher	90	10	2012	–	–	30/6/2015	8,250
			2012	–	–	30/6/2014	51,619
			2011	–	–	30/6/2015	13,949
			2011	–	–	30/6/2014	40,308
			2011	–	–	30/6/2013	3,327
			2010	–	–	30/6/2013	108

Shares under options, performance rights and deferred shares

As at the date of this report, there were 13,065,322 unissued ordinary shares of FlexiGroup Limited subject to options or performance rights. Of those unissued ordinary shares, 6,013,314 are subject to option with expiry dates between 31 December 2012 and 31 December 2016 and exercise prices between $1.86 – $2.51, with a weighted average exercise price of $2.08. The remaining 7,052,008 unissued ordinary shares are the subject of performance rights with expiry dates between 31 December 2012 and 31 December 2016.

At the date of this report, there are also 1,960,286 deferred shares which are held by the FlexiGroup Tax Deferred Employee Share Plan (note 33 (b) for further information).

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 2012, the Company paid insurance premiums in respect of a Directors' and Officers' Liability insurance contract. Disclosure of the total amount of the premium and the nature of the liabilities in respect of such insurance is prohibited by the policy.

Indemnity of auditors

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

Proceedings on behalf of the Company

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

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of 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 30 of the financial statements.

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

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

Declaration of interests

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

Rounding of amounts

The Company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the Directors' Report. 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 24 and forms part of this report.

Auditor

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

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

Margaret Jackson
Chairman

Sydney
8 August 2012

AUDITOR'S INDEPENDENCE DECLARATION

FlexiGroup Limited and its controlled entities
Auditors' Independence Declaration
30 June 2012

pwc

Auditor's Independence Declaration

As lead auditor for the audit of FlexiGroup Limited for the year ended 30 June 2012, 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.

Victor Clarke
Partner
PricewaterhouseCoopers

Sydney
8 August 2012

PwC, 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, www.pwc.com.au

CORPORATE GOVERNANCE STATEMENT

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 "Information on Directors" section of the 2012 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 statements, 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 acquisition, divestitures and 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 Chairman, 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 none of (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 conflict with those of the Company. Where the Board believes that a significant conflict 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 statements 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 & Risk Committee, Nomination Committee and Remuneration Committee.

The Board charter is available on the FlexiGroup website.

Audit & 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 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 & 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 & 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, procedures performed as part of completing funding agreements, 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 & 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. 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. 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.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

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 Share Trading Policy that prohibits Directors, senior management and staff from dealing in the Company's securities at any time whilst 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 & 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 or Company Secretary

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 to the Board all transactions by Directors, senior managers and designated persons.

In accordance with the provisions of the *Corporations Act 2001* and the ASX Listing Rules, 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 Share Trading Policy is also 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 financial statements. It is the policy of the external auditor to provide an annual declaration of independence to the Audit & Risk Committee. The external auditors are 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.

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 STATEMENTS

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

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

Level 8, The Forum

201 Pacific Highway

St Leonards NSW 2065

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

The financial statements were authorised for issue by the Directors on 8 August 2012. The directors have the power to amend and reissue these financial statements.

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

Contents	**Page**

CONSOLIDATED INCOME STATEMENT

	Notes	Consolidated 2012 $'000	Consolidated 2011 $'000
Total Portfolio Income	4	**241,163**	214,992
Interest expense	5	**(59,507)**	(52,134)
Net Portfolio Income		**181,656**	162,858
Other Income		**5,059**	7,985
Net operating income before operating expenses and impairment charges		**186,715**	170,843
Impairment losses on loans and receivables	6	**(23,521)**	(23,179)
Employee benefits expense		**(48,153)**	(50,240)
Depreciation & amortisation expenses	6	**(7,747)**	(6,183)
Other expenses		**(24,724)**	(21,451)
Profit before income tax		**82,570**	69,790
Income tax expense	7	**(23,612)**	(18,030)
Profit for the year		**58,958**	51,760

		Cents	Cents
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the Company:			
Basic earnings per share	32	**21.5**	19.6
Diluted earnings per share	32	**21.3**	18.8

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Consolidated	
	2012 $'000	2011 $'000
Profit for the year	**58,958**	51,760
Other comprehensive income		
Exchange differences on translation of foreign operations	**8**	(1,105)
Changes in the fair value of cash flow hedges	**(2,672)**	(228)
Income tax relating to components of other comprehensive income	**800**	–
Other comprehensive income for the year, net of tax	**(1,864)**	(1,333)
Total comprehensive income for the year	**57,094**	50,427

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

CONSOLIDATED BALANCE SHEET

	Notes	Consolidated 2012 $'000	Consolidated 2011 $'000
Assets			
Current assets			
Cash and cash equivalents	8	**63,207**	55,994
Receivables	10	**247,979**	229,574
Customer loans	11	**269,061**	175,603
Inventories	9	**518**	258
Total current assets		**580,765**	461,429
Non-current assets			
Receivables	10	**297,715**	221,704
Customer loans	11	**140,172**	110,152
Plant and equipment	12	**5,082**	3,385
Deferred tax assets	13	**9,469**	8,419
Goodwill	14	**88,737**	79,876
Other intangible assets	15	**20,198**	17,492
Total non-current assets		**561,373**	441,028
Total assets		**1,142,138**	902,457
Liabilities			
Current liabilities			
Payables	16	**38,187**	29,686
Borrowings	18	**483,131**	324,494
Current tax liability		**13,581**	11,357
Provisions	17	**3,486**	3,782
Contingent and deferred consideration	27	**1,805**	–
Total current liabilities		**540,190**	369,319
Non-current liabilities			
Borrowings	18	**289,055**	265,626
Deferred tax liabilities	19	**38,436**	33,638
Provisions	17	**802**	470
Derivative financial instruments	20	**2,902**	228
Total non-current liabilities		**331,195**	299,962
Total liabilities		**871,385**	669,281
Net assets		**270,753**	233,176
Equity			
Contributed equity	21	**88,143**	76,645
Reserves	22(a)	**(1,242)**	(402)
Retained earnings	22(b)	**183,852**	156,933
Total equity		**270,753**	233,176

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Consolidated	Contributed Equity $'000	Reserves $'000	Retained Earnings $'000	Total $'000
Balance at 1 July 2010	74,984	(708)	131,352	205,628
Profit for the year	–	–	51,760	51,760
Other comprehensive income	–	(1,333)	–	(1,333)
Total comprehensive income for the year	–	(1,333)	51,760	50,427
Transactions with owners in their capacity as owners				
Share based payments	–	3,300	–	3,300
Contributions of equity, net of transaction costs	1,661	(1,661)	–	–
Dividends provided for or paid (note 23)	–	–	(26,179)	(26,179)
Balance at 30 June 2011	76,645	(402)	156,933	233,176
Balance at 1 July 2011	**76,645**	**(402)**	**156,933**	**233,176**
Profit for the year	**-**	**-**	**58,958**	**58,958**
Other comprehensive income	**-**	**(1,864)**	**-**	**(1,864)**
Total comprehensive income for the year	**-**	**(1,864)**	**58,958**	**57,094**
Transactions with owners in their capacity as owners				
Share based payments	**-**	**4,065**	**-**	**4,065**
Transfer from share based payments on issue of shares under Long Term Incentive Plan	**3,041**	**(3,041)**	**-**	**-**
Issue of shares on vesting of options under Long Term Incentive Plan	**2,010**	**-**	**-**	**2,010**
Shares Issued as consideration for business acquisitions	**6,447**	**-**	**-**	**6,447**
Dividends provided for or paid (note 23)	**-**	**-**	**(32,039)**	**(32,039)**
Balance at 30 June 2012	**88,143**	**(1,242)**	**183,852**	**270,753**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	Consolidated 2012 $'000	Consolidated 2011 $'000
Cash flows from operating activities			
Net interest received		**152,713**	137,305
Other portfolio income		**103,305**	97,688
Payments to suppliers and employees		**(71,715)**	(98,763)
Interest paid		**(56,350)**	(49,415)
Taxation (paid)/refunded		**(17,280)**	18,026
Net cash inflow from operating activities	26	**110,673**	104,841
Cash flows from investing activities			
Net payments for purchase of software and plant and equipment		**(9,469)**	(8,794)
Payment for business acquisitions		**(4,104)**	–
Net increase in:			
Customer loans		**(87,413)**	(80,132)
Receivables due from customers		**(110,629)**	(55,807)
Net cash outflow from investing activities		**(211,615)**	(144,733)
Cash flows from financing activities			
Dividends paid		**(32,039)**	(26,179)
Proceeds from issue of shares on vesting of options		**2,010**	–
Repayment of vendor note on Certegy acquisition		**(15,000)**	–
Increase/(decrease) in:			
Borrowings		**137,763**	32,861
Loss reserves		**15,367**	14,425
Net cash inflow from financing activities		**108,101**	21,107
Net increase in cash and cash equivalents		**7,159**	(18,785)
Cash and cash equivalents at the beginning of the financial year		**55,994**	74,844
Effects of exchange rate changes on cash and cash equivalents		**54**	(65)
Cash and cash equivalents at the end of the financial year		**63,207**	55,994

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

NOTES TO THE FINANCIAL STATEMENTS

1. Summary of significant accounting policies

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

a. Basis of preparation

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

(i) Compliance with IFRS

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

(ii) 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.

(iii) Critical accounting estimates

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

(iv) Presentation of cash flow statement

The classification of items between operating, investing and financing activities in the statement of cash flows has been restated from the prior period to better reflect the operations of the Group. Prior year comparative information has been restated to ensure consistency.

(v) Presentation of income statement

The classification of items in the income statement has been restated from the prior period to better reflect the operations of the Group. Prior year comparative information has been restated to ensure consistency.

(vi) Early adoption of standards

The group has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2011.

b. Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of FlexiGroup Limited ("Company" or "parent entity") as at 30 June 2012 and the results of all the subsidiaries for the year then ended. FlexiGroup Limited and its subsidiaries together are referred to in these financial statements as the Group or the consolidated entity.

Subsidiaries are all those entities (including special purpose entities) over which the Group has 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 acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group (refer to note 1(h)).

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

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

(ii) Employee Share Trust

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

c. Segment reporting

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

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 flow hedges and qualifying net investment hedges or are attributable to part of the net investments in foreign operations.

