



CONTENTS

PERFORMANCE HIGHLIGHTS	004
CHAIRMAN'S & CEO'S REPORT	009
EXECUTIVE TEAM	014
DIRECTORS' REPORT	018
CORPORATE GOVERNANCE STATEMENT	069
SUSTAINABILITY REPORT	071
AUDITOR'S INDEPENDENCE DECLARATION	078
ANNUAL FINANCIAL STATEMENTS	079
DIRECTORS' DECLARATION	128
INDEPENDENT AUDITOR'S REPORT	129
SHAREHOLDER INFORMATION	138
CORPORATE DIRECTORY	140

About this report

The 2018 Annual Report is a full report on FlexiGroup's operational and financial performance for the financial year ended 30 June 2018.

In this report unless otherwise stated references to 'FlexiGroup' the 'Group', 'we', 'us' and 'our' refer to FlexiGroup Limited, listed on the ASX as FXL.

PERFORMANCE HIGHLIGHTS

Results at upper end of guidance while investing for growth.



Cash NPAT - A solid result at upper end of guidance



Customers, growth of 5%



Closing Receivables, growth of 10%



Volume growth of \$2,284m substantially driven by the Cards businesses



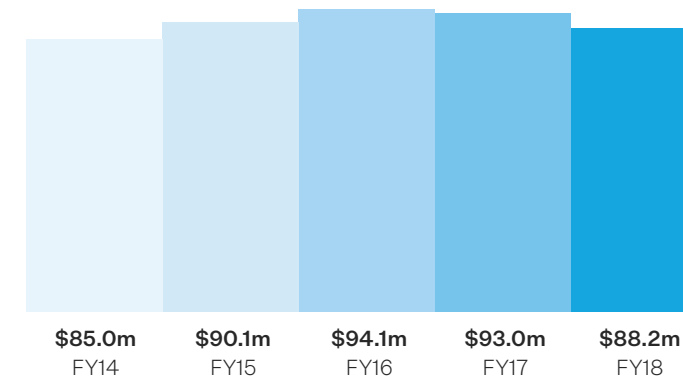
Growth in AU Cards receivables to \$644m



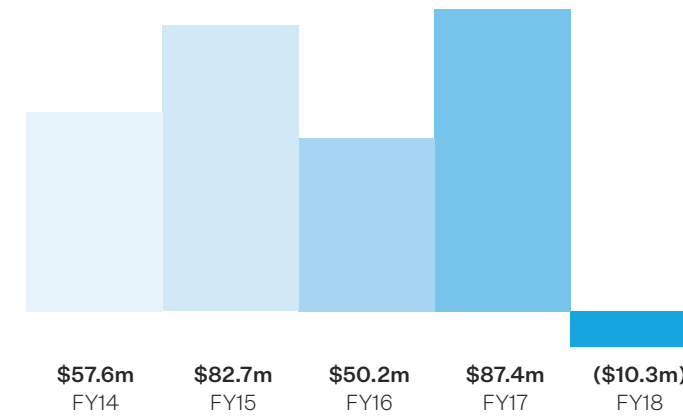
Annual dividend payout of 7.7 cents per share (fully franked)

Performance Highlights

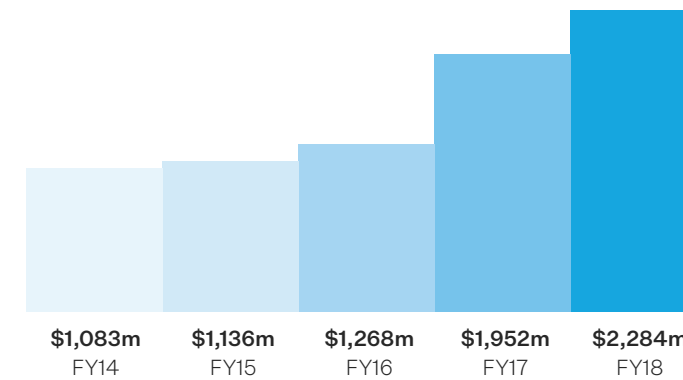
Cash NPAT¹ **\$88.2m**, down 5%



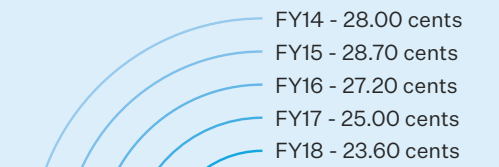
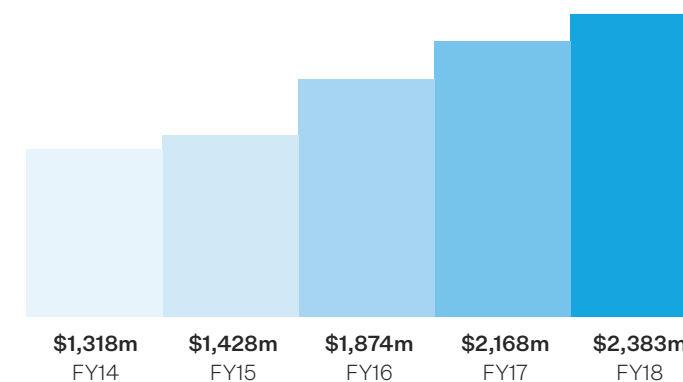
Statutory net (loss)/profit after tax **(\$10.3m)**, down 112%



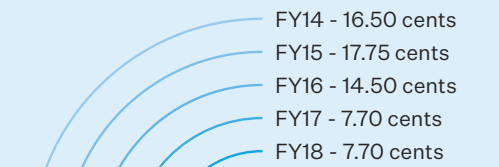
Volume **\$2,284m**, up 17%



Receivables and loans² **\$2,383m**, up 10%



Cash NPAT¹ per share **23.6 cents**, down 6%



Dividends per share **7.70 cents**, flat



Cash ROE³ **13.6%**, down 0.9%

¹Cash NPAT is defined as statutory profit after tax, adjusted for the after tax effect of material infrequent items that the CEO and Board believe do not reflect ongoing operations of the Group and amortisation of acquired intangible assets

²Receivables and loans excludes provision for doubtful debts, unamortised transaction costs and other debtors

³RoE - Return on Equity is Cash NPAT as a percentage of average Equity



**FLEXIGROUP'S YEAR HAS
BEEN CHARACTERISED
BY STRONG INVESTMENT
WITHIN THE FRAMEWORK
OF OUR THREE STRATEGIC
PILLARS OF GROW,
DIGITISE AND OPTIMISE.**

- ANDREW ABERCROMBIE

CHAIRMAN'S & CEO'S REPORT

Strong performance for FY18

FlexiGroup's year has been characterised by strong investment within the framework of our three strategic pillars; Grow, Digitise and Optimise. We have built digital solutions that simplify and improve interactions with our buyers and sellers and we have delivered organic customer and retailer growth which is the fundamental driver of our shareholder value.

This year the Group has seen active customers grow 5% to exceed 1 million and an 8% growth in retailers to over 46,000 across a diverse range of industries. Offering multiple products, we have a broad reach across a complex regulatory landscape and must ensure that our systems deliver responsible lending practices that meet a heightening regulatory environment. Never has it been more important to consolidate and simplify to ensure we are transparent, compliant, responsive and adaptable to change.

Group performance

Against a backdrop of significant internal activity, the Board is pleased to achieve a result at the upper end of guidance with reported FY18 Cash NPAT of \$88.2 million or \$90.7 million excluding restructuring costs of \$2.5 million.

Following the retirement of the consumer lease product (as announced in February) and after accounting for goodwill impairment, intangible asset write-off and provision for customer remediation, FlexiGroup reported a Statutory Loss After Tax of \$10.3 million.

Receivables grew by 10% to \$2.383 billion and volume grew by 17% to \$2.284 billion. A solid result driven by:

- continued strong performance from the Cards businesses (volume growth of 39% in AU Cards and 12% in NZ Cards)
- volume growth in AU Commercial of 57% as the investment to develop and digitise managed services delivers results and provides growth momentum
- Early stage digital enhancements in Certegy delivered volume growth of 3% which accelerated in the second half to 10%

The Board would like to thank our staff for their results driven focus, while meeting challenging timelines across a number of initiatives. Simplifying and improving the way we interact with our buyers and sellers has been at the forefront of our growth strategy as is apparent in the segment initiatives below. The Group initiatives ensure we are a leaner, more efficient organisation well prepared to meet regulatory requirements.



OPTIMISE

Segment initiatives

- Significant progress was made on the digitisation of the Certegy front-end platform with 60% of contracts now settling using the paperless, digital process
- Retirement of the original FlexiRent product, resulting in the impairment of goodwill and other intangible assets
- Introduced Lisa, the first consumer lease in market to meet a number of government panel recommendations. Delivered digitally with a much improved customer value proposition across price, features and end of term
- The AU Commercial, Managed Services digital platform went live, facilitating the signing of three key programme partners driving significant volume growth during the second half of the year. The platform was also launched in NZ
- The SKYE Mastercard (with Motion Code™) was developed, integrating 3,500 sellers and replacing the Australian Once and Lombard cards. The Cards platform is providing economies of scale in both AU and NZ with an improved application process and a plan to retire legacy systems in the future
- An enhanced online application process launched for NZ Cards in Q4 is showing early indicative growth of 25% in cards issued with activation rates showing a strong uplift, which is driving increased card spend
- Rolled out Flexi-Fi in Ireland, a digital offering that replaces the original FlexiRent product, broadening our seller reach and delivering greater customer value. Following significant investment, we have seen high growth and the business is on track to be profitable in FY19

Group initiatives

- Heightened our regulatory, risk and compliance focus, identifying past issues for remediation while proactively engaging with our regulators to future proof our responsible lending practices
- Introduced a cost management programme of works which has generated \$8 million in annual run rate savings from initiatives such as the implementation of a new cost management platform, tightened policies on discretionary expenditure and

the renegotiation of key supplier contracts

- Maximised the efficiency of funding structures, delivering improvement in all funding facilities with increased size and lower margins. \$500 million of term securitisation facilities were issued providing strong diversity at improved margins
- Readied the business for the introduction of AASB9 accounting treatment with a significant body of work with Ernst & Young (EY) in the design and build of AASB9 compliant models
- Development of a Group shared services model with integrated functions implemented across Legal, Finance and HR with further integrations in FY19
- Developed group wide CRM and centralised data analytics capability to be fully realised in FY19

Strong credit decisioning, impairment costs stable

While impairments remained stable at 3% of average net receivables, impairment losses increased by 6%. On a segment basis impairment losses have generally reduced through improved recoveries, strong credit decisioning and as new products (Lisa and Managed Services) appeal to a lower risk customer profile. These gains have been offset as volume growth pressures in AU Cards impacted and led to underinvestment in collection resources.

Management have taken action and early cycle delinquencies are showing improvement with further gains expected from a rebuild of later stage debt management and recoveries processes.

Capital management

FlexiGroup declared a fully franked final dividend of 3.85c per share bringing the year's total dividend to 7.70c per share which is equivalent to last year. This dividend is in-line with the first half payout and remains within the Group's stated payout ratio of 30-40% of Cash NPAT.