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

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

iii. Group companies

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

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

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

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

Revenue is recognised for the major business activities as follows:

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

ii. Interest income on customer loans

Interest income on loans is recognised in the income statement using the effective interest method.

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

iii. Equipment protection plan revenue

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. Summary of significant accounting policies (continued)

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

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

vi. Interest income – bank accounts/loss reserves
Interest income on bank and loss reserve balances is recognised using an effective interest method.

f. Government grants
Grants from the government are recognised at their fair value where there is reasonable assurance that the grant will be received and the Group will comply with all the attached conditions.

Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in current liabilities as other payables and are credited to the income statement on a straight-line basis over the expected lives of the related assets.

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

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

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects either accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and 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 7. 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.

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

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

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

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

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

i. 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.

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

k. 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.

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

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is recognised in the income statement. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. Summary of significant accounting policies (continued)

m. 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 25). Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

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

n. Cash and cash equivalents
For statement of cash flows 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.

o. Investments
The Group classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at the end of each reporting period.

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

The Group had no assets in this category at 30 June 2012 (2011: $nil).

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

iii. Held-to-maturity investments
Held-to-maturity investments are non-derivative financial assets 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 2012 (2011: $nil).

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

The Group had no assets in this category at 30 June 2012 (2011: $nil).

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

The Group designates all derivatives held as at 30 June 2012 and 30 June 2011 as hedges of a particular risk associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges).

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

The fair values of various derivative financial instruments used for hedging purposes are disclosed in note 20. Movements in the hedging reserve in shareholders' equity are shown in note 22. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

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

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for instance when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in profit or loss within 'finance costs'. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory or fixed assets) the gains and losses previously deferred in equity are reclassified from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognised in profit or loss as cost of goods sold in the case of inventory, or as depreciation or impairment in the case of fixed assets.

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

q. Inventories

i. 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.

ii. Mobile broadband stock

Mobile broadband stock is stated at the lower of cost and net realisable value.

r. Plant and equipment

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

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

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

Depreciable assets	Depreciation rate
Plant and equipment	20-40%

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

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

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

s. 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.

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

ii. Software

Costs incurred on software development projects (relating to the design and testing of new or improved software products) are recognised as intangible assets when it is probable that the project will be a success considering its commercial and technical feasibility and its costs can be measured reliably. The expenditure capitalised comprises all directly attributable costs, including direct labour. Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Capitalised development costs are recorded as an intangible asset and amortised from the point at which the asset is ready for use over its useful life, which is assessed at 2.5 to 7 years.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. Summary of significant accounting policies (continued)

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. The amount disclosed as the balance of access rights in note 15 is amortised over the period from April 2011 to April 2015.

iv. Merchant relationships
Merchant relationships acquired as part of a business combination are recognised separately from goodwill. The assets are measured at fair value at the date of acquisition less accumulated amortisation and impairment losses. Amortisation is calculated based on the timing of the projected cash flows of the relationships, generally 5 years.

v. Credit software
Credit software assets acquired as part of a business combination represent software to assist in the assessment of the credit worthiness of customers. The assets are measured at fair value at the date of acquisition less accumulated amortisation and impairment losses. Amortisation is calculated based on the expected useful life of the software, generally 4 years.

t. 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 inflows which are largely independent of the cash inflows from other assets or groups of assets (cash generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

u. 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. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

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

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

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

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

w. Borrowing costs
Borrowing costs are expensed.

x. Provisions
Provisions for legal claims and service warranties 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.

y. 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 33.

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.

z. Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

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

aa. 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.

ab. Earnings per share

i. Basic earnings per share

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

ii. Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

ac. 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 sheet 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.

1. Summary of significant accounting policies (continued)

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

ad. Rounding of amounts

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

ae. Parent entity financial information

The financial information for the parent entity, FlexiGroup Limited, disclosed in note 37 has been prepared on the same basis as the consolidated financial statements, except as set out below.

i. Investments in subsidiaries

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

ii. Tax consolidation legislation

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

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

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

The entities have also entered into a tax funding agreement as detailed in note 7(c).

af. New accounting standards

Certain new accounting standards have been published that are not mandatory for 30 June 2012 reporting periods. The Group's assessment of the impact of these new standards and interpretations is set out below.

(i) AASB 9 Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2011-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2011) (effective from 1 January 2013)

AASB 9 Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) (effective from 1 January 2013*) addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2013* but is available for early adoption. When adopted, the standard would affect in particular the group's accounting for available-for-sale financial assets, since AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss.

There will be no impact on the group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the group does not have any such liabilities. The derecognition rules have been transferred from AASB 139 Financial Instruments: Recognition and Measurement and have not been changed. The group has not yet decided when to adopt AASB 9.

* In December 2011, the IASB delayed the application date of IFRS 9 to 1 January 2015. The AASB is expected to make an equivalent amendment to AASB 9 shortly.

(ii) AASB 10 Consolidated Financial Statements, AASB 11 Joint Arrangements, AASB 12 Disclosure of Interests in Other Entities, revised AASB 127 Separate Financial Statements and AASB 128 Investments in Associates and Joint Ventures and AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards (effective 1 January 2013)

In August 2011, the AASB issued a suite of five new and amended standards which address the accounting for joint arrangements, consolidated financial statements and associated disclosures. AASB 10 replaces all of the guidance on control and consolidation in AASB 127 Consolidated and Separate Financial Statements, and Interpretation 12 Consolidation – Special Purpose Entities. The core principle that a consolidated entity presents a parent and its subsidiaries as if they are a single economic entity remains unchanged, as do the mechanics of consolidation. However, the standard introduces a single definition of control that applies to all entities. It focuses on the need to have both power and rights or exposure to variable returns. Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both. Control exists when the investor can use its power to affect the amount of its returns. There is also new guidance on participating and protective rights and on agent/principal relationships. While the group does not expect the new standard to have a significant impact on its composition, it has yet to perform a detailed analysis of the new guidance in the context of its various investees that may or may not be controlled under the new rules.

AASB 11 introduces a principles based approach to accounting for joint arrangements. The focus is no longer on the legal structure of joint arrangements, but rather on how rights and obligations are shared by the parties to the joint arrangement. Based on the assessment of rights and obligations, a joint arrangement will be classified as either a joint operation or a joint venture. Joint ventures are accounted for using the equity method, and the choice to proportionately consolidate will no longer be permitted. Parties to a joint operation will account their share of revenues, expenses, assets and liabilities in much the same way as under the previous standard. AASB 11 also provides guidance for parties that participate in joint arrangements but do not share joint control.

AASB 12 sets out the required disclosures for entities reporting under the two new standards, AASB 10 and AASB 11, and replaces the disclosure requirements currently found in AASB 127 and AASB 128. Application of this standard by the group will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to the group's investments.

Amendments to AASB 128 provide clarification that an entity continues to apply the equity method and does not remeasure its retained interest as part of ownership changes where a joint venture becomes an associate, and vice versa. The amendments also introduce a "partial disposal" concept. The group is still assessing the impact of these amendments.

The group does not expect to adopt the new standards before their operative date. They would therefore be first applied in the financial statements for the annual reporting period ending 30 June 2014.

(iii) AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13 (effective 1 January 2013)

AASB 13 was released in September 2011. It explains how to measure fair value and aims to enhance fair value disclosures. The group has yet to determine which, if any, of its current measurement techniques will have to change as a result of the new guidance. It is therefore not possible to state the impact, if any, of the new rules on any of the amounts recognised in the financial statements. However, application of the new standard will impact the type of information disclosed in the notes to the financial statements. The group does not intend to adopt the new standard before its operative date, which means that it would be first applied in the annual reporting period ending 30 June 2014.

(iv) Revised AASB 119 Employee Benefits, AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011) and AASB 2011-11 Amendments to AASB 119 (September 2011) arising from Reduced Disclosure Requirements (effective 1 January 2013)

In September 2011, the AASB released a revised standard on accounting for employee benefits. It requires the recognition of all remeasurements of defined benefit liabilities/assets immediately in other comprehensive income (removal of the so-called 'corridor' method) and the calculation of a net interest expense or income by applying the discount rate to the net defined benefit liability or asset. This replaces the expected return on plan assets that is currently included in profit or loss. The standard also introduces a number of additional disclosures for defined benefit liabilities/assets and could affect the timing of the recognition of termination benefits. The amendments will have to be implemented retrospectively. The Group has not yet decided when to adopt the new standard.

There are no other standards that are not yet effective and that are expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

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. Residual values range between 0% and 20% depending on the nature and the duration of the contract.

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(k).

iii. 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. Details of the basis of performance of the assessment is set out in note 14.

iv. Fair value of financial instruments
All derivatives are recognised and measured at fair value. The derivatives are valued using valuation techniques that utilise observable market inputs. The fair value of financial instruments is included within note 34.

v. Share based payment expense
In determining the share based payments expense for the period, the group makes various assumptions in determining the fair value of the instruments and the probability of non-market vesting conditions being met as set out in note 1(y) iv.

3. Segment information

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

The Chief Executive Officer considers the business from a product perspective and has identified three reportable segments; the core leasing business (consisting of Flexirent, Blink and Paymate), the interest-free loan business (Certegy and Lombard) and Vendor Finance. The Vendor Finance business was previously included in the leasing business and has been identified as a separate segment in 2012, with comparative information for 2011 restated.

The Group only operates predominantly in one geographical segment (Australasia).

(b) Segment information provided to the Chief Executive Officer

The segment information provided to the Chief Executive Officer for the reportable segments for the year ended 30 June 2012 is as below.

2012

	Leases	Interest-free loans	Vendor Finance	Total
Total Portfolio Income	139,204	81,984	19,975	241,163
Interest expense	(32,345)	(21,586)	(5,576)	(59,507)
Net Portfolio Income	106,859	60,398	14,399	181,656
Other Income	4,838	221	–	5,059
Impairment losses on loans and receivables	(11,923)	(10,169)	(1,429)	(23,521)
Other expenses	(54,131)	(19,166)	(5,952)	(79,249)
Amortisation of acquired intangibles and access rights	(259)	(1,116)	–	(1,375)
Profit before income tax	45,384	30,168	7,018	82,570
Income tax expense	(12,183)	(9,324)	(2,105)	(23,612)
Statutory profit for the year	33,201	20,844	4,913	58,958
Amortisation of acquired intangibles and access rights	259	1,116	–	1,375
Non recurring acquisition costs net of one-off GST refund	958	–	–	958
Cash Net Profit After Tax	**34,418**	**21,960**	**4,913**	**61,291**
Total segment assets	**510,297**	**476,822**	**155,019**	**1,142,138**

2011

	Leases	Interest-free loans	Vendor Finance	Total
Total Portfolio Income	144,685	60,295	10,012	214,992
Interest expense	(31,805)	(19,034)	(1,295)	(52,134)
Net Portfolio Income	112,880	41,261	8,717	162,858
Other Income	7,933	52	–	7,985
Impairment losses on loans and receivables	(13,473)	(9,026)	(680)	(23,179)
Other expenses	(59,890)	(12,743)	(4,093)	(76,726)
Amortisation of acquired intangibles and access rights	(63)	(1,085)	–	(1,148)
Profit before income tax	47,387	18,459	3,944	69,790
Income tax expense	(10,902)	(5,795)	(1,333)	(18,030)
Statutory profit for the year	36,485	12,664	2,611	51,760
Amortisation of acquired intangibles and access rights	63	1,085	–	1,148
Cash Net Profit After Tax	36,548	13,749	2,611	52,908
Total segment assets	510,023	329,269	63,165	902,457

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. Total Portfolio Income

	2012 $'000	2011 $'000
From continuing operations		
Gross interest and finance lease income	**178,358**	157,337
Amortisation of initial direct transaction costs (note 1(i) (ii))	**(36,109)**	(31,883)
Other portfolio income*	**95,063**	84,610
Interest income – Banks	**3,851**	4,928
Total Portfolio Income	**241,163**	214,992

* Other portfolio income includes Customer fees, end of term income, Blink income and Protect income. Under accounting standards, certain items included in total portfolio income do not represent interest income. After excluding those items, total interest income for the year is $205m (2011:$177m).

5. Interest Expense

	2012 $'000	2011 $'000
Borrowing Costs	**59,507**	52,134

6. Expenses

	2012 $'000	2011 $'000
Profit before income tax includes the following specific expenses:		
Depreciation		
– Plant and equipment	**1,407**	1,375
Amortisation		
– Software	**4,965**	3,660
– Merchant relationships	**890**	860
– Customer relationships	**8**	–
– Credit software	**225**	225
– Access rights	**252**	63
Total depreciation and amortisation expenses	**7,747**	6,183
Bad debts written off	**22,125**	22,285
Movement in allowance for losses	**1,396**	894
Losses on loans and receivables	**23,521**	23,179
Rental expense relating to operating leases:		
– Minimum lease payments	**2,833**	2,721
	2,833	2,721

7. Income tax expense

	2012 $'000	2011 $'000
(a) Income tax expense		
Current tax	**20,562**	17,461
Deferred tax	**4,287**	3,787
Over provision in prior years	**(1,237)**	(1,312)
Credit relating to re-setting of tax cost base of assets	**-**	(1,906)
	23,612	18,030
Income tax expense is attributable to:		
Profit from continuing operations	**23,612**	18,030
Aggregate income tax expense	**23,612**	18,030
Deferred income tax (revenue) expense included in income tax expense comprises:		
(Increase)/decrease in deferred tax assets (note 13)	**(147)**	382
Increase in deferred tax liabilities (note 19)	**4,434**	3,405
	4,287	3,787
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Profit from continuing operations before income tax	**82,570**	69,790
Tax at the Australian tax rate of 30%	**24,771**	20,937
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Amortisation of intangibles	**258**	258
Sundry items	**(101)**	53
Effect of differences in tax rates in a foreign jurisdiction	**(79)**	-
	24,849	21,248
Overprovision in prior years	**(1,237)**	(1,312)
Credit relating to re-setting of tax cost base of assets	**-**	(1,906)
	23,612	18,030

(c) Tax consolidation legislation

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

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.

8. Cash and cash equivalents

	2012 $'000	2011 $'000
Cash at bank and on hand	**63,207**	55,994

Reconciliation to cash at the end of the year

The above figures reconcile to cash at the end of the financial year, as shown in the statement of cash flows, as follows:

	2012 $'000	2011 $'000
Balances as above	**63,207**	55,994
Balances per statement of cash flows	**63,207**	55,994

The weighted average interest rate on this balance is 3.06% (2011: 4.14%).

Included in cash at bank are amounts of $44.7 million (2011: $29.9 million) which are held as part of the Group's funding arrangements and are not available to the Group.

Risk exposure
The Group's exposure to interest rate risk is discussed in note 34. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of cash and cash equivalents mentioned above.

9. Current assets – Inventories

	2012 $'000	2011 $'000
Returned rental equipment	**18**	26
Extended rental assets	**191**	202
Mobile broadband stock	**309**	30
	518	258

10. Current and non-current assets – Receivables

	2012		2011	
	Current $'000	Non-current $'000	Current $'000	Non-current $'000
Gross rental receivables*	**317,793**	**328,885**	292,256	251,367
Guaranteed residuals	**564**	**5,901**	435	3,149
Unguaranteed residuals	**5,421**	**22,233**	2,089	9,529
Unearned income	**(101,402)**	**(68,976)**	(89,836)	(51,289)
Unamortised initial direct transaction costs	**28,076**	**14,902**	24,493	13,651
Net lease receivables	**250,452**	**302,945**	229,437	226,407
Allowance for losses	**(5,054)**	**(5,230)**	(5,304)	(4,703)
	245,398	**297,715**	224,133	221,704
Other debtors	**2,581**	**–**	5,441	–
	247,979	**297,715**	229,574	221,704

* Refer to note 34 for disclosure of impaired lease and loan receivables, past due but not impaired receivables and the fair value of receivables.

11. Current and non-current assets – Customer loans

	2012 Current $'000	2012 Non-current $'000	2011 Current $'000	2011 Non-current $'000
Loan receivables*	**274,228**	**141,897**	178,005	111,688
Allowance for losses	**(5,167)**	**(1,725)**	(2,402)	(1,536)
	269,061	**140,172**	175,603	110,152

* Refer to note 34 for disclosure of impaired lease and loan receivables, past due but not impaired receivables and the fair value of receivables.

Risk exposure
Information about the group's exposure to credit risk, foreign exchange and interest rate risk is provided in note 34. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of receivable mentioned in note 34.

12. Non-current assets – Plant and equipment

	$'000
Year ended 30 June 2011	
Opening net book amount	3,682
Exchange differences	(3)
Additions	1,248
Disposals	(167)
Depreciation charge	(1,375)
Closing net book amount	3,385
At 30 June 2011	
Cost	8,454
Accumulated depreciation	(5,069)
Net book amount	3,385
Year ended 30 June 2012	
Opening net book amount	**3,385**
Exchange differences	**2**
Acquired through business combinations	**321**
Additions	**2,819**
Disposals	**(38)**
Depreciation charge	**(1,407)**
Closing net book amount	**5,082**
At 30 June 2012	
Cost	**11,757**
Accumulated depreciation	**(6,675)**
Net book amount	**5,082**

13. Non-current assets – Deferred tax assets

	2012 $'000	2011 $'000
The balance comprises temporary differences attributable to:		
Amounts recognised in profit or loss		
Doubtful debts	**4,372**	3,789
Employee entitlements	**2,337**	2,499
Provisions	**1,045**	1,851
Acquisition costs	**730**	–
Capital raising costs	**185**	280
	8,669	8,419
Amounts charged directly to equity		
Cash Flow Hedges	**800**	–
	9,469	8,419
Deferred tax assets to be recovered within 12 months	**5,078**	6,159
Deferred tax assets to be recovered after more than 12 months	**4,391**	2,260
	9,469	8,419

Movements in gross deferred tax assets	Doubtful debts $'000	Employee entitlements $'000	Provisions $'000	Capital Raising Costs $'000	IPO Expenses $'000	Cash Flow Hedges $'000	Acquisition costs $'000	Total $'000
At 1 July 2010	3,531	2,148	2,242	373	507	–	–	8,801
Credited/(charged) to income statement	258	351	(391)	(93)	(507)	–	–	(382)
At 30 June 2011	3,789	2,499	1,851	280	–	–	–	8,419
At 1 July 2011	3,789	2,499	1,851	280	–	–	–	8,419
Credited/(charged) to income statement	558	(240)	(806)	(95)	–	–	730	147
Acquired through business combinations	25	78	–	–	–	–	–	103
Charged to equity	–	–	–	–	–	800	–	800
At 30 June 2012	**4,372**	**2,337**	**1,045**	**185**	**–**	**800**	**730**	**9,469**

14. Non-current assets – Goodwill

	2012 $'000	2011 $'000
(a) Carrying value		
Opening balance	**79,876**	79,876
Additions through business combination		
– Paymate	**1,921**	–
– Lombard	**6,940**	–
Net Carrying Value	**88,737**	79,876

	2012 $'000	2011 $'000
(b) Impairment testing for cash generating units containing goodwill		
For the purpose of impairment testing, goodwill is allocated to the Group's operating business units which represent the lowest level within the Group at which goodwill is monitored for internal management purposes.		
The aggregate carrying amounts of goodwill allocated to each unit(s) are as follows:		
Leases (including Paymate)	**52,080**	50,159
Interest-free loans – Certegy	**29,717**	29,717
Interest-free loans – Lombard	**6,940**	–
	88,737	79,876

The carrying amount of goodwill of each CGU is tested for impairment at each statutory reporting date and whenever there is an indicator that the asset may be impaired. If an asset is impaired, it is written down to its recoverable amount. The recoverable amount is based on a value in use calculation using cash flow projections based on the 2013 financial year budget. Cash flows for a further 4 year period were extrapolated using a declining growth rate such that the long term terminal growth was determined at 3% which does not exceed the long term average for the industry and economy.