The Board remained focused on reducing corporate debt which this year decreased \$22 million and gearing reduced from 53% to 36%. We are building a sustainable capital model and reducing leverage despite strong balance sheet growth. Additionally, we are well funded for growth with significant funding facility headroom.

WE HAVE BUILT DIGITAL SOLUTIONS THAT SIMPLIFY AND IMPROVE INTERACTIONS WITH OUR BUYERS AND SELLERS AND WE HAVE DELIVERED ORGANIC CUSTOMER AND RETAILER GROWTH WHICH IS THE FUNDAMENTAL DRIVER OF OUR SHAREHOLDER VALUE.



Impact of AASB9

Accounting standard AASB9 Financial Instruments will be adopted on 1 July 2018 and will increase our provision for doubtful debts by \$82 million as the credit provision policy moves from one based on incurred loss to one based on expected loss. A transition adjustment will be recorded against FY19 opening balance sheet retained earnings.

The AASB9 accounting treatment has the effect of front-loading the provisioning by providing for full lifetime expected loss at customer origination and the impact is most significant on rapidly growing portfolios such as AU Cards and AU Commercial and as a result loss provision coverage rates will increase.

Management and Board changes

Towards the end of the financial year the Group's Chief Executive Officer, Symon Brewis-Weston resigned after almost three years with the Group. Symon made significant progress in refocusing the business and creating a robust platform for the future, along with building a strong and dedicated management team. The Board would like to thank him for his significant contribution to FlexiGroup's results and wish him well in his future endeavours.

Our new Chief Executive, Rebecca James commences on 2 October and brings significant experience in the financial services sector and in building consumer brands gained from her time as the Chief Marketing and Enterprise Officer at Prospa and as Chief Marketing Officer at ME Bank. The Board was particularly impressed by her ability to create and commercialise innovative digital solutions in financial services together with a track record of driving strong customer growth and managing strategic partnerships.

For the intervening period, between Symon's departure and Rebecca's commencement, the Board has appointed Ross Acutt (the Group's Chief Financial Officer) as acting Chief Executive Officer and thanks him for his leadership during this period.

Christine Christian was recently appointed to the role of Deputy Chair of the Board. Christine has been a Director since 2016 and has made an outstanding contribution to all matters before the Board, but particularly FlexiGroup's strategic direction. We have benefitted from her extensive domestic and international financial services experience both as a former executive and as a Non-Executive Director.

During the year the Board was strengthened by the appointment in May of Carole Campbell as an Independent Non-Executive Director. We are fortunate to attract someone of Carole's calibre as she brings over 30 years' experience in senior finance and treasury roles across multiple industries, and her skills will be invaluable in her role as Chair of the Audit Committee.

Following the appointment of Rebecca and Carole, FlexiGroup is particularly proud of the Board's diversity and excellent mix of skills as we focus on the next stage of FlexiGroup's growth in the financial services market.

Outlook

The Board believes FlexiGroup is well positioned for growth as Certegy, Cards, our Irish business and AU Commercial provide volume growth momentum for FY19. AU Consumer Lease volume growth is expected to be flat as channel disruption in the first half is likely following the removal of the FlexiRent product, the introduction of Lisa and as the remaining brands continue to rationalise into Smartway.

While Australia and New Zealand are the major focus we will continue to build our Ireland business as we leverage the Flexi-Fi product to grow the existing merchant and customer base to deliver FY19 profit.

As we capitalise on our technology, funding and distribution strengths, we will continue to consolidate platforms, refine funding structures and integrate group functions, to deliver a material earnings upside. We will also be focussing on making our customer interface and offerings best in market in response to monoline fintechs that have evolved over the last few years. For the Group we expect to see profit growth supported by:

- Certegy growth
- Increasing mix of interest bearing receivables in AU Cards
- Continued leverage of product and digital initiatives delivered in 2H FY18
- Centralised marketing to leverage investment & capability
- Enhanced AU Cards collections capability and the development of strategic options for AU collections
- Integration of shared service functions across locations, cost control and funding efficiencies

The imminent arrival of our new Chief Executive Officer, Rebecca James, will deliver a new momentum to the Company as we continue to execute our strategy of investing for growth.

On behalf of the Board, we would like to thank shareholders for their continued support, sellers for their support of new products and processes and our staff for their commitment and ongoing efforts.

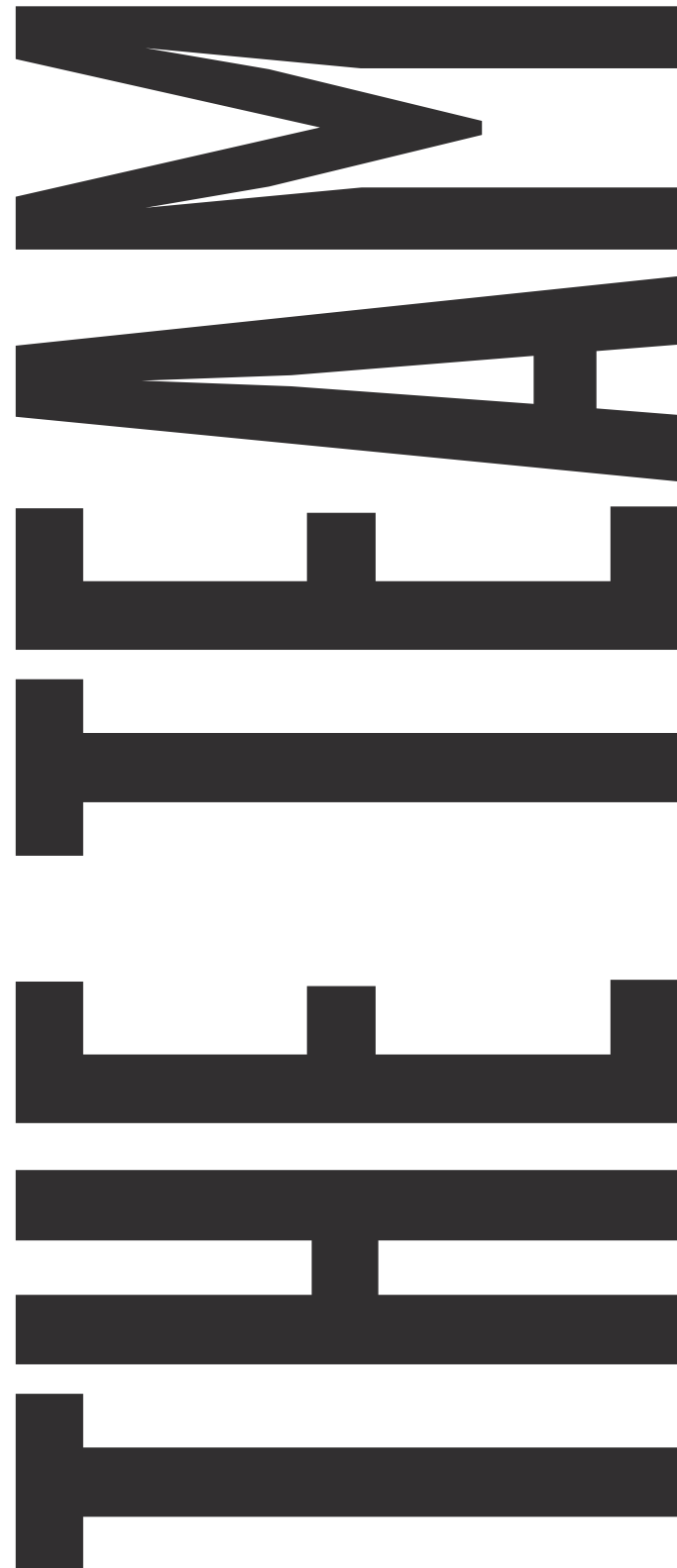
Andrew Abercrombie
Chairman

Ross Acutt
Acting Chief Executive Officer

Sydney
26 September 2018

EXECUTIVE TEAM

FlexiGroup's strong and effective executive leadership team underpins our success. With a focus on supporting our people to build a stronger business, these individuals are industry professionals with deep experience in finance, technology, product, and risk.



ROSS AUCUTT
Acting Chief Executive Officer
(until 2 October 2018) and
Chief Financial Officer

Ross has over 20 years of international financial services experience. He has held senior finance management roles in large and complex global financial institutions covering finance, treasury, M&A and capital markets with Royal Bank of Scotland Group plc, Westpac Banking Corporation and Barclays PLC in both London and Sydney.

Prior to joining FlexiGroup in January 2017, Ross was Group Treasurer at Latitude Financial Services where he was responsible for creating a treasury function, including ground breaking funding programmes, interest rate and FX risk management and governance forums reporting to the Board of Directors.



VERITY GILPIN
General Manager Consumer

Verity joined Flexigroup in 2016 and is responsible for leading the sales teams across all products for the Consumer business in Australia.

Prior to joining FlexiGroup, Verity was General Manager at Commonwealth Bank leading a large sales team of specialists across Asset Finance, Trade Finance, Receivables Finance and Transaction Banking nationally.

She is a Chartered Accountant and has over 18 years of senior management experience in sales, business development, corporate restructured and finance with GE Commercial Finance, Ernst & Young and Deutsche Bank in Australia and the UK.



CHRIS LAMERS
Chief Executive Officer, NZ

Chris joined the FlexiGroup team in April 2017 as CEO of FlexiGroup NZ. He brings a strong marketing, sales and innovation background to FlexiGroup. Previous roles include more than three years as Sovereign's chief marketing officer, where Chris undertook a number of significant developments, including establishing an online sales channel, customer engagement programmes and data analytics functions.

He was previously with Loyalty New Zealand (Fly Buys), first as head of marketing, then as head of customer engagement (incorporating marketing and sales) and lastly as Interim CEO.

In that time, he re-launched the Fly Buys brand, developed and launched a partnership with Air NZ Airpoints, and led the implementation of marketing strategies that grew both membership numbers and revenue while reducing marketing costs.



KEN RICHARDS
General Manager - Commercial

Ken has over 20 years' experience in financial services. Prior to joining FlexiGroup, Ken was a Director and Shareholder of Interlease, one of Australia's largest and oldest independent financier brokers, specialising in originating and arranging structured plant and equipment finance for private and public companies. Ken has arranged and structured finance for a range of small to large companies for a wide range of manufacturing equipment.

Ken was a Director of Standard Finance Limited, a boutique finance company and has served on the board of Metro Quarry Group. Ken also held positions with Foster's Group over 10 years, with roles in Treasury, M&A and Logistics.



EXECUTIVE TEAM



JANE MISKELL

Group Head of People and Culture

Jane has 15 years' experience in Human Resources. Prior to moving to FlexiGroup in early 2013, Jane worked in Telstra where she partnered with Senior Leaders across a broad range of functions including Customer Service, Professional and Managed Services, Sales and HR Operations.

Jane has extensive experience in change management and organisational design, business integrations, talent management and employee engagement strategies.