The key assumptions used in determining value in use for 30 June 2012 are:

Assumption	How determined
Forecast revenues and expenses	Forecast revenues and expenses beyond the 2013 budget period have been extrapolated using declining growth rates such that the long–term terminal growth rates are as follows: • Leases – 3% (2011: 3%) • Interest Free Loans – Certegy – 3% (2011: 3%) • Interest Free Loans – Lombard – 3% (2011: n/a)
Long-term growth rate	The above long-term growth rate for each of the CGUs does not exceed the long-term average growth rate for the business in which the CGU operates.
Cost of Equity Capital	The discount rate applied to the cash flows of each of the Group's operations is based on the risk free rate for ten year Commonwealth Government bonds as at 30 June 2012, adjusted for a risk premium to reflect both the increased risk of investing in equities and the risk of the specific Group operating company. In making this adjustment, inputs required are the equity markets risk premium (that is the required increased return required over and above a risk free rate by an investor who is investing in the market as a whole) and the risk adjustment, beta, applied to reflect the risk of the specific Group operating company relative to the market as a whole, giving rise to the Group's Cost of Equity Capital.
Weighted Average Cost of Capital (WACC)	The Group's WACC is calculated with reference to its Cost of Equity Capital, uplifted by the forecast average cost of outstanding debt on the Group's interest bearing liabilities over the measurement period, split by CGU as follows: • Leases – 14.9% (2011: 15%) • Interest – free loans – Certegy 14.6% (2011: 15%) • Interest Free Loans – Lombard 16.6% (2011: n/a)

Sensitivity analysis

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

The Group is satisfied that all the assumptions on which the recoverable amounts are based are fair and reasonable, and that currently, there are no reasonably known changes to these assumptions that would cause the aggregate carrying amount to exceed the aggregate recoverable amount of any of the Groups CGUs as at 30 June 2012.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

15. Non-current assets – Other Intangible assets

	Software $'000	Access rights $'000	Merchant relationships $'000	Credit Software $'000	Customer relationships $'000	Total $'000
2011						
At 1 July 2010	10,459	1,000	2,867	525	–	14,851
Additions	7,546	–	–	–	–	7,546
Exchange differences	(15)	–	–	–	–	(15)
Disposals	(82)	–	–	–	–	(82)
Amortisation expense	(3,660)	(63)	(860)	(225)	–	(4,808)
At 30 June 2011	14,248	937	2,007	300	–	17,492
At 1 July 2011	14,248	937	2,007	300	–	17,492
Additions	6,689	–	–	–	–	6,689
Acquired through business combinations	1,172	–	1,119	–	66	2,357
Exchange differences	–	–	–	–	–	–
Disposals	–	–	–	–	–	–
Amortisation expense	(4,965)	(252)	(890)	(225)	(8)	(6,340)
At 30 June 2012	**17,144**	**685**	**2,236**	**75**	**58**	**20,198**

16. Current liabilities – Payables

	2012 $'000	2011 $'000
Trade payables	**37,147**	25,515
Other payables	**1,040**	4,171
	38,187	29,686

Risk exposure
Information about the Group's exposure to foreign exchange risk is provided in note 34.

17. Current and non-current liabilities – Provisions

	2012		2011	
	Current $'000	Non-current $'000	Current $'000	Non-current $'000
Protect plan provision				
Carrying amount at beginning of the year	**786**	**–**	801	–
Release of provision	**(308)**	**–**	(15)	–
Carrying amount at end of the year	**478**	**–**	786	–
Employee benefits				
Annual leave provision	**2,491**	**–**	2,467	–
Long service leave provision	**517**	**802**	529	470
	3,486	**802**	3,782	470

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

18. Current and non-current liabilities – Borrowings

	2012 Current $'000	2012 Non-current $'000	2011 Current $'000	2011 Non-current $'000
Secured				
Loan advances – secured	**498,596**	**293,486**	333,083	277,299
Total secured current borrowings	**498,596**	**293,486**	333,083	277,299
Unsecured				
Vendor note	**–**	**–**	15,000	–
Total unsecured current borrowings	**–**	**–**	15,000	–
Loss reserve	**(15,465)**	**(4,431)**	(23,589)	(11,673)
	483,131	**289,055**	324,494	265,626

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.

Risk exposure
Details of the group's exposure to risks arising from current and noncurrent borrowings are set out in note 34.

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

	2012 $'000	2011 $'000
Total loan facilities available	**932,605**	872,600
Loan facilities used at balance date	**(792,082)**	(625,382)
Loan facilities unused at balance date*	**140,523**	247,218

* At 30 June 2012, the Group was in the process of finalising a $70m facility that has been excluded from the loan facilities available amount above.

Borrowings (current and non-current) maturity analysis:

	Loan advances $'000	Loss reserve $'000	Net borrowings $'000
2012			
1 year or less	498,596	(15,465)	483,131
Over 1 to 2 years	211,525	(3,615)	207,910
Over 2 to 5 years	81,918	(816)	81,102
Over 5 years	43	–	43
Total	**792,082**	**(19,896)**	**772,186**
2011			
1 year or less	348,083	(23,589)	324,494
Over 1 to 2 years	228,794	(9,041)	219,753
Over 2 to 5 years	48,503	(2,632)	45,871
Over 5 years	2	–	2
Total	**625,382**	**(35,262)**	**590,120**

Risk exposures
Information about the Group's exposure to interest rate and foreign currency changes is provided in note 34.

19. Non-current liabilities – Deferred tax liabilities

	2012 $'000	2011 $'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	**26,022**	23,011
Initial direct transaction costs	**12,062**	10,627
Intangible assets and Plant and equipment	**352**	–
	38,436	33,638
Deferred tax liabilities to be settled within 12 months	**12,812**	19,775
Deferred tax liabilities to be settled after more than 12 months	**25,624**	13,863
	38,436	33,638

Movements in gross deferred tax assets	Leases $'000	Initial direct transaction costs $'000	Intangible assets and Plant and equipment $'000	Total $'000
At 1 July 2010	19,288	10,945	–	30,233
Charged/(credited) to income statement	3,723	(318)	–	3,405
At 30 June 2011	23,011	10,627	–	33,638
At 1 July 2011	23,011	10,627	–	33,638
Acquired through business combinations	–	–	364	364
Charged/(credited) to income statement	3,011	1,435	(12)	4,434
At 30 June 2012	**26,022**	**12,062**	**352**	**38,436**

20. Non-current liabilities – Derivative financial instruments

	2012 $'000	2011 $'000
Interest rate swap contracts – cash flow hedges	**2,902**	228

Instruments used by the Group
The Group is party to derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in interest rates in accordance with the Group's financial risk management policies (refer to note 34).

Interest rate swap contracts – cash flow hedges
It is policy to protect part of the loans from exposure to increasing interest rates. Accordingly, the Group has entered into interest rate swap contracts under which it is obliged to receive interest at variable rates and to pay interest at fixed rates. Swaps currently in place cover approximately 85% (2011 – 69%) of the variable loan principal outstanding and are timed to expire as each loan repayment falls due.

The contracts require settlement of net interest receivable or payable monthly. The settlement dates coincide with the dates on which interest is payable on the underlying debt. The contracts are settled on a net basis. The gain or loss from remeasuring the hedging instruments at fair value is recognised in other comprehensive income and deferred in equity in the hedging reserve, to the extent that the hedge is effective. It is reclassified into profit or loss when the hedged interest expense is recognised. In the year ended 30 June 2012 no losses were reclassified into profit or loss (2011 – $nil) and included in finance costs. There was no hedge ineffectiveness in the current or prior year.

Risk exposures and fair value measurements
Information about the Group's exposure to credit risk, foreign exchange and interest rate risk and about the methods and assumptions used in determining fair values is provided in note 34. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of derivative financial liabilities mentioned above.

21. Contributed equity

	Parent entity 2012 Shares	Parent entity 2011 Shares
(a) Share capital		
Ordinary Shares – fully paid	**280,153,505**	264,380,173

(b) Movement in ordinary share capital

	Consolidated Number of shares	Consolidated $'000
1 July Balance	259,870,664	74,984
14 September 2010 – Issue of shares to Executives under FlexiGroup Long Term Incentive Plan	4,084,328	1,389
14 January 2011 – Issue of shares to Executives under FlexiGroup Long Term Incentive Plan	190,000	192
1 June 2011 – Issue of shares to Executives under FlexiGroup Long Term Incentive Plan	235,181	80
30 June 2011 balance	**264,380,173**	**76,645**
6 September 2011 – Issue of shares to executives under FlexiGroup Long Term Incentive Plan	1,570,413	428
7 September 2011 – Issue of shares to employees from treasury shares	9,810,000	1,830
21 September 2011 – Issue of shares to employees from treasury shares	70,446	42
7 December 2011 – Issue of shares to employees from treasury shares	54,601	17
7 December 2011 – Issue of shares to executives under FlexiGroup Long Term Incentive Plan	1,405,743	2,724
5 March 2012 – Issue of shares to employees from treasury shares	16,667	10
3 April 2012 – Issue of shares on acquisition of Paymate	642,818	1,447
1 June 2012 – Issue of shares on acquisition of Lombard	2,202,644	5,000
30 June 2012 balance	**280,153,505**	**88,143**

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

On a show of hands every holder of ordinary shares present at a meeting in persons or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

(d) Options, performance rights and deferred shares
Information relating to the FlexiGroup Employee Options, Performance Rights Plan and Deferred Share Plan, including details of options, performance rights and deferred shares issued, exercised and lapsed during the financial year and options, performance rights and deferred shares outstanding at the end of the financial year, is set out in note 33.

(e) Treasury shares
Treasury shares are shares in FlexiGroup Limited that are held by the FlexiGroup Tax Deferred Employee Share Plan Trust for the purposes of issuing shares under the FlexiGroup Long Term Incentive Plan (see note 33 for further information).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

21. Contributed equity (continued)

(f) Issue of shares

On 1 June 2012, FlexiGroup Limited issued 2,202,644 ordinary shares at an issue price of $2.27 per share for the acquisition on Lombard Finance Pty Limited. The shares are equally weighted with other ordinary shares however they are subject to holding back arrangements which will be released at various dates over the period from 1 July – 31 December 2012.