[in](#) Jane Miskell



MATT BEAMAN

Group General Counsel

Matt joined FlexiGroup in September 2013 and has more than 20 years' private practice and in-house legal experience in banking and finance with a focus on small - and large-ticket asset finance transactions. Prior to joining FlexiGroup, Matt held roles in private-practice environments with leading domestic and international law firms.

Matt was the Chief Legal Counsel for CIT Group Asia-Pacific from 2005–2009. From October 2009, Matt was Deputy General Counsel of Lloyds Banking Group Australia (Lloyds International) and was elevated to the position of General Counsel in March 2012.

[in](#) Matt Beaman



NAGIB KASSIS

Chief Information Officer

Nagib has over 20 years of technology experience, most recently as the GM of Data, Digital & Innovation with Allianz Australia where he was responsible for driving the strategic direction of digital and data initiatives. He is also active in the Australian fintech start-up community as a mentor to emerging fintechs and is an advisor to a venture capital company.

Prior to his role as GM of Data, Digital and Innovation, he held a number of senior positions in Allianz in Australia and overseas:

- GM, IT Strategy and Transformation
- Head of IT and Business Alignment
- Global Head of Sourcing and Procurement
- Deputy Head of Infrastructure & Operations team

[in](#) Nagib Kassis



LIZ MCCARTHY

Group Chief Customer Officer

Liz joined FlexiGroup in 2018 to lead the customer focus across the business driving customer programs to maximise customer satisfaction, acquisition and retention. With over 20 years senior management experience in both Financial Services and Aviation industries, Liz has responsibility for product, operations, marketing, customer insight and user experience across all the FlexiGroup businesses.

Liz has lived and worked extensively in Asia and has lead large scale digital transformation and brand building programs with Macquarie Bank and Jetstar Airways.

[in](#) Liz McCarthy

DIRECTORS' REPORT

Your Directors present their report on the consolidated entity (referred to hereafter as the "Group" or "FlexiGroup") consisting of FlexiGroup Limited ("the Company") and the entities it controlled at the end of, or during, the year ended 30 June 2018.

Directors

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

Andrew Abercrombie (Chairman)
Christine Christian (Deputy Chairman)
Rajeev Dhawan
Jodie Leonard
Carole Campbell (appointed 17 May 2018)
Symon Brewis-Weston (resigned 3 September 2018)
R John Skippen (resigned on 27 November 2017)

Company secretaries

Elizabeth Wray (appointed on 22 March 2018)
Melissa Robinson (resigned on 21 March 2018)

Elizabeth (Libby) Wray was appointed Acting Company Secretary on 22 March 2018 with Company Matters Pty Limited providing Company Secretarial and Governance advisory services.

Principal activities

The principal activities are the provision of:

- Consumer revolving finance and cards
- Lease and rental financing services
- No interest ever loans

There were no significant changes in the nature of activities that occurred during the year.

Key developments

(incorporating significant changes in the state of affairs)

In August 2018, FlexiGroup announced the resignation of Symon Brewis-Weston, CEO and Director, effective 3 September 2018. Rebecca James was appointed CEO, effective 2 October 2018.

In July 2018, the Group launched Skye Mastercard providing customers with three months interest free on all purchases and the flexibility of fixed instalment plans for larger purchases. This is expected generate significant new business volumes for the Group.

In February 2018, the Group launched Lisa, a new consumer lease product that is competitive and flexible with more favourable end of terms options for our customers to enjoy the latest goods without the upfront outlays that buying requires.

About us

FlexiGroup is a diversified financial services group providing "no interest ever" loans, leasing, vendor finance programs, interest free finance, credit cards, lay-by and other finance solutions to consumers and businesses.

Through its network of over 46,000 merchant, vendor and retail partners the Group has extensive access to key markets: Business to Consumer, Business to Business and Retail to Consumers (and small business customers).

Performance has been characterised by achieving the higher end of market guidance of Cash NPAT as the company has expanded and diversified its business through organic growth, acquisition and product innovation.

FlexiGroup operates in Australia, New Zealand and Ireland within a diverse range of industries including home improvement, solar energy, fitness, IT, electrical appliances, travel, education and trade equipment.

A HIGHLIGHT HAS BEEN ACHIEVING THE HIGHER END OF MARKET GUIDANCE AS THE COMPANY HAS EXPANDED AND DIVERSIFIED ITS BUSINESS THROUGH ORGANIC GROWTH AND PRODUCT INNOVATION.



BUILDING SUSTAINABLE GROWTH

Our strategy is focused on three pillars to drive sustainable growth.

Organic customer and retailer growth is the fundamental driver of our shareholder value

GROW

DIGITISE

We are building digital solutions that simplify and improve the way we interact with our customers and retailers

By consolidating platforms, refining funding structures and integrating group functions, we will deliver material earnings upside

OPTIMIZE



PROGRESS TO DATE

OUR AU CARDS BUSINESS HAS PERFORMED STRONGLY ACROSS ALL KEY METRICS INCLUDING 34% GROWTH IN RECEIVABLES TO \$644M

STRATEGIC AMBITION

FlexiGroup will build strong organic growth, diversified across multiple markets. Growth will be driven through leveraging existing sellers (such as with Ezi-Pay), delivering new market propositions (including SKYE, OxiPay, Lisa and Managed Services products), while building an aligned and focused sales capability.

PROGRESS TO DATE

- Certegy growth driven organically through a focus on the solar and jewellery markets, which helped propel sales in the second half by 10%.
- New product development has been a real focus with the launch of innovative and unique products such as SKYE and Lisa.
- We are focused on developing new market opportunities to drive growth, as highlighted by our growth in Managed Services with three new partners.
- Continue to focus on investment to drive the capability for future growth, including specialist sales staff, new sales team structure and ongoing digitisation of the sales process.

NEXT STEPS

Certegy: Continue to focus on building the solar and jewellery segments, while developing new segments through improved digital capability and product development.

AU Cards: Focus on promoting SKYE Card growth with key partners and driving transaction volume

Leasing: Continue the roll out of our new Leasing product to retail partners, while developing a new proposition for small businesses

Commercial: Focus and extend the Managed Services opportunity

NZ Cards: Continue to drive growth and transaction volume by developing key partnerships and a strong focus on transaction volume



PROGRESS TO DATE

THE NEW LISA PRODUCT LAUNCHED THIS YEAR IS 100% DIGITAL AND CERTEGY HAS 60% OF ALL TRANSACTIONS DIGITISED

STRATEGIC AMBITION

We are focused on driving our customer value propositions through improved use of technology to deliver great user experiences, cost efficiencies and simplification. Digitisation is focused on the improved transactions for both buyers (such as with our new SKYE and Q Mastercard portals) and sellers (for example our Certegy and Commercial portals).

PROGRESS TO DATE

- Ongoing digitisation of the buyer and seller core processes is a key priority. In particular we focused on Certegy, which now has 60% of all transactions digitised; the card application process in New Zealand and Australia; and the new Lisa product launched this year is 100% digital.
- New credit decisioning platform launched, which is being used for Consumer and Commercial Leasing and will be extended to other products.
- Ongoing enhancements to Oxipay including digitising the on-boarding process to improve customer experience and minimise fraud.

NEXT STEPS

- Continuing to drive the digitisation of the consumer business targeting 100% digital
- Focus on continual enhancement to improve the user experience and sales process
- Ongoing digitisation of the Commercial Business for SME customers



PROGRESS TO DATE

WE HAVE CONSOLIDATED PLATFORMS, INTEGRATED FUNCTIONS AND IMPROVED FUNDING FACILITIES

STRATEGIC AMBITION

FlexiGroup will continue to optimise our business through simplification, consolidation of platforms, refining funding structures and the continued integration of group functions.

PROGRESS TO DATE

- New products now being developed on target IT architecture including the new SKYE Mastercard using the NZ Cards platform
- Consolidation of Consumer marketing to achieve scale and performance across our 'always on' marketing platform.
- New centralised data analytics across AU Consumer improves reporting, provides access to rich insights and highlights key opportunities
- Increased functional alignment with roll out of targeted shared services
- Improvements in funding facilities with increased size, lower margins, and further diversification

NEXT STEPS

- Consolidation of legacy credit card products and systems
- Continued roll out of group shared services
- Ongoing focus on improving funding facilities
- Introduction of continuous improvement programme

INFORMATION ON DIRECTORS



ANDREW ABERCROMBIE (Age 62)

Founding Director, Chairman, Non-Independent, Non-Executive BEc, LLB, MBA

Andrew became a Director and Chief Executive Officer of the original FlexiRent business in 1991. He was appointed a Director of the listed Company at the time of the IPO in November 2006. Andrew is an experienced commercial and tax lawyer and was a founding partner in a legal firm operating in Sydney and Melbourne. Following several years in property investment and tax consulting, he co-founded the FlexiRent business in 1991 and was CEO until 2003. Andrew remained on the Board as a director and was subsequently appointed as Chairman on 10 August 2015.

Special responsibilities: Chairman of the Nomination Committee

Interests in shares and options: 90,766,593 ordinary shares in FlexiGroup



CHRISTINE CHRISTIAN (Age 61)

Independent, Non-Executive, BA, GAICD

Christine was appointed as a Director of the Company in December 2016. Christine is a leading Australian business executive with more than 30 years' experience in financial services, investment, private equity, credit risk and digital media including executive and advisory roles in Australia, China, India and the United States. Christine currently is Chair of Kirwood Capital and holds board roles with Members Equity Bank Limited, Lonsec Group and the Victorian Managed Insurance Authority. Christine is Deputy President of the State Library of Victoria and a board member of the Cranlana Programme and Council member of La Trobe University. Prior to her Board career, Christine was CEO of Dun & Bradstreet Australia & New Zealand from 1997 to 2012.

Special responsibilities: Chair of the Risk & Compliance Committee, Interim Chair of the Audit Committee Dec 2017 – May 2018, Member of the Audit and Nomination Committees

Interests in shares and options: 10,000 ordinary shares in FlexiGroup



RAJEEV DHAWAN (Age 52)

Independent, Non-Executive, BCom, MBA

Rajeev was appointed as a Director in the Company in November 2006. Rajeev is currently a partner of Equity Partners and has over 20 years' venture capital and private equity experience and has been a Director of a number of listed and unlisted portfolio companies. During his career in venture capital and private equity, Rajeev has invested in over 25 companies across a diverse range of industries including financial services; consumer goods; industrial businesses; manufacturing and technology centric businesses.

Special responsibilities: Member of the Remuneration Committee (Chair until November 2017), Member of the Risk & Compliance and Nomination Committees and was Member of the Audit Committee until May 2018.