Movement in treasury shares	Number of shares	$'000
Opening Balance	10,947,500	3,564
15 September 2010 – Acquisition of shares by the Trust	570,000	872
8 June 2011 – Acquisition of shares by the Trust	394,500	832
30 June 2011 balance	**11,912,000**	**5,268**
7 September 2011 – Transfer of shares to ordinary shares	(9,810,000)	(1,830)
21 September 2011 – Transfer of shares to ordinary shares	(70,446)	(42)
7 December 2011 – Transfer of shares to ordinary shares	(54,601)	(17)
5 March 2012 – Transfer of shares to ordinary shares	(16,667)	(10)
30 June 2012 balance	**1,960,286**	**3,369**

(g) Capital risk management

The Group'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 monitors capital on the basis of its gearing ratio. In order to maintain or adjust its capital structure, the Group considers its issue of new capital, return of capital to shareholders and dividend policy as well as its plans for acquisition or disposal of assets.

22. Reserves and retained earnings

	2012 $'000	2011 $'000
(a) Reserves		
Share-based payment reserve	**2,213**	1,189
Foreign currency translation reserve	**(1,355)**	(1,363)
Cash flow hedges	**(2,100)**	(228)
	(1,242)	(402)
Movements:		
Share-based payments reserve		
Balance at 1 July	**1,189**	(450)
Transfer from share based payments on issue of shares under Long Term Incentive Plan	**(3,041)**	(1,661)
Share-based payments expense for the year	**4,065**	3,300
Balance at 30 June	**2,213**	1,189
Movements:		
Foreign currency translation reserve		
Balance at 1 July	**(1,363)**	(258)
Currency translation differences arising during the year	**8**	(1,105)
Balance at 30 June	**(1,355)**	(1,363)
Movements:		
Cash flow hedges		
Balance at 1 July	**(228)**	–
Revaluation – net of tax	**(1,872)**	(228)
Balance at 30 June	**(2,100)**	(228)

(b) Retained earnings		
Movements in retained profits were as follows:		
Balance at 1 July	**156,933**	131,352
Net profit for the year	**58,958**	51,760
Dividends	**(32,039)**	(26,179)
Balance at 30 June	**183,852**	156,933

(c) Nature and purpose of reserves

(i) Foreign currency translation reserve

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

(ii) Share-based payment reserve

The Share-based payment reserve is used to recognise:

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

(iii) Cash flow hedge reserve

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

23. Dividends

(a) Ordinary shares

	Parent entity 2012 $'000	Parent entity 2011 $'000
Final dividend for the year ended 30 June 2011 of 5.5 cents (2010: 4.5 cents) per fully paid share paid on 13 October 2011 (2010: 15 October 2010)		
Fully franked based on tax paid @ 30% – 5.5 cents (2011: 4.5 cents) per share	**15,283**	12,396
Interim dividend for the year ended 30 June 2012 of 6 cents (2011: 5 cents) per fully paid share paid 18 April 2012 (2011: 15 April 2011)		
Fully franked based on tax paid @ 30% – 6 cents (2011: 5 cents) per share	**16,756**	13,783
	32,039	26,179

(b) Dividends not recognised at year end

	Parent entity 2012 $'000	Parent entity 2011 $'000
In addition to the above dividends, since the year end the directors have recommended the payment of a final dividend of 6.5 cents per fully paid ordinary share (2011: 5.5 cents), fully franked based on tax paid at 30%. The aggregate amount of the proposed dividend expected to be paid on 18 October 2012 out of retained profits as at 30 June 2012 but not recognised as a liability at year end	**18,337**	15,196
	18,337	15,196

(c) Franked dividends

	Consolidated 2012 $'000	Consolidated 2011 $'000	Parent entity 2012 $'000	Parent entity 2011 $'000
Franking credits available for subsequent financial years based on a tax rate of 30% (2011: 30%)	**12,410**	3,736	**12,410**	3,736

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.

The impact on the franking account of the dividend recommended by the directors since year end, but not recognised as a liability at year end, will be a reduction in the franking account of 7,858,884 (2011: 6,512,601).

24. Key Management Personnel disclosures

a. Directors

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

M Jackson	(Chairman – Non-Executive Director)
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
G McLennan	Chief Financial Officer	Flexirent Capital Pty Ltd
N Roberts (until 29/02/2012)	Head of National Sales	Flexirent Capital Pty Ltd
D Klotz (until 14/12/2011)	Head of Operations	Flexirent Capital Pty Ltd
P Laughton (until 31/03/2012)	Chief Information Officer	Flexirent Capital Pty Ltd
R May (from 1/07/2011)	General Manager	Certegy
J McLean (from 1/07/2011)	Head of Group Shared Services	Flexirent Capital Pty Limited
A Roberts (from 1/07/2011)	Head of Vendor and Commercial Finance	Flexirent Capital Pty Limited
J Scotcher (from 1/07/2011)	Head of Retail Sales	Flexirent Capital Pty Limited

c. Key Management Personnel Compensation

	2012 $	2011 $
Short-term employee benefits	**4,425,670**	3,663,187
Post-employment benefits	**259,414**	177,810
Long-term benefits	**37,921**	32,815
Share-based payments	**1,863,642**	1,191,153
	6,586,647	5,064,965

Detailed remuneration disclosures are provided in sections A–E of the Remuneration Report on pages 5 to 22.

24. Key Management Personnel disclosures (continued)

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

i. Options, performance rights and deferred shares holdings

2012

Name	Balance at start of year	Granted as compensation	Exercised	Other changes	Balance at end of year	Vested and exercisable	Unvested
Executive Director							
J DeLano	19,252,462	2,400,000	(7,500,000)	(4,901,124)	9,251,338	1,522,500	2,400,000
Other Key Management Personnel							
G McLennan	1,736,217	–	(632,219)	(3,998)	1,100,000	–	1,100,000
N Roberts	995,446	–	(645,446)	(350,000)	–	–	–
D Klotz	2,421,218	–	(675,000)	(1,746,218)	–	–	–
P Laughton	1,380,999	–	(830,999)	(550,000)	–	–	–
R May	650,000	–	–	–	650,000	–	650,000
J McLean	737,500	150,000	(42,500)	–	845,000	–	845,000
A Roberts	450,000	125,000	–	–	575,000		575,000
J Scotcher	178,042	47,000	(77,354)	–	147,688	–	147,688

2011

Name	Balance at start of year	Granted as compensation	Exercised	Other changes	Balance at end of year	Vested and exercisable	Unvested
Executive Director							
J DeLano	19,902,855	–	–	(650,393)	19,252,462	11,297,148	7,955,314
Other Key Management Personnel							
G McLennan	1,363,672	1,100,000	(727,455)	–	1,736,217	–	1,736,217
N Roberts	1,883,890	350,000	(702,795)	(535,649)	995,446	70,446	925,000
D Klotz	2,194,459	1,000,000	(773,241)	–	2,421,218	746,218	1,675,000
P Laughton	1,612,801	550,000	(773,241)	(8,561)	1,380,999	255,999	1,125,000

ii. Share holdings

2012

Name	Balance at start of year	Received during the year on the exercise of performance rights options	Other changes during the year	Balance at end of year
Non-Executive Directors				
M Jackson (Chairman)	3,126,012	–	(1,000,000)	2,126,012
A Abercrombie	81,263,302	–	(2,500,000)	78,763,302
R Dhawan	889,099	–	(500,000)	389,099
RJ Skippen	410,078	–	(270,078)	140,000
Executive Director				
J DeLano	4,028,461	7,500,000	(3,001,776)	8,526,685
Other Key Management Personnel				
G McLennan	–	632,219	(632,219)	–
N Roberts	1,040,157	645,446	(1,615,157)	70,446
D Klotz	425,954	675,000	(1,100,954)	–
P Laughton	1,071,741	830,999	(1,429,740)	473,000
R May	–	–	–	–
J McLean	–	42,500	(42,500)	–
A Roberts	–	–	–	–
J Scotcher	10,237	77,354	–	87,591

2011

Name	Balance at start of year	Received during the year on the exercise of performance rights options	Other changes during the year	Balance at end of year
Non-Executive Directors				
M Jackson (Chairman)	3,126,012	–	–	3,126,012
A Abercrombie	81,263,302	–	–	81,263,302
R Dhawan	889,099	–	–	889,099
RJ Skippen	410,078	–	–	410,078
Executive Director				
J DeLano (Chief Executive Officer)	4,028,461	–	–	4,028,461
Other Key Management Personnel				
G McLennan	–	727,455	(727,455)	–
N Roberts	586,817	702,795	(249,455)	1,040,157
D Klotz	1,095,811	773,241	(1,443,098)	425,954
P Laughton	298,500	773,241	–	1,071,741

e. Other transactions with related parties

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

	2012 $	2011 $
Rental of Melbourne premises	**168,825**	163,791

25. Capital and leasing commitments

	2012 $'000	2011 $'000
Operating lease commitments		
Non-cancellable operating leases contracted for but not capitalised in the financial statements due:		
– within one year	**2,666**	2,628
– later than one year but not later than five years	**2,614**	5,566
	5,280	8,194
Sub lease payments		
Future minimum lease payments expected to be received in relation to non-cancellable sub-leases of operating leases	**1,012**	1,469

In the normal course of the business at 30 June 2012 the group has approved customer loan and lease receivable accounts which have not been drawn at year end. Committed amounts are typically drawn within a short period of the loan or lease being approved.

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

	2012 $'000	2011 $'000
Profit for the year	**58,958**	51,760
Share-based payments	**4,065**	3,300
Depreciation and amortisation	**7,747**	6,183
Bad debts write off disclosed in investing activities	**23,521**	22,285
Exchange differences	**(48)**	(1,019)
Other non-cash movements	**(278)**	1,579
Accrued Interest Payable	**3,130**	2,719
Net cash inflow from operating activities before change in assets and liabilities	**97,095**	86,807
Change in operating assets and liabilities:		
Decrease/(increase) in other receivables	**2,945**	(3,031)
Increase/(decrease) in trade and other creditors	**4,542**	(13,977)
(Increase)/decrease in inventories	**(260)**	719
Increase in current tax payable	**2,066**	30,536
Increase in deferred tax liabilities	**4,433**	3,405
(Increase)/decrease in deferred tax assets	**(148)**	382
Net cash inflow from operating activities	**110,673**	104,841

27. Business Combination

(a) Summary of acquisition – Paymate Pty Limited

On 11 March 2012 the group completed the acquisition of certain assets and liabilities and the business of Paymate Pty Limited, an online payments processing business. The acquisition provides an opportunity for FlexiGroup to gain an advantage in the online payment market. Details of the purchase consideration, the net assets acquired and goodwill are as follows:

	$'000
Purchase consideration	
Cash paid	1,383
Deferred consideration	48
Shares issued	1,447
	2,878

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

	Carrying value $'000	Provisional fair value $'000
Cash and cash equivalents	307	307
Other assets	1	1
Trade and other payables	(142)	(174)
Deferred tax liability	–	(20)
Net carrying value	166	114
Consideration		2,878
Goodwill and intangible assets recognised		2,764
Comprising:		
– Customer relationships		66
– Software, database and copyright		777
– Goodwill		1,921
		2,764

The acquired business contributed revenues of $192,725 and net loss of $1,965,326 to the group from 11 March 2012 to 30 June 2012. If the acquisition had occurred on 1 July 2011 both the revenue and profit amounts would have increased by amounts that are not material to the Group. These amounts have been calculated using the Groups accounting policies and by adjusting the results of the subsidiary to reflect the additional depreciation and amortisation that would have been charged assuming the fair value adjustments to property, plant and equipment and intangible assets had applied from 1 July 2011, together with the consequential tax effects.

Purchase Consideration – Cash Outflow

	2012 $'000	2011 $'000
Outflow of cash to acquire business, net of cash acquired		
Cash consideration	**(1,383)**	–
Less: Balances Acquired		
Cash and cash equivalents	**307**	–
Outflow of cash – Investing Activities	**(1,076)**	–

Acquisition related costs of $181,880 are included in other expenses in profit or loss and in operating cash flows in the statement of cash flows.

27. Business Combination (continued)

(b) Summary of acquisition – Lombard Finance Pty Limited
On 1 June 2012 the group completed the acquisition of 100% of the issued share capital of Lombard Finance Pty Limited, a personal and consumer retail finance provider. Details of the purchase consideration, the net assets acquired and goodwill are as follows:

	$'000
Purchase consideration	
Cash paid	7,000
Contingent consideration	1,757
Shares issued	5,000
	13,757

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

	Carrying value $'000	Provisional fair value $'000
Cash and cash equivalents	3,972	3,972
Receivables	46,048	46,048
Plant and Equipment	320	320
Intangible Assets	95	95
Other assets	269	269
Deferred Tax Assets	628	103
Trade and other payables	(1,128)	(1,128)
Long term debt	(43,937)	(43,937)
Deferred tax liability	(367)	(344)
Net carrying value	5,900	5,398
Consideration		13,757
Goodwill and intangible assets recognised		8,359
Comprising:		
– Merchant relationships		1,119
– Software, database and copyrights		300
– Goodwill		6,940
		8,359

The acquired business contributed revenues of $1,110,174 and net profit of $42,836 to the group from 1 June 2012 to 30 June 2012. If the acquisition had occurred on 1 July 2011, consolidated revenue and profit June 2012 would have been $12,550,703 and $897,612 respectively. These amounts have been calculated using the Groups accounting policies and by adjusting the results of the subsidiary to reflect the additional depreciation and amortisation that would have been charged assuming the fair value adjustments to property, plant and equipment and intangible assets had applied from 1 July 2011, together with the consequential tax effects.

Purchase Consideration – Cash Outflow

	2012 $'000	2011 $'000
Outflow of cash to acquire subsidiary, net of cash acquired		
Cash consideration	**(7,000)**	–
Less: Balances Acquired		
Cash and cash equivalents	**3,972**	–
Outflow of cash – Investing Activities	**(3,028)**	–

Acquisition related costs of $537,090 are included in other expenses in profit or loss and in operating cash flows in the statement of cash flows.

28. 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	
		2012	2011
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%**	100%
Certegy Ezi-Pay Pty Ltd	Australia	**100%**	100%
FlexiGroup Tax Deferred Employee Share Plan Trust	Australia	**100%**	100%
FlexiGroup Management Pty Limited	Australia	**100%**	100%
FlexiGroup New Zealand Limited	New Zealand	**100%**	100%
Flexirent Ireland Group Holdings Limited	Ireland	**100%**	100%
Flexirent Ireland Limited	Ireland	**100%**	100%
Flexirent SPV No 7 Pty Limited	Australia	**100%**	100%
Flexi ABS Trust 2010-1	Australia	**100%**	100%
FlexiGroup NZ SPV1 Limited	New Zealand	**100%**	100%
Flexi ABS Trust 2010-2	Australia	**100%**	100%
Flexi ABS Trust 2011-1	Australia	**100%**	100%
Flexi Online Pty Limited	Australia	**100%**	–
Flexi ABS Warehouse Trust No. 2	Australia	**100%**	–
Flexi ABS Trust Warehouse No. 3	Australia	**100%**	–
Lombard Finance Pty Limited	Australia	**100%**	–
Lombard Warehouse Trust No. 1	Australia	**100%**	–
Flexi Online New Zealand Limited (formerly Flexigroup Capital New Zealand Limited)	New Zealand	**100%**	–

29. 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 28.

Key Management Personnel compensation
Disclosures relating to Key Management Personnel are set out in note 24.

Transactions with related parties
There were no transactions between the Group and related parties other than those disclosed in note 24(e).

30. 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:

	2012 $	2011 $
a. Audit and assurance services		
Audit Services		
PwC Australian firm:		
Audit and review of financial statements	**491,712**	420,000
Related practices of PwC Australian firm	**9,994**	19,000
Other assurance services		
PwC Australian firm:		
Other assurance services including due diligence services	**1,062,602**	294,622
Total remuneration for audit and assurance services	**1,564,308**	733,622
b. Non-audit services		
Other services		
PwC Australian firm:		
Advisory services	**–**	119,191
Taxation services		
PwC Australian firm:		
Tax compliance services	**–**	48,580
Tax advice on transactions and tax cost base re-setting	**8,300**	266,299
Related practices of PwC Australian firm	**–**	14,558
Total remuneration for taxation services	**8,300**	329,437
Total remuneration for non-audit services	**8,300**	448,628
Total remuneration of PwC	**1,572,608**	1,182,250

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

31. Contingencies

Contingent liabilities
There are no material contingent liabilities at the date of this report (2011: $nil).

32. Earnings per share

	2012 Cents	2011 Cents
a. Basic earnings per share		
From continuing operations attributable to the ordinary equity holders of the Company	**21.5**	19.6
Total basic earnings per share attributable to the ordinary equity holders of the Company	**21.5**	19.6
b. Diluted earnings per share		
From continuing operations attributable to the ordinary equity holders of the Company	**21.3**	18.8
Total diluted earnings per share attributable to the ordinary equity holders of the Company	**21.3**	18.8

	2012 $	2011 $
c. Reconciliations of earnings used in calculating earnings per share		
Basic earnings per share		
Profit from continuing operations	**58,958**	51,760
Profit from continuing operations attributable to the ordinary equity holders of the Company used in calculating basic earnings per share	**58,958**	51,760
Profit attributable to the ordinary equity shareholders of the Company used in calculating basic earnings per share	**58,958**	51,760
Diluted earnings per share		
Profit attributable to the ordinary equity holders of the Company used in calculating basic earnings per share	**58,958**	51,760
Profit attributable to the ordinary equity holders of the Company used in calculating diluted earnings per share	**58,958**	51,760

	2012 Number	2011 Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**274,148,259**	264,620,320
Adjustments for calculation of diluted earnings per share:		
Options and performance rights and deferred shares	**2,497,455**	10,920,991
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	**276,645,714**	275,541,311

Information concerning the classification of securities

Options

Options, performance rights and deferred (treasury) shares granted to employees under the FlexiGroup Tax Deferred Employee Share Plan Trust are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent to which they are dilutive. The options, performance rights and deferred (treasury) shares have not been included in the determination of basic earnings per share. Details relating to the options, performance rights and deferred (treasury) shares, are set out in note 33.

33. 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, performance rights and deferred shares 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, right or deferred share 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, performance rights and deferred shares granted under the plan:

2012

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 the end of the period Number
Consolidated and parent entity – 2012								
8/12/06	31/12/11 31/12/12	$1.98*	12,280,109	–	(982,961)	(1,717,915)	9,579,233	1,522,500
19/4/07	31/12/11 31/12/12	$2.91*	746,218	–	–	(746,218)	–	–
31/8/07	31/12/12 31/12/13	$2.51*	251,095	–	–	(47,148)	203,947	203,947
2/10/07	31/12/11 31/12/12	$2.47*	137,058	–	–	–	137,058	59,000
29/11/07	31/12/12	$0.00	455,314	–	–	(455,314)	–	–
16/1/08	31/12/11 31/12/12	$1.57	31,942	–	(31,942)	–	–	–
3/4/08	31/12/12 31/12/13	$0.00	788,194	–	(788,194)	–	–	–
1/10/08	31/12/12 31/12/13	$0.00	332,219	–	(332,219)	–	–	–
27/11/08	2/12/18	$0.00	1,885,000	–	(1,885,000)	–	–	–
23/12/08	23/12/18	$0.00	7,500,000	–	(7,500,000)	–	–	–
17/2/09	31/12/12	$0.00	480,819	–	(383,340)	(97,479)	–	–
31/3/09	29/6/19	$0.00	450,000	–	(425,000)	(25,000)	–	–
29/4/09	31/12/13 31/12/14	$0.00	200,000	–	(200,000)	–	–	–
29/6/09	29/6/19	$0.00	1,037,500	–	(43,334)	(5,833)	988,333	–
1/11/09	31/12/14	$0.00	679,375	–	(5,000)	(27,500)	646,875	–

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 the end of the period Number
Consolidated and parent entity – 2012								
1/1/2010	31/12/12 31/12/13	$0.00	200,000	–	(190,000)	(10,000)	–	–
15/9/2010	31/12/14	$0.00	3,320,000	–	(129,613)	(480,387)	2,710,000	–
15/9/2010	15/9/17	$0.00	555,555	–	–	(128,055)	427,500	–
8/6/2011	8/6/18	$0.00	394,500	–	–	(30,500)	364,000	–
14/6/2011	31/12/14 31/12/15 31/12/16	$0.00	1,271,500	–	–	(100,000)	1,171,500	–
14/6/2011	31/12/16	$2.11	3,220,500	–	–	(685,000)	2,535,500	–
5/8/2011	31/12/14 31/12/15 31/12/16	$0.00	–	733,000	–	–	733,000	–
5/8/2011	31/12/16	$1.86	–	600,000	–	–	600,000	–
5/8/2011	31/12/16	$2.29	–	345,000	–	–	345,000	–
30/11/11	31/12/13 31/12/14 31/12/15	$0.00	–	2,400,000	–	–	2,400,000	–
19/3/12	31/12/15 31/12/16	$0.00	–	125,000	–	–	125,000	–
19/3/2012	31/12/16	$2.18	–	150,000	–	–	150,000	–
23/4/2012	31/12/15	$0.00	–	27,000	–	–	27,000	–
23/4/2012	31/12/16	$2.27	–	20,000	–	–	20,000	–
Total			**36,216,898**	**4,400,000**	**(12,896,603)**	**(4,556,349)**	**23,163,946**	**1,785,447**
Weighted average exercise price			**$0.95**	**$0.52**			**$1.13**	

There were 2,805,953 expired options at 30 June 2012

The weighted average share price at the date of exercise of options exercised during the year ended 30 June 2012 was $2.27 (2011: Nil).