Interests in shares and options: 275,371 ordinary shares in FlexiGroup



JODIE LEONARD (Age 51)

Independent, Non-Executive, BBus, GAICD, FAMI, CPM

Jodie was appointed as a Director of the Company in December 2016. She is a professional Non-Executive Director and currently sits on the board of the Royal Automobile Club of Victoria (RACV) Limited and The RACV Community Foundation Limited. Jodie has over 25 years' experience in strategic marketing and corporate strategy in ASX, NYSE and FTSE listed companies both locally and internationally. Her experience spans the finance, media, sport/entertainment, travel, telecommunications, consumer goods and professional services industries. She has worked in blue chip organisations including General Electric, the Nine Network, British Airways, Telstra, Colgate Palmolive and Unilever.

Special responsibilities: Chair of the Remuneration Committee (since Dec 2017) and member of the Audit Committee

Interests in shares and options: 3,560 ordinary shares in FlexiGroup



CAROLE CAMPBELL (Age 55)

Independent, Non-Executive, BEc, GAICD, FCA

Carole was appointed as a Director of the Company in May 2018. She is Deputy Chair of Council of the Australian Film Television and Radio School where she is Chair of the Finance, Audit and Risk Management Committee. She is also a Non-Executive Director of The Sydney Film Festival and Chair of its Finance Committee. Carole has over 30 years' experience in senior finance and treasury roles across diverse industries including: professional services, financial services, media, mining & industrial services. Carole commenced her career in the Sydney and London offices of KPMG and has worked for Macquarie Bank, Westpac Institutional Bank, Seven Network, Bis Industries and Merivale.

Special responsibilities: Chair of the Audit Committee (since May 2018)

Interests in shares and options: None



SYMON BREWIS-WESTON (Age 49)

Non-Independent, Executive, Chief Executive Officer, BEc (Hons), MApp.Fin, GAICD (resignation effective 3 September 2018)

Symon commenced as CEO of FlexiGroup in February 2016. Prior to joining FlexiGroup, Symon worked in banking for 20 years, 15 years of which were in senior leadership positions at the Commonwealth Bank of Australia (CBA). Symon was Chief Executive Officer of Sovereign, a subsidiary of CBA for 3 years. Prior to that, he was Executive General Manager of Corporate Financial Services at CBA. Symon is a member of the board of The Hunger Project and was awarded the United Nations Women's Empowerment Principles CEO Leadership Award in 2015 for his commitment to workplace diversity and community engagement.

Special responsibilities: Chief Executive Officer and Member of the Risk & Compliance Committee

Interests in shares and options: 96,852 ordinary shares in FlexiGroup

Meetings of Directors

	Board meetings		Audit Committee ¹		Risk & Compliance Committee		Nomination Committee ²		Remuneration Committee ³	
	A	B	A	B	A	B	A	B	A	B
Andrew Abercrombie	12	12	+	+	+	+	4	4	+	+
Christine Christian	12	12	2	2	7	7	4	4	+	+
Rajeev Dhawan	12	12	4	4	7	7	4	4	6	6
Jodie Leonard	12	12	4	4	+	+	+	+	6	6
Carole Campbell	2	2	1	1	+	+	+	+	+	+
Symon Brewis-Weston	12	12	+	+	7	5	+	+	+	+
R John Skippen	6	6	2	2	+	+	n/a	n/a	1	1

A Number of meetings held during the time the Director held office or was a member of the committee during the year

B Number of meetings attended

+ Not a member of the relevant committee

1. During the Reporting Period the Audit Committee Chair was as follows: John Skippen to 27 November 2017; Christine Christian, from December 2017 to 17 May 2018 and Carole Campbell since 18 May 2018
2. A number of additional informal meetings have been held with external recruitment firms and prospective candidates for Director during the year
3. A number of additional informal meetings have been held with external remuneration advisory firms, management and human resources during the year

FLEXIGROUP BRINGS YOU LISA, A NEW ERA IN LEASING. LISA ALLOWS OUR CUSTOMERS TO ENJOY THE THINGS THEY WANT WITHOUT THE HASSLE OF OWNING THEM. OUR CUSTOMERS CAN PAY BY THE MONTH WITH PROTECTION FOR THEIR GOODS INCLUDED, PLUS THE FREEDOM TO UPGRADE.

REVIEW OF OPERATIONS - GROUP PERFORMANCE

Results and key performance indicators for the current and prior year are set out below on a Cash NPAT basis, adjusting for amortisation of acquired intangibles, impairment of assets and customer remediation costs.

Group Profit and Loss

A\$m	June 2018	June 2017	Change
Total portfolio income	460.4	462.8	(1%)
Interest expense	(98.0)	(102.0)	(4%)
Net portfolio income	362.4	360.8	0%
Receivables and customer loan impairment expenses	(66.5)	(62.8)	6%
Impairment of goodwill and intangible assets	(94.7)	-	n/a
Depreciation and amortisation expenses	(17.5)	(16.2)	8%
Operating and other expenses	(168.5)	(159.6)	6%
Profit before income tax	15.2	122.2	(88%)
Income tax expense	(25.5)	(34.8)	(27%)
Statutory (loss)/profit after income tax	(10.3)	87.4	(112%)
Non-cash items			
Amortisation of acquired intangible assets	4.5	4.2	7%
Impairment of goodwill and other intangibles	89.1	-	n/a
Customer remediation provision	4.9	-	n/a
Other ¹	-	1.4	(100%)
Total non-cash items	98.5	5.6	1,659%
Group Cash NPAT²	88.2	93.0	(5%)
Basic earnings per share (cents)	(2.8)	23.4	(112%)
Cash earnings per share (cents)	23.6	25.0	(6%)
Volume	2,284	1,952	17%
Closing receivables and customer loans ³	2,383	2,168	10%

1. Other includes the write down of equity accounted investments, which do not reflect ongoing operations. The investment in associate was fully impaired at 30 June 2017
2. Cash NPAT reflects the reported net profit after tax adjusted for material infrequent items and the amortisation of acquired intangibles. The analysis of results above is primarily based on Cash NPAT to align the information that is given to users of financial reports to the way the Directors view the business and to assist better understanding of the Group's performance. The Directors believe that Cash NPAT is the most appropriate measure of maintainable earnings of the Group and therefore best reflects the core drivers and ongoing influences upon those earnings. Cash NPAT is used by the Directors for purposes of providing guidance to shareholders and the market, and is calculated on a consistent basis each year
3. Receivables and loans excludes provision for doubtful debts, unamortised transaction costs and other debtors

Total portfolio income

Total portfolio income decreased 1% to \$460.4m, primarily driven by 7% lower volume and 4% lower receivables in Consumer Leasing. This was partially offset by AU Cards revenue which increased by 38%, driven by increased card spend and growth in long-term finance.

Interest expense

Interest expense decreased 4% to \$98.0m, driven by:

- lower cost of funds through improved funding terms in AU Cards, NZ and Certegy; and
- decrease in net corporate debt interest expense by \$2.5m due to a reduction in average corporate debt which also contributed to a decline in gearing⁴ ratio from 53% to 36%.

⁴Gearing is recourse (corporate) borrowings as a percentage of equity excluding intangible assets.

Impairment losses on loans and receivables

The increase in impairment losses is due to under investment in our cards collection capability as a result of the strong volume growth in the portfolio. Management has responded to this, with early cycle delinquencies showing improvement. Overall impairment as a percentage of average net receivables remained stable at 3.0%, with increases in costs offset by improvement in NZ Cards and AU Commercial.

Impairment of goodwill and intangible assets

Impairment of goodwill and intangible assets resulted from the decline in forecast cash flows relating to the FlexiRent Consumer Leasing business. The product was replaced by a more customer centric product in February 2018. For more details, refer to note 6 of the 31 December 2017 Half Year Financial Statements and note 13 of the Annual Financial Statements.

Depreciation and amortisation

Depreciation and amortisation increased due to the finalisation of the purchase price adjustments from the NZ Cards acquisition that occurred in the prior comparative period.

Operating expenses

Operating expenses increased by 6% or \$8.9m driven by customer remediation provision of \$7m, one-off cost of restructuring \$3.6m of which approximately \$1m relates to redundancies and CPI increases on employment costs of \$2m. The increase was partially offset by \$4.6m in one-off costs in the prior year.

Non-cash items

Amortisation of acquired intangibles

The acquisition of companies over the years has resulted in the recognition of intangible assets that are amortised over their useful life ranging from 3 to 27 years. The amortisation of these intangible assets is treated as a cash NPAT adjustment because it does not affect cash distributions available to shareholders. During the year, \$4.5m post tax has been amortised to the income statement (2017: \$4.2m).

Impairment of goodwill and intangible assets

The impairment of goodwill and intangible assets is a cash NPAT adjustment as it is a material infrequent item which does not impact on-going operations.

Customer remediation

The customer remediation provision is a Cash NPAT adjustment as it is a material infrequent item and the Board believes it does not reflect the ongoing operations of the Group. The provision relates to ongoing discussions being held with the Credit and Investments Ombudsman (CIO) regarding the Group's responsible lending practices in its Australia Consumer Leasing business.

Group Balance Sheet

A\$m	June 2018	June 2017	Change
Cash and cash equivalents	125.3	167.3	(25%)
Receivables and customer loans ¹	2,368.1	2,165.9	9%
Other assets	10.9	13.1	(17%)
Current tax receivable	0.5	3.8	(87%)
Goodwill	236.5	321.4	(26%)
Other intangible assets	100.4	114.4	(12%)
Disposal Group Assets	12.5	-	n/a
Total assets	2,854.2	2,785.9	2%
Payables	51.7	50.3	3%
Borrowings	2,124.7	2,007.7	6%
Other liabilities	22.0	30.9	(29%)
Current and deferred tax liabilities	25.8	25.2	(2%)
Disposal Group Liabilities	2.4	-	n/a
Total liabilities	2,226.6	2,114.1	5%
Equity	627.6	671.8	(7%)
Gearing²	36%	53%	(18%)
ROE³	13.6%	14.5%	(1%)

1. Includes other debtors as disclosed in the statutory accounts
2. Gearing is recourse (Corporate) borrowings as a percentage of equity excluding intangible assets
3. Calculated based on Cash NPAT as a percentage of average equity

Receivables and customer loans

Receivables and customer loans (including other debtors) increased by 9% to \$2,368.1m (2017: \$2,165.9) driven by AU cards customer loans growth of \$166.0m (34%) and NZ Cards customer loans growth of \$32.8m (5%).

Goodwill

The decrease in goodwill is due to a \$75.9m impairment of the Consumer Leases goodwill, and the impact of exchange rates on NZ\$ denominated goodwill balances.

Other intangible assets

Other intangible assets include merchant and customer relationships, brand names and capitalised software. These are amortised over the useful life ranging from 3 to 27 years. The balance has decreased due to a one-off impairment of capitalised development software of \$18.4m and acquired merchant relationships of \$0.4m. Excluding the one-off impairment, the balance has remained relatively stable with the amortisation and foreign exchange impacts being offset by the additional capitalised software.

Payables

Payables include trade creditors, interest accruals, GST payable and sales incentive accruals. Balances have remained consistent with the prior year, reflecting the similar nature and timing of payments within the business.