The weighted average remaining contractual life of share options, performance rights and deferred shares outstanding at the end of the year was 2.7 years (2011: 5.8 years).

* Options issued prior to February 2010, exercise prices have been adjusted to reflect the impact of the 2010 capital raising in accordance with section 9 of the FlexiGroup Long Term Incentive Plan.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

33. Share-based payments (continued)

2011

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 the end of the period Number
Consolidated and parent entity – 2011								
8/12/06	31/12/11 31/12/12	$1.98*	11,861,518	–	–	418,591	12,280,109	12,280,109
19/4/07	31/12/11 31/12/12	$2.91*	746,218	–	–	–	746,218	746,218
31/8/07	31/12/12 31/12/13	$2.51*	283,346	–	–	(32,251)	251,095	–
2/10/07	31/12/11 31/12/12	$2.47*	137,058	–	–	–	137,058	137,058
29/11/07	31/12/12	$0.00	2,174,820	–	–	(1,719,506)	455,314	–
16/1/08	31/12/11 31/12/12	$1.57*	31,942	–	–	–	31,942	31,942
3/4/08	31/12/12 31/12/13	$0.00	3,693,557	–	(2,887,059)	(18,304)	788,194	70,446
1/10/08	31/12/12 31/12/13	$0.00	1,613,672	–	(1,132,455)	(148,998)	332,219	–
27/11/08	2/12/18	$0.00	1,960,000	–	–	(75,000)	1,885,000	–
23/12/08	23/12/18	$0.00	7,500,000	–	–	–	7,500,000	–
17/2/09	31/12/12	$0.00	780,819	–	(300,000)	–	480,819	–
31/3/09	29/6/19	$0.00	450,000	–	–	–	450,000	–
29/4/09	31/12/13 31/12/14	$0.00	200,000	–	–	–	200,000	–
29/6/09	29/6/19	$0.00	1,037,500	–	–	–	1,037,500	–
1/11/09	31/12/14	$0.00	679,375	–	–		679,375	–
1/1/2010	31/12/12 31/12/13	$0.00	407,500	–	(190,000)	(17,500)	200,000	–
15/9/2010	31/12/14	$0.00	–	3,320,000	–	–	3,320,000	–
15/9/2010	15/9/17	$0.00	–	570,000	–	(14,445)	555,555	–
8/6/2011	8/6/18	$0.00	–	394,500	–	–	394,500	–
14/6/2011	31/12/14 31/12/15 31/12/16	$0.00	–	1,271,500	–	–	1,271,500	–
14/6/2011	31/12/16	$2.11	–	3,220,500	–	–	3,220,500	–
Total			**33,557,325**	**8,776,500**	**(4,509,514)**	**(1,607,413)**	**36,216,898**	**13,265,773**
Weighted average exercise price			**$0.80**	**$0.77**			**$0.95**	

* Options issued prior to February 2010, exercise prices have been adjusted to reflect the impact of the 2010 capital raising in accordance with section 9 of the FlexiGroup Long Term Incentive Plan.

The weighted average share price at the date of exercise of options exercised during the year ended 30 June 2011 was Nil as no options were exercised during the year (2010: Nil).

The weighted average remaining contractual life of share options, performance rights and deferred shares outstanding at the end of the year was 5.8 years (2010: 4.7 years).

Fair value of options, performance rights and deferred shares 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, performance rights and deferred shares, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the options.

The model inputs for performance rights and deferred shares granted during the year ended 30 June 2012 included:

a) Exercise price: various per performance rights and deferred shares granted
b) Grant date: various per performance rights and deferred shares granted
c) Expiry date: various per performance rights and deferred shares granted
d) Share price at grant date: various per performance rights and deferred shares granted
e) Expected price volatility of the Company's shares: 35% – 40% (2011: 40%)
f) Expected dividend yield: 5% – 5.2% (2011: 5.0% – 5.5%)
g) Risk-free interest rate: 3.22% – 3.9% (2011: 4.38% – 4.97%)

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

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

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

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

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

33. Share-based payments (continued)

Employee gift offer
There were no employee gift offers in the year ended 30 June 2012 (2011-nil).

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

	2012 $	2011 $
Options, performance rights and deferred shares issued under LTIP	**4,064,802**	3,300,000

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

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

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

The Group's lease and loan receivables consist of:

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

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

At the end of the reporting period, the Group had the following variable rate borrowings and interest rate swap contracts outstanding:

	30 June 2012		30 June 2011	
	Weighted average interest rate %*	Balance $'000	Weighted average interest rate %*	Balance $'000
Borrowings**	**6.33%**	**519,954**	7.14%	253,741
Interest rate swaps (notional principle amount)	**3.99%**	**(441,473)**	5.07%	(174,954)
		78,481		78,787

* Represents weighted interest rate at 30 June.

** Based on the financial instruments held at 30 June 2012, 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 $1,381,000 higher/$1,404,000 lower (2011: $64,000 lower/$48,000 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 also has an 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 2012, 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 $1,874,000 higher/$1,517,000 lower (2011: $3,091,000 higher/$2,790,000 lower), as a result of exposure to exchange rate fluctuations of foreign currency operations. All foreign exchange risk is due to the translation of the New Zealand and Ireland operations on consolidation.

		Interest rate risk		Foreign exchange risk	
30 June 2012	Carrying amount $'000	-1% Profit/Equity $'000	+1% Profit/Equity $'000	-10% Profit/Equity $'000	+10% Profit/Equity $'000
Financial assets					
Cash and cash equivalents	63,207	(446)	446	672	(550)
Loans and receivables					
– Fixed interest rate	929,125	–	–	4,054	(3,317)
Loss reserve	19,896	–	–	–	–
Financial liabilities					
Payables	38,187	–	–	(102)	84
Borrowings					
– Fixed interest rate	272,128	–	–	–	–
– Floating interest rate**	519,954	3,639	(3,639)	(2,743)	2,244
Derivatives used for hedging	2,902	(1,812)	1,789	(7)	22
Total increase/(decrease)		**1,381**	**(1,404)**	**1,874**	**(1,517)**

** The Group has entered into interest rate swap contracts under which it is obliged to receive interest at variable rates and to pay interest at fixed rates. Swaps currently in place cover approximately 85% (2011 – 69%) of the variable loan principal outstanding and are timed to expire as each loan repayment falls due.

34. Financial risk management (continued)

30 June 2011	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	55,994	(392)	392	373	(305)
Loans and receivables					
– Fixed interest rate	712,834	–	–	3,921	(3,208)
Loss reserve	35,262	(247)	247	118	(96)
Financial liabilities					
Payables	29,686	–	–	(59)	48
Borrowings					
– Fixed interest rate**	371,641	–	–	(723)	592
– Floating interest rate	253,741	1,776	(1,776)	(539)	179
Derivatives used for hedging	228	(1,201)	1,185	–	–
Total increase/(decrease)		(64)	48	3,091	(2,790)

The Parent entity for 2012 and 2011 had no exposures to interest rate risk and foreign exchange risk.

** The Group has entered into interest rate swap contracts under which it is obliged to receive interest at variable rates and to pay interest at fixed rates. Swaps currently in place cover approximately 85% (2011 – 69%) of the variable loan principal outstanding and are timed to expire as each loan repayment falls due.

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

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

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

A primary measure of delinquency used by the 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.

	Contracts	$'000
As at 30 June 2012		
Unimpaired past due loans and receivables		
Past due under 30 days	**29,982**	**53,778**
Past due 30 days to under 60 days	**8,538**	**9,806**
Past due 60 days to under 90 days	**4,358**	**3,212**
Past due 90 days and over	**4,872**	**1,815**
Total unimpaired past due loans and receivables	**47,750**	**68,611**
Total unimpaired loans and receivables	**576,229**	**929,125**
Unimpaired past due as a percentage of total unimpaired loans and receivables		**7.4%**
Unimpaired past due 30 days and over as a percentage of total unimpaired loans and receivables		**1.6%**
As at 30 June 2011		
Unimpaired past due loans and receivables		
Past due under 30 days	21,522	32,190
Past due 30 days to under 60 days	7,343	10,682
Past due 60 days to under 90 days	4,201	6,414
Past due 90 days and over	14,777	5,912
Total unimpaired past due loans and receivables	47,843	55,198
Total unimpaired loans and receivables	520,573	712,834
Unimpaired past due as a percentage of total unimpaired loans and receivables		7.7%
Unimpaired past due 30 days and over as a percentage of total unimpaired loans and receivables		3.2%

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 consumer leases and loans more than 90 days past due.

34. Financial risk management (continued)

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 licensed 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 18.