Borrowings

Borrowings have increased by 6% to \$2,124.7m, driven by the growth in receivables and customer loans, partially offset by a \$19.5m net repayment of corporate debt and the impact of exchange rates on \$NZ denominated balances.

Other liabilities

Other liabilities include provisions, derivative financial instruments and deferred and contingent consideration payable. The decrease in other liabilities is attributable to a \$9.2m payment of the deferred consideration relating to the acquisition of the NZ Cards business and a \$6.5m decrease in fair value of derivative financial instruments as a result of usage and changes in the forward rates compared to the prior year. This was partially offset by a \$7m customer remediation provision.

Current and deferred tax liabilities

Tax balances have remained consistent with the prior year.

Funding

FlexiGroup maintains a conservative funding strategy; to retain committed funding facilities for all scale businesses, combined with an active debt capital markets presence. The Group currently has revolving wholesale debt facilities in place with Australian Deposit Taking Institutions, large international banks, plus numerous institutional investors through Asset-Backed Securitisation (ABS) programs in both Australia and New Zealand.

At balance sheet date, the Group had \$2,586.3m (2017: \$2,607.0m) of wholesale debt facilities, with \$527.6m (2017: \$703.2m) undrawn and no indications that facilities will not be extended. The majority of the wholesale debt facilities, \$2,091.1m (2017: \$2,217.3m) have no bullet repayment on maturity, with outstanding balances repaying in line with receivables and customer loans if availability periods were not to be extended. These facilities are secured against underlying pools of receivables and customer loans. The remaining wholesale debt facilities either have a soft bullet or have sufficient lead-time for extension when approaching maturity.

The Group's \$196.1m (June 2017: \$177.5m) of corporate debt facilities were drawn to \$104.3m (June 2017: \$126.2m) at balance sheet date. These facilities are secured by the assets of the Group and with maturity dates ranging between March 2020 and March 2021.

Gearing

The reduction in recourse corporate debt gearing to 36% (June 2017: 53%) is driven by repayment of corporate borrowings during the year through excess funds generated from operating activities.

The Group continues to optimise its capital structure to maximise shareholder value. The Group will continue to pay down recourse corporate debt with proceeds from operating activities.

Return on equity ('RoE')

ROE of 13.6% (June 2017: 14.5%) has remained stable.

Group Statement of Cash Flows

A\$m	June 2018	June 2017	Change
NPAT	(10.3)	87.4	(112%)
Impairment loss on receivables and customer loans	66.5	62.8	6%
Depreciation and amortisation expenses	17.5	16.2	8%
Impairment of goodwill and other intangible assets	94.7	-	n/a
Changes in operating assets and liabilities	14.1	(6.8)	(307%)
Other non-cash movements	6.2	1.4	342%
Operating cash flow	188.7	161.0	17%
Capex	(29.0)	(24.6)	18%
Acquisitions and divestments	(9.2)	(7.6)	21%
Changes in customer loans and receivables	(304.1)	(159.0)	91%
Investing cash flow	(342.3)	(191.2)	79%
Proceeds from corporate borrowings	149.3	135.0	11%
Repayment of corporate borrowings	(168.8)	(150.8)	12%
Net movement in non-recourse borrowings	165.5	75.9	118%
Dividends and share based payments	(29.0)	(36.9)	(21%)
Financing cash flow	117.0	23.2	404%
Net decrease in cash	(36.6)	(7.0)	423%

Cash inflows from operating activities are up on prior year, with an increase of 17% to \$188.7m (2017: \$161.0m). This increase is due to \$11.7m tax refunds from prior year returns and improvement in working capital management

Cash outflows from investing activities increased by 79% to \$342.3m (2017: \$191.2m). This is a result of a significant increase in loans and receivables, driven by increased volume in both AU and NZ Cards

businesses. Capital expenditure increased by \$4.4m compared with prior year due to the ongoing digitisation of customer systems

Cash inflows from financing activities increased 404% to \$117.0m (2017: \$23.2m), due to an increase in non-recourse borrowings, offset by higher corporate debt repayments and the decrease in dividends paid, driven by a change in dividend policy

Shareholder returns

	YEAR ENDED 30 JUNE				
	2018	2017	2016	2015	2014
TSR	26%	(3%)	(16%)	(14%)	(26%)
Dividends per share (cents)	7.70	7.70	14.50	17.75	17.80
Cash EPS (cents)	23.60	25.00	28.00	28.70	27.10
Share price (high)	\$2.33	\$2.58	\$3.12	\$4.00	\$4.99
Share price (low)	\$1.44	\$1.55	\$1.71	\$2.70	\$2.98
Share price (close)	\$2.22	\$1.83	\$1.74	\$2.91	\$3.17

Earnings per share

	2018	2017
	cents	cents
Basic earnings per share	(2.8)	23.4
Diluted earnings per share	(2.8)	23.4
Cash earnings per share	23.6	25.0

Dividends on ordinary shares

	2018		2017	
	cents	\$m	cents	\$m
Final dividend for the year - payable October	3.85	14.4	3.85	14.4
Dividends paid during the year				
Interim dividend for the year - paid in April	3.85	14.4	3.85	14.3
Final dividend for 2018 (PY: 2017) - paid in October	3.85	14.4	7.25	27.0
Total dividends paid during the year	7.70	28.8	11.10	41.3
Total dividends declared for the financial year	7.70	28.8	7.70	28.7

The final dividend for 2018 has a record date of 7 September 2018 and will be paid on 12 October 2018

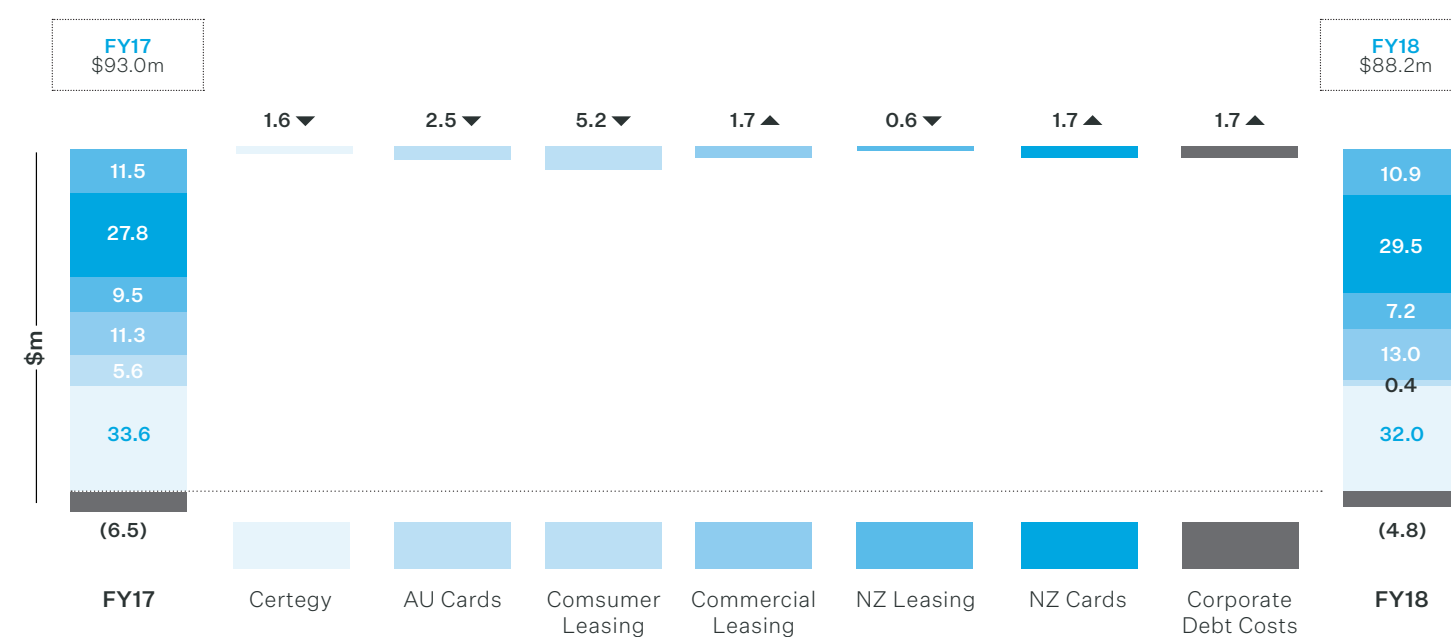
REVIEW OF OPERATIONS - SEGMENT PERFORMANCE

FlexiGroup's business consists of six core operating segments. Interest on acquisition debt obtained to fund the acquisition of the NZ Cards business is unallocated but forms part of maintainable cash earnings.

Segment summary

A\$m	June 2018	June 2017	Change
Certegy	32.0	33.6	(5%)
AU Cards	7.2	9.7	(26%)
Consumer Leasing	0.4	5.6	(93%)
Commercial Leasing	13.0	11.3	15%
NZ Leasing	10.9	11.5	(5%)
NZ Cards	29.5	27.8	6%
Unallocated ¹	(4.8)	(6.5)	26%
Total Cash NPAT from continuing operations	88.2	93.0	(5%)

1. Unallocated relates to net corporate debt interest



SEGMENT ANALYSIS

Certegy

A\$m	June 2018	June 2017	Change
Net portfolio income	92.9	94.2	(1%)
Operating expenses	(29.3)	(26.2)	12%
Impairment losses on customer loans	(18.0)	(19.6)	(8%)
Volume	541.0	524.0	3%
Closing customer loans	493.0	466.0	6%
Cash NPAT	32.0	33.6	(5%)

Cash NPAT of \$32.0m represents a 5% decrease compared to the prior year and is driven by:

- Volume increased by 3% to \$541m and receivables increased by 5% to \$492m, demonstrating the initial success of product digitisation and associated improvements in the buyer and seller experience
- Impairment losses decreased by 8% to \$18.0m, reflecting strong discipline in seller accreditation and credit decisioning processes
- Operating expenses increased by 12% to \$29.3m, primarily driven by investment in front-end digitisation of the product and a non-recurring restructuring expense of \$0.6m

AU Cards

A\$m	June 2018	June 2017	Change
Net portfolio income	61.3	44.5	38%
Operating expenses	(25.1)	(17.9)	40%
Impairment losses on customer loans	(25.8)	(12.7)	103%
Volume	740.1	534.0	39%
Closing customer loans	643.6	483.0	34%
Cash NPAT	7.2	9.7	(26%)

AU Cards' Cash NPAT of \$7.2m represents a decrease of 26% compared to the prior year.