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

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

	Less than 1 year $'000	1 to 2 years $'000	2 to 5 years $'000	5 years plus $'000	Total $'000
At 30 June 2012					
Non-derivatives					
Payables	**38,187**	**–**	**–**	**–**	**38,187**
Loans from financial institutions	**537,329**	**224,836**	**86,393**	**43**	**848,601**
Total non-derivatives	**575,516**	**224,836**	**86,393**	**43**	**886,788**
Derivatives					
Net settled (interest rate swaps)	**–**	**947**	**1,955**	**–**	**2,902**
At 30 June 2011					
Non-derivatives					
Payables	29,686	–	–	–	29,686
Loans from financial institutions	385,745	243,184	49,960	2	678,891
Total non-derivatives	415,431	243,184	49,960	2	708,577
Derivatives					
Net settled (interest rate swaps)	–	–	228	–	228

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:

2012

	Carrying amount $'000	Fair Value $'000
Financial Assets		
Cash and cash equivalents	**63,207**	**63,207**
Loans and receivables	**929,125**	**929,125**
Loss reserve	**19,896**	**19,896**
Financial liabilities		
Payables	**38,187**	**38,187**
Borrowings (gross)		
– Fixed interest rate	**272,128**	**279,109**
– Floating interest rate	**519,954**	**519,954**
Derivatives used for hedging	**2,902**	**2,902**

2011

	Carrying amount $'000	Fair Value $'000
Financial Assets		
Cash and cash equivalents	55,994	55,994
Loans and receivables	712,834	712,109
Loss reserve	35,262	35,262
Financial liabilities		
Payables	29,686	29,686
Borrowings (gross)		
– Fixed interest rate	371,641	373,275
– Floating interest rate	253,743	253,743
Derivatives used for hedging	228	228

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 flows, 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 flows 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 flows at the current market interest rate that is available to the Group for similar financial instruments.

35. Deed of Cross Guarantee

FlexiGroup Limited, FlexiGroup Subco Pty Limited, Flexirent Holdings Pty Limited, Flexirent Capital Pty Limited, Flexicare Claims Management Pty Limited and Certegy Ezi-Pay Pty Ltd 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 financial statements and Directors' report under Class Order 98/1418 (as amended) issued by the Australian Securities and Investments Commission.

(a) Consolidated income statement, statement of comprehensive income and summary of movements in consolidated retained earnings

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 2012 of the Closed Group consisting of FlexiGroup Limited, FlexiGroup Subco Pty Limited, Flexirent Holdings Pty Limited, Flexirent Capital Pty Limited, Flexicare Claims Management Pty Limited and Certegy Ezi-pay Pty Ltd.

	2012 $'000	2011 $'000
Income statement		
Total Portfolio Income	**50,393**	91,025
Interest expense	**(1,664)**	(1,694)
Net Portfolio Income	**48,729**	89,331
Other Income	**5,059**	7,048
Net operating income before operating expenses and impairment charges	**53,788**	96,379
Impairment recoveries on loans and receivables	**1,578**	2,670
Employee benefits expense	**(44,421)**	(47,928)
Depreciation & amortisation expenses	**(7,403)**	(6,026)
Other Expenses	**(22,392)**	(20,034)
Profit before income tax	**(18,850)**	25,061
Income tax benefit/(expense)	**7,240**	(5,586)
(Loss)/profit for the year	**(11,610)**	19,475
Statement of comprehensive income		
(Loss)/profit for the year	**(11,610)**	19,475
Other comprehensive income	**-**	-
Total comprehensive income for the year	**(11,610)**	19,475
Summary of movements in consolidated retained earnings		
Retained profits at the beginning of the financial year	**52,194**	58,898
(Loss)/profit for the year	**(11,610)**	19,475
Dividends provided for or paid	**(16,756)**	(26,179)
Retained profits at the end of the financial year	**23,828**	52,194

(b) Consolidated balance sheet

Set out below is a consolidated balance sheet as at 30 June 2012 of the Closed Group consisting of FlexiGroup Limited, FlexiGroup Subco Pty Limited, Flexirent Holdings Pty Limited, Flexirent Capital Pty Limited, Flexicare Claims Management Pty Limited, and Certegy Ezi-pay Pty Ltd.

	2012 $'000	2011 $'000
Assets		
Current assets		
Cash and cash equivalents	**10,242**	18,204
Receivables and customer loans	**-**	40,735
Total current assets	**10,242**	58,939
Non-current assets		
Receivables and customer loans	**-**	33,364
Plant and equipment	**4,582**	3,198
Deferred tax assets	**6,430**	5,232
Goodwill	**79,875**	79,876
Other intangible assets	**17,065**	17,292
Other financial assets	**111,369**	41,906
Total non-current assets	**219,321**	180,868
Total assets	**229,563**	239,807
Liabilities		
Current liabilities		
Payables	**47,866**	26,902
Borrowings	**6,568**	29,242
Current tax liability	**10,231**	17,620
Provisions	**2,328**	3,567
Total current liabilities	**66,993**	77,331
Non-current liabilities		
Borrowings	**18,505**	6,358
Deferred tax liabilities	**25,900**	22,605
Provisions	**779**	441
Total non-current liabilities	**45,184**	29,404
Total liabilities	**112,177**	106,735
Net assets	**117,386**	133,072
Equity		
Contributed equity	**91,187**	79,689
Reserves	**2,371**	1,189
Retained profits	**23,828**	52,194
Total equity	**117,386**	133,072

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

36. Events occurring after the reporting period

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

37. Parent entity financial information

(a) Summary financial information
The individual financial statements for the parent entity show the following aggregate amounts:

	2012 $'000	2011 $'000
Balance sheet		
Current assets	**40,953**	65,977
Total assets	**233,748**	256,083
Current liabilities	**10,346**	7,084
Total liabilities	**10,346**	7,084
Shareholders Equity		
Issued share capital	**498,792**	487,294
Share based payment reserve	**(3,400)**	(358)
Retained earnings	**(271,990)**	(237,937)
	223,402	248,999
Profit for the year	**2,231**	33,688
Total comprehensive income	**2,231**	33,688

(b) Guarantees entered into by the parent entity
There are cross guarantees given by FlexiGroup Limited, FlexiGroup Subco Pty Limited, Flexirent Holdings Pty Limited, Flexirent Capital Pty Limited, Flexicare Claims Management Pty Limited and Certegy Ezi-Pay Pty Ltd as described in note 35. No deficiencies of assets exist in any of these entities.

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

(c) Contingent liabilities and contractual commitments of the parent entity
The parent entity has no contingent liabilities or contractual commitments as at 30 June 2012 (2011: $nil).

DIRECTORS' DECLARATION

In the Directors' opinion:

(a) the financial statements and notes set out on pages 29 to 82 are in accordance with the *Corporations Act 2001*, including:

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

   (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the financial year ended on that date, and

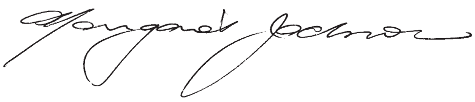
(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable, and

(c) at the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group identified in note 35 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue to the Deed of Cross Guarantee in note 35.

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

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

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



Margaret Jackson
Chairman

Sydney
8 August 2012

INDEPENDENT AUDITOR'S REPORT

FlexiGroup Limited and its controlled entities
Independent Auditor's report
30 June 2012

Independent auditor's report to the members of FlexiGroup Limited

Report on the financial statements

We have audited the accompanying financial statements of FlexiGroup Limited (the company), which comprises the balance sheet as at 30 June 2012, and the income statement, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for FlexiGroup Limited (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements 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 statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, 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 statements 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 statements.

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

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

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pwc

Independent auditor's report to the members of FlexiGroup Limited (continued)

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 statements of FlexiGroup Limited are in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date; and

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

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

Report on the Remuneration Report

We have audited the remuneration report included on pages 5 to 25 of the directors' report for the year ended 30 June 2012. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion, the remuneration report of FlexiGroup Limited for the year ended 30 June 2012, complies with section 300A of the *Corporations Act 2001.*

PricewaterhouseCoopers

PricewaterhouseCoopers

Victor Clarke
Partner

Sydney
8 August 2012

SHAREHOLDER INFORMATION

The shareholder information set out below was applicable as at 31 July 2012.

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	701	413,583	-	-
1,001 – 5,000	899	2,541,366	-	-
5,001 – 10,000	479	3,711,039	-	-
10,001 – 100,000	799	22,181,112	-	-
100,001 and over	134	253,266,691	-	-
Total	**3,012**	**282,113,791**	**-**	**-**

There were 76 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 %
The Abercrombie Group Pty Ltd	59,257,028	21.11
National Nominees Limited	31,968,053	11.39
JP Morgan Nominees Australia Limited	23,010,400	8.20
Citicorp Nominees Pty Limited	20,543,419	7.32
Cogent Nominees Pty Limited	19,482,273	6.94
MF Custodians Ltd	19,506,274	6.95
HSBC Custody Nominees	14,135,844	5.04
Pacific Custodians Pty Limited	9,460,286	3.37
UBS Wealth Management Australia Nominees Pty Ltd	7,501,021	2.67
Behan Superannuation Pty Ltd	4,800,000	1.71
Mr Brendan Behan & Mrs Dawn Behan	3,200,000	1.14
MarichNominees Pty Ltd	2,666,989	0.95
JP MORGAN NOMINEES AUSTRALIA	2,191,469	0.78
Yoogalu Pty Ltd	1,922,531	0.68
RBC Dexia Invester Services	1,807,252	0.64
Margaret Jackson	1,322,643	0.47
Mr John Lethcer Hocking & Ms Emma Maree Payne	1,000,000	0.36
CITICORP NOMINEES PTY LIMITED	839,466	0.30
Graemar Nominees Pty Limited	803,369	0.29
Merrill Lynch (Australi) Nominees Pty Ltd	763,180	0.27
Total	**226,181,497**	**80.58**

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	13,065,322	63

The Company has no other unquoted equity securities.

C. Substantial holders

Substantial holders in the Company are set out below:

	Number held	Percentage %
The Abercrombie Group	78,763,302	27.92
Commonwealth Bank Group	17,140,972	6.08
Total	**95,904,274**	**34.00**

D. Voting rights

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

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

b) Options and performance rights
No voting rights.

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CORPORATE DIRECTORY

Directors

Margaret Jackson (Chairman)
John DeLano (Chief Executive Officer)
Andrew Abercrombie
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 3pm on 26 November 2012

Principal registered office in Australia

Level 8, The Forum
201 Pacific Highway
St Leonards NSW 2065
Australia

Website

www.flexigroup.com.au

Share Register

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

Auditor

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

Solicitors

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

Bankers

Commonwealth Banking Corporation

Stock Exchange listing

FlexiGroup Limited shares are listed on the Australian Stock Exchange

precinct.com.au

WWW.FLEXIGROUP.COM.AU

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