- Net portfolio income increased 38%, in-line with the growth in receivables of 34% and volume of 39%
- The number of customer accounts have increased 22% to over 180,000, with 61% growth in card spend year on year
- Impairment losses have increased by \$13.1m reflecting the growth in the loans portfolio. The growth is proportionally higher than receivables growth as volumes placed pressures on collections processes. Management have put additional measures in place to mitigate this, with early cycle delinquencies showing improvement
- Operating expenses increased by 40% to \$25.1m driven by investment to support volume growth, together with Skye card development and launch costs

Consumer leasing

A\$m	June 2018	June 2017	Change
Net portfolio income	51.8	62.8	(18%)
Operating expenses	(45.0)	(44.9)	0%
Impairment losses on receivables	(7.6)	(10.5)	28%
Volume	104.0	112.0	(7%)
Closing receivables	152.0	158.0	(4%)
Cash NPAT	0.4	5.6	(93%)

Cash NPAT is \$0.4m, a decrease of 93% on the prior year. The decline in profits resulted from the following factors:

- Net portfolio income decreased by 18% to \$51.8m, primarily driven by the run off in FlexiRent, not fully offset by volumes growth in Lisa
- Lisa was launched in February 2018 and provides a more customer centric product, which also addresses heightened regulatory expectations
- Operating expenses were in-line with FY17 at \$45.0m with operational efficiencies offset by investment in the refreshed Lisa product, the Ireland Flexi-Fi business and restructuring costs of \$2.2m
- Impairment losses decreased by 28% to \$7.6m, driven by improved recoveries from active management of arrears and improved credit quality of Lisa and SmartWay

Commercial leasing

A\$m	June 2018	June 2017	Change
Net portfolio income	41.6	41.4	0%
Operating expenses	(23.6)	(21.7)	9%
Impairment losses on receivables	0.5	(6.6)	(108%)
Volume	147.8	94.0	57%
Closing receivables	284.9	260.0	11%
Cash NPAT	13.0	11.3	15%

Cash NPAT is \$13.0m, an increase of 15% on the prior corresponding year. This resulted from the following factors:

- Net portfolio income flat year on year, which was driven by higher fee and other income, partially offset by lower net interest income from lower average receivables and changing business mix
- Operating expenses increased 9% to \$23.6m, reflecting costs incurred to support sales initiatives
- Impairment losses decreased by 108%, driven by lower losses and improved recoveries from continuous management of arrears as well as a provision release of \$4.2m as a result of improved credit quality and collections capability from prior years
- The increase in sales volume of 57% to \$147.8m was underpinned by the growth of the Managed Services channel and improved digital processing in the core commercial business. This translated to closing receivables increasing by 10% to \$284.9m

NZ leasing

A\$m	June 2018	June 2017	Change
Net portfolio income	30.9	33.1	(7%)
Operating expenses	(14.6)	(16.9)	(14%)
Impairment losses on customer loans	(1.3)	(0.7)	86%
Volume	84.5	92.0	(8%)
Closing customer loans	155.7	182.0	(14%)
Cash NPAT	10.9	11.5	(5%)

NZ Leasing's Cash NPAT is \$10.9m, a decrease of 5% on the prior year, driven by:

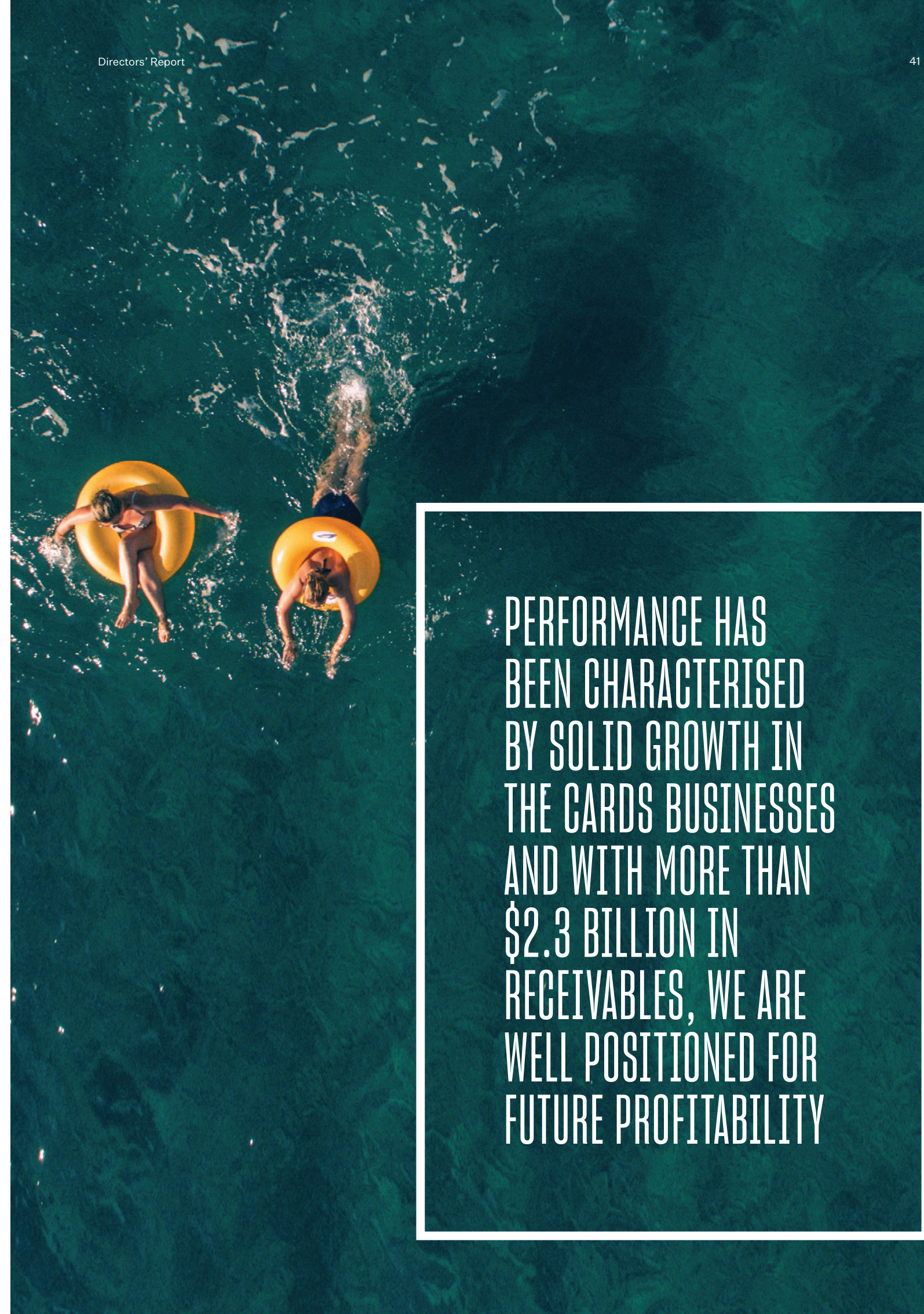
- Net portfolio income decreased primarily due to appreciation of the Australian dollar, and the reduction in volume and average net receivables. Fee and other income benefited from continued strong end of term performance
- Operating expenses decreased due to disciplined cost management and efficiencies from the integration of the NZ Leasing and Cards businesses
- Net receivables decreased, however sales volume increased year on year in the second half of 2018 reflecting positive momentum driven by new management structure
- Overall portfolio performance is stable compared to prior years

NZ cards

A\$m	June 2018	June 2017	Change
Net portfolio income	90.7	93.9	(3%)
Operating expenses	(35.3)	(42.6)	(17%)
Impairment losses on customer loans	(14.3)	(12.6)	13%
Volume	666.2	594.0	12%
Closing customer loans	649.8	617.0	5%
Cash NPAT	29.5	27.8	6%

Cash NPAT of \$29.5m represents an increase of 6% compared to the prior year (in NZ\$ terms 9%), offset by weakening NZD:

- In underlying New Zealand dollars, net portfolio income has increased by 4% reflecting strong growth in the Mastercard receivables, after excluding acquisition related adjustments recorded in 2017
- Operating expenses decreased to \$35.3m due to a focus on cost management
- The 13% increase in impairment corresponds to the higher growth in receivables with continued strong portfolio performance



PERFORMANCE HAS
BEEN CHARACTERISED
BY SOLID GROWTH IN
THE CARDS BUSINESSES
AND WITH MORE THAN
\$2.3 BILLION IN
RECEIVABLES, WE ARE
WELL POSITIONED FOR
FUTURE PROFITABILITY

THE ROLE OF OUR REMUNERATION COMMITTEE

FlexiGroup's Remuneration Committee advises the Board on remuneration matters, assisting the Board in its responsibilities by reviewing and advising on Board and Senior Executive remuneration. The Remuneration Committee also reviews and makes recommendations to the Board on FlexiGroup's overall remuneration strategies, policies and practices, and monitors the effectiveness of the overall remuneration framework. The governance of Executives' remuneration outcomes remains a key focus of the Remuneration Committee and the Board. We regularly review our policies to ensure that remuneration outcomes align to market expectations and the interests of shareholders.

SHORT TERM INCENTIVE PLAN RESULTS

KMP received an average of 55% of the maximum opportunity available based on the assessment of corporate, customer and individual performance.

Introduction from the Chairman of the Board Remuneration Committee

Dear Shareholder,

On behalf of the FlexiGroup Board, I am pleased to share our Financial Year 2018 remuneration outcomes with you. I am confident that these results are reflective of management's performance for the year whilst also being aligned to shareholder returns.

2018 REMUNERATION OUTCOMES

The overall structure and philosophy of FlexiGroup's approach to remuneration remained consistent with last financial year. Our remuneration approach is based on directly linking financial rewards with the company performance and a clear evaluation of how each employee directly contributed to the results.

Given where we are in our transformation, FlexiGroup delivered solid results for shareholders this financial year and we have made progress on our aim to provide customers and retailers with seamless payment solutions. Overall, performance across our business has improved across the majority of our product range. Our cards portfolio in Australia and New Zealand has continued to see year-on-year growth and our Commercial results have seen a significant improvement in performance on past years. Both will contribute to a very positive outlook for the future. We have also made good progress transforming our Certegy business. In addition to this, we have launched two new products into market with the introduction of Lisa, our new Consumer Leasing product in February 2018 and our new Skye Credit Card offering in July 2018.

These results contributed to our consideration of remuneration for 2018, specifically the awarding of STI plan payments. As part of the consideration process, the Board assessed a number of factors to determine STI outcomes. In order to be eligible for payment, employees had to meet the gateway requirements which included meeting the NPAT target, effective leadership and delivery of the results in a sustainable and ethical way. This involved a formal review being undertaken by FlexiGroup's Risk Committee of any compliance or risk related issues that were reported during the year. Given the provision taken for remediation, the CEO's STI payment was impacted.

Short-term incentive outcomes during the FY18 financial year for the CEO and the KMPs averaged 55% of target. There was some variation in payment between divisional KMPs based on performance. As with last year, 25% of KMP STI payments were allocated to deferred shares, further aligning performance with shareholder interests while also encouraging retention of the KMP.

In FY18, Tranche 3 of the FY14 LTI reached the test date based on the FY16 and FY17 performance periods. As the minimum vesting thresholds were not met, 891,876 performance rights were forfeited during the period.

KEY MANAGEMENT PERSONNEL CHANGES IN FY18

There have been some changes to KMPs in the last twelve months with Peter Lirantzis, our Chief Operations Officer leaving the business in January 2018 and the resignation of Symon Brewis-Weston effective from 3 September 2018.

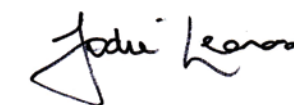
A review of KMP remuneration in FY18 indicated that the majority of KMPs are remunerated appropriately in-line with their accountabilities and the size and complexity of their roles. As a result, only two KMPs received a pay increase for FY18.

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

VOTING AND COMMENTS MADE AT THE COMPANY'S 2017 ANNUAL GENERAL MEETING

FlexiGroup received 98.12% of "yes" votes on its remuneration report for the 2017 financial year.

We are confident that our remuneration framework will drive positive outcomes for the Group in the 2019 financial year.



Jodie Leonard
Independent Non-Executive Director

PRINCIPLES AND GOVERNANCE OF REMUNERATION AT FLEXIGROUP

This part of our report details the Group's principles and governance regarding remuneration.

Governance

We place a strong focus on ensuring that the Group's remuneration policies and practices are fair and meet our obligations:

- to reward employees for achieving high performance that is aligned to shareholder value and long term benefit for the Group; and
- to ensure that we meet the Group's risk management framework and governance standards.

The Remuneration Committee is responsible for enforcing the required standards in regards to governance of FlexiGroup remuneration practices. The Committee's responsibilities include reviewing and making recommendations to the FlexiGroup Board on the remuneration philosophy, framework and policies for the Group. The Committee is responsible for making recommendations to the Board on remuneration policies and Directors as well as Executives remuneration.

The Remuneration Committee undertakes the following activities for the Group:

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

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

The Remuneration Committee consists of the following independent Non-Executive Directors:

- Jodie Leonard (Chairman); and
- Rajeev Dhawan.

Independent remuneration consultant

In consultation with external remuneration consultants, the Group aims to provide an Executive remuneration framework that is market competitive and complementary to the reward strategy of the organisation. During the year, FlexiGroup's Remuneration Committee engaged the services of EY to work with us on providing advice regarding our Remuneration Framework.

EY was paid \$25,000 to provide advice and the recommendations were made free from undue influence by members of the Group's KMP, with EY being engaged by, and reporting 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 to ensure compliance with the Corporations Act 2001.

Consequently, the Board is satisfied that the recommendations were made with the required level of independence from KMP.

Remuneration objectives and guiding principles

The objective of our Remuneration policies is to focus our employees on achieving the Group's key strategic and business objectives, while also enabling the Group to attract, motivate and retain the most talented employees. Ultimately, we want FlexiGroup to become an employer of choice in all of our geographies.

We recognise that having the right people in place within the organisation is a key competitive advantage and contributor to the Group's success. That means that it is important to us that our market rates and benefits are competitive with organisations of a similar size and complexity. We also appreciate that we need to balance this with our focus on managing our operational expenditures to drive the best possible outcome for our customers and shareholders.

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

Clear alignment of remuneration with strategic objectives

Provide market Competitive remuneration to attract the right talent

Implement remuneration structures that are clear and well understood

Support merit-based remuneration achievement across a diverse workforce

Ensure that remuneration outcomes reflect sustainable, ethical performance practices

Clear alignment of remuneration with strategic objectives – ensures that our people are focusing on driving the short and long term goals of the Group and are aligned with shareholder interests. It means that our framework enables the payment of incentives only when they are directly linked to the achievement of specific, measurable strategic business objectives and those objectives have been achieved. Alignment to shareholders' interests is a key principle for the Group when considering Executive remuneration. When considering the design of the Executive Remuneration Framework and in particular, any incentive arrangements, the Board aims to ensure that all arrangements have profitability as a core component of plan design and focus on sustained growth in shareholder wealth as measured by growth in earnings per share and other financial and non-financial performance indicators.

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

Provide market competitive remuneration to attract the right talent – while balancing commercial considerations, the company also ensures that we implement competitive remuneration packages that enable the Group to attract high calibre candidates who will make a positive impact on the performance of the Group.

Implement remuneration structures that are well understood – the implementation of frameworks and policies that are clear, well communicated and readily accessible to employees.

Support merit based remuneration achievement across a diverse workforce – Checks and balances in place to ensure that employees are rewarded consistently for like work against market relativities, irrespective of gender, age or other irrelevant demographic factors – the key differentiator in pay for individuals should be performance.

Ensure that remuneration outcomes reflect sustainable, ethical performance practices – there are sufficient risk structures in place to ensure that results are sustainable and adhere to ethical business practices. This also requires performance to be assessed in conjunction with the assessment of demonstration of organisational values.

How is remuneration structured?

The diagram below provides an overview of the different remuneration components within the framework for KMPs.

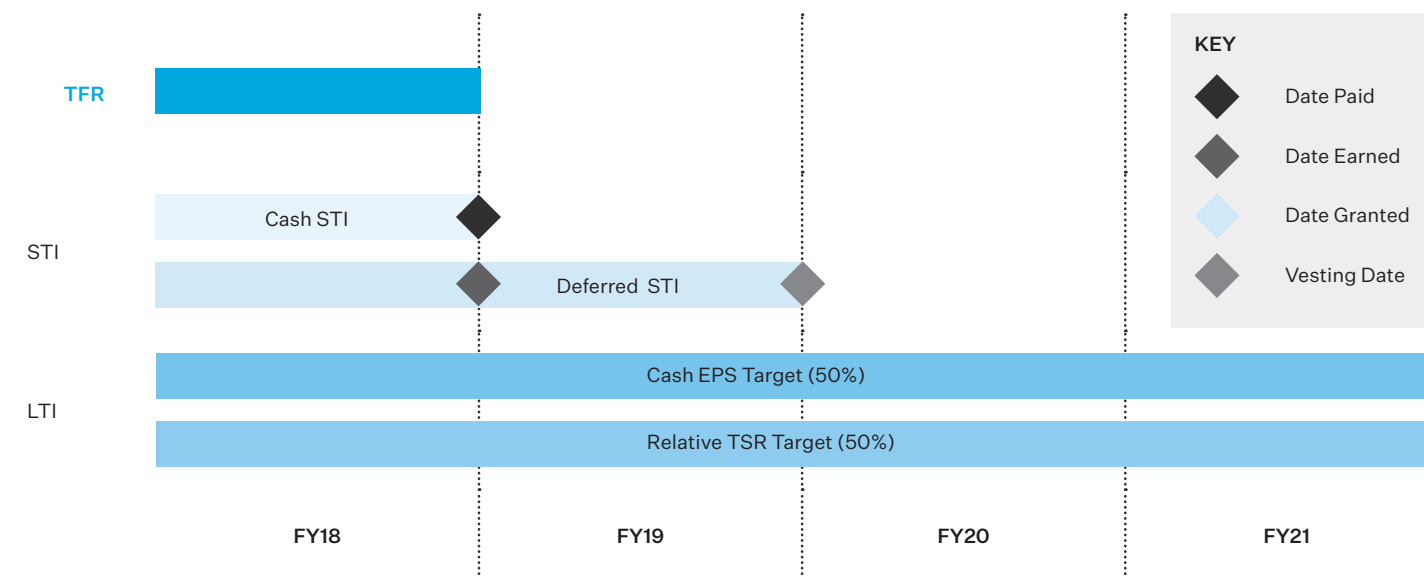
FlexiGroup’s FY18 remuneration strategy is a mix of fixed and variable pay in the form of cash, and deferred shares and performance rights.

The framework aligns Executive rewards with achievement of strategic objectives and the creation of value for shareholders. The diagram below provides an overview of the different remuneration components within the framework.

Objective	Attract and retain the best talent	“At Risk” Remuneration linked to short and long term company	
		Reward current year performance	Reward long term performance
Remuneration Component	Total Fixed Remuneration (TFR)	Short Term Incentive (STI)	Long Term Incentive (LTI)
Purpose	TFR is set in relation to the external market and takes into account size, critically and complexity of the role, individual responsibilities, experience and skills	A % of fixed remuneration which is set against individual and Group risk adjusted financial targets and non-financial targets that support the Group’s strategy	LTI ensures alignment to long-term Group performance and is consistent with strategic business drivers and long-term shareholder returns
Delivery	Base salary, superannuation and allowances (where possible)	Annual Cash Payment 75% Deferred into share rights 25%	Performance share rights, which vest over a fixed period if performance hurdles (earnings per share and total shareholder) are achieved
FY18 Approach	Target TFR positioning is benchmarked every two years against a comparator group, chosen based on a combination of annual revenue, market capitalisation, total assets and operating profit	STI Performance Measure	LTI Performance Measure

Remuneration timing

The remuneration components are structured to reward Executives progressively across different timeframes. The diagram below shows the period over which FY18 remuneration was delivered and when the awards vest.



FlexiGroup has defined approval processes in place for all remuneration decisions. For our KMPs, any amendments to remuneration must be approved by the Remuneration Committee (this is also the case for non KMP direct reports to the CEO).

Remuneration for KMPs is reviewed annually in-line with the financial year. In setting an individual’s remuneration, the Board considers:

- External and internal relativities
- Individual and Group performance over the last year
- Recommendations from the Group CEO on the remuneration arrangements for the Executive team and
- Market data from comparable roles listed on the Australian Securities Exchange (ASX) against a peer group that is relevant and large enough to provide meaningful data which is conducted every two years

Remuneration mix

The remuneration mix for Executive KMP's is weighted towards variable remuneration to ensure a significant focus on achieving transformation objectives.

CEO: 63.6% of the CEO's remuneration is performance based pay and 43.2% of his remuneration is delivered as performance rights.

Other Executive KMP: 50% of their remuneration is performance based pay and 31.25% of their remuneration is delivered as performance rights.

CEO

Fixed Remuneration (36.4%)	Target STI (27.2%)		Maximum LTI (36.4%)	
	Cash (20.4%)	Deferred (6.8%)	Cash NPS (18.2%)	Relative TSR (18.2%)

Other Executive KMP

Fixed Remuneration (50%)	Target STI (25%)		Maximum LTI (25%) ¹	
	Cash (18.75%)	Deferred (6.25%)	Cash NPS (12.5%)	Relative TSR (12.5%)

1. Note: CFO and CEO of NZ have a slightly higher percentage of LTI in line with market norm

Key Management Personnel remuneration disclosed in this report

The remuneration of KMPs for the Group is disclosed in this Report. In 2018 financial year KMP's comprised Non-Executive Directors, the CEO and some Group Executives who reported to the CEO and/or led significant parts of the business.

Non-Executive and Executive Directors

Name	Position	Term as KMP
Andrew Abercrombie	Chairman	Full Year
Christine Christian	Deputy Chairman and Independent, Non-Executive	Full Year
Rajeev Dhawan	Independent, Non-Executive	Full Year
Jodie Leonard	Independent, Non-Executive	Full Year
Carole Campbell	Independent, Non-Executive	Appointed on 17 May 2018
Symon Brewis-Weston ¹	Chief Executive Officer	Full Year
R John Skippen	Independent, Non-Executive	Resigned on 27 November 2017

Other KMPs

Name	Position	Term as KMP
Ross Aucutt	Chief Financial Officer	Full Year
Verity Gilpin	General Manager – Sales	Full Year
Ken Richards	General Manager - Commercial	Full Year
Chris Lamers	Chief Executive Officer - New Zealand	Full Year
Peter Lirantzis	Chief Operating Officer	Resigned on 16 January 2018

¹Resigned effective 3 September 2018

REMUNERATION SNAPSHOT 2018

This section provides an overview of the Group's remuneration arrangements during the 2018 financial year.

FlexiGroup's total reward framework

The remuneration framework in place for the Executive team (including the CEO) is consistent with the Group's Remuneration Policy, which is based on a Total Remuneration approach.

This comprises of a mix of fixed and variable pay in the form of cash and deferred shares and performance rights.

The framework aligns Executive rewards with achievement of strategic objectives and the creation of value for shareholders.

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

Fixed remuneration – which includes cash salary and employer superannuation components. This amount takes into consideration a number of factors including the size and complexity of the role; the requirements of the role; the skills and experience the individual brings to the role; as well as the market relativity for like roles in the financial services industry.

STI – this payment is a percentage of the fixed remuneration amount and is set against risk-adjusted financial targets and non-financial targets that support the Group's strategy. These targets are usually a mix of group and individual performance objectives for the year.

LTI – this is comprised of performance share rights, which vest over a fixed period if performance hurdles are achieved.

The performance hurdles are a combination of earnings per share and total shareholder return targets set by the Board at inception of the incentive plans.

Fixed remuneration

The Executive team are offered competitive fixed remuneration amounts that reflect the key performance requirements of their roles. Fixed Remuneration is reviewed annually in line with the financial year (1 July to 30 June), although a review may not necessarily result in any increases to remuneration. Any increases to Executive Remuneration need to be approved by the Board Remuneration Committee and come into effect from 1 July, following an annual performance review, which is conducted at the end of the financial year.

Remuneration is benchmarked against market data provided by remuneration consultants for companies that are similar to the Group in terms of industry, size and complexity. In line with our focus on driving a pay for performance culture, a key determinant of whether any increases to Fixed Remuneration will apply year to year is performance against specific financial and non-financial metrics that are set for each individual at the beginning of the financial year.

The fixed remuneration for KMPs is set out on page 63 of this report.

FIXED REMUNERATION



Salary
(Cash)



Employer
Superannuation
Contributions

AT RISK REMUNERATION - SHORT TERM INCENTIVES



Cash STI
(75% of total STI)

Deferred STI
(25% of total STI)

AT RISK REMUNERATION - LONG TERM INCENTIVE



EPS Target

TSR Target

Total remuneration framework underpinned by remuneration principles

Short term incentive (STI)

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

The STI opportunity for the CEO is fixed at 75% of fixed remuneration and for other Executive KMPs, it is fixed at 50% of fixed remuneration ('target'). The Board has set the maximum opportunity available to the CEO and Senior Executives to 150% of target.

In 2018, the maximum STI achieved against their target by any of the KMP's was 86%.

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

During 2018, a target was set for performance against four Group Goals. The policy allows for either partial payment (for performance under target) or a stretch payment (for performance over target) to be paid, subject to the below principles:

- Any partial payments made will consider the performance of the business overall and the closeness of the performance in the specific metric to the identified target
- Any stretch payments made will consider the performance of the business overall. For a stretch payment to be made, all metrics will need to have achieved target or above

Discretion regarding any payments under the STI rests with the Board. The Board has the capacity to adjust STI outcomes (and reduce STI outcomes to zero if appropriate) as part of the assessment process.

Payment of the Group Goals was determined based on the Group's results at 30 June 2018.

STI outcomes are subject to both a quantitative and qualitative assessment, including a risk management overlay, which is embedded in the scoreboard measurement process.

STI key objectives for FY18

The structure of the STI is designed to achieve alignment of organisational performance to our strategic goals as well as driving performance in key business segments. The Board identified these measures, as they are a critical link between achieving the Group's strategic objectives and increasing shareholder value. An overview of the FY18 STI Scheme is outlined in the table on the next page, including a summary of performance.



The Group corporate goals are shared by all KMPs

STI Goals	% of STI	Hurdles to Pay
Group Corporate Goals:		
Group Cash NPAT (\$m)	20	To pay any of the Corporate Goals, three hurdles needed to be achieved: <ul style="list-style-type: none"> • Satisfactory performance for the year • Meeting the conduct gateway (this focuses on Risk and Compliance requirements) • The Company achieving a Cash NPAT of \$87.1m. Provided each of these three hurdles are met, the Corporate Goals will then be paid if they achieve target.
Group Receivables (\$m)	5	
Group Cash Flow (\$m)	5	
NPS	5	
Personal/Segment Goals:		
Segment/Functional Specific Goals and Growth Goals	65	In addition to the performance and conduct hurdles, \$86m Cash NPAT must be achieved as a 'Gateway' to release payment for individual KPIs.

The STI results for FY18 are outlined on the following page

THE GROUP CORPORATE GOALS ARE SHARED BY ALL KMPs. THE RESULTS BY GOAL ARE LISTED BELOW, CONSTITUTING 35% OF THEIR STI. EACH KMP WILL ALSO HAVE ADDITIONAL GOALS RELATING TO THEIR BUSINESS AREA.

The results by Goal are listed below, constituting 35% of their STI

CASH NPAT	<ul style="list-style-type: none"> • Cash NPAT results were at the higher end of market guidance and met the performance hurdles in place to activate Group Corporate Goals payment across the Group
RECEIVABLES	<ul style="list-style-type: none"> • Closing receivables grew from FY17 driven by strong growth in AU Cards and AU Commercial Leasing segments, however this growth was lower than target and this hurdle was not met
CASH FLOW	<ul style="list-style-type: none"> • Cash Flow generated was ahead of target. This was achieved through disciplined capital management particularly focused on the improved efficiency of our funding structures
NPS	<ul style="list-style-type: none"> • Group NPS results have shown a marked increase in prior years driven by the focus on digitising and simplifying our customer onboarding process and the repositioning of our customer lease product. This target was met

Payment of the STI

KMPs will have a portion of their STI paid as deferred (restricted) shares. By deferring a portion of the STI, incentive payments are better aligned with the interests of shareholders as the ultimate value of the deferred portion is tied to the share price at the end of the restriction period. The deferred STI awards recognise past performance and are not subject to further performance conditions, but are subject to a tenure condition. The KMPs receive dividends over the vesting period. Detail on how the STI payment will work is contained in the following table by plan component:

PERFORMANCE	1 July 2017 to 30 June 2018
STI	75% paid in cash in September 2018 25% provided as restricted shares
RESTRICTION	12 months for the deferred portion from grant date
DIVIDENDS	KMPs are entitled to dividends and voting rights during the restriction period
FORFEITURE	The deferred shares are subject to continued service (Restriction Period) which means that the shares are forfeited if the employee resigns or breaches company policies or terms of his or her employment agreement during the relevant restriction period
CLAWBACK	Restricted shares may also be forfeited if a clawback event occurs during the Restriction Period. A clawback event is a circumstance where an employee has engaged in fraud, dishonesty or gross misconduct, or where the financial results that led to the restricted shares being granted are subsequently shown to be materially misstated

Long term incentive (LTI)

LTI to the CEO and Senior Employees are provided via the FlexiGroup Long Term Incentive Plan ('LTIP'). The FlexiGroup LTIP is part of FlexiGroup's remuneration strategy and is designed to align the interests of FlexiGroup management and shareholders and assist FlexiGroup in the attraction, motivation and retention of Executives. In particular, the LTIP is designed to provide relevant Executives with an incentive for future performance, with conditions for the vesting and exercise of 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 a 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.

LTI arrangements for 2018

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

Sign on incentive rights

On 22 November 2016, the shareholders approved an issue of sign on incentive rights to the former CEO, Symon Brewis-Weston.

The Incentive rights were issued in two equal tranches and have the following terms:

Tranche	Vesting Date	Expiry Date	Disposal Restriction Date
1	1 September 2017	15 October 2018	30 September 2017
2	1 September 2018	15 October 2019	30 September 2018

Vesting conditions for sign on incentive rights

The Sign-On Incentive Rights are only subject to a tenure condition – they are not subject to any performance based or other Vesting Conditions. For any Sign-On Incentive Rights to vest and become exercisable, the CEO must remain employed by FlexiGroup at the applicable Sign-On Incentive Rights Vesting Date.

Should the CEO cease to be employed by the Company on or prior to a tranche of Sign-On Incentive Rights vesting, all of the unvested Sign-On Incentive Rights will lapse immediately in accordance with the LTIP Rules unless the Board makes a determination that those Sign-On Incentive Rights have vested.

Disposal restriction for sign on incentive rights

The CEO may not dispose of, deal in, or grant a security interest over any interest in Sign-On Incentive Rights without the prior written consent of the Board, which may be given subject to such conditions as the Board sees fit in relation to the proposed dealing.

The CEO may not dispose of, deal in, or grant a security interest over any interest in, a Share allocated to the CEO on exercise of a vested Sign-On Incentive Right for any relevant period determined by the Board.

Current LTI plan - performance rights

The Performance Rights were originally allocated in four equal tranches. On 27 November 2017, Tranche 5 was approved and issued to the CEO and Senior Executives. The Performance Rights allocated in each tranche will vest on, and become exercisable on or after, the applicable Vesting Date to the extent that certain performance-based conditions are achieved in the relevant Performance Period and a tenure condition is satisfied. The Performance Rights issued in Tranche 1, 2 and Tranche 3 have lapsed, whilst the Performance Rights in Tranches 4 and 5 remain on issue, and will be tested based on FY19 and FY21 results respectively.

Tranche 3 performance rights had a minimum CAGR Cash EPS growth target of 4.5% and relative TSR conditions similar to those disclosed on page 54. These conditions were measured based on a performance period for financial year 1 July 2015 to 30 June 2017.

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

Tranche	Performance Period	Testing Date
4	2019 (1 July 2016 to 30 June 2019)	Results announcement date in 2019
5	2021 (1 July 2017 to 30 June 2021)	Results announcement date in 2021

Tranche 4 Performance Rights will be performance tested against the following performance-based Vesting Conditions:

Percentage of rights	Performance Condition
40% of each Tranche of Performance Rights	Cash EPS growth targets for the relevant Performance Period are met
40% of each Tranche of Performance Rights	Relative TSR for the relevant Performance Period compared to the S&P/ASX 200 Index (excluding resources companies)
20% of each Tranche of Performance Rights	Volume growth targets for the relevant Performance Period are met

Tranche 5 Performance Rights will be performance tested against the following performance-based Vesting Conditions:

Percentage of rights	Performance Condition
50% of each Tranche of Performance Rights	Cash EPS growth targets for the relevant Performance Period are met
50% of each Tranche of Performance Rights	Relative TSR for the relevant Performance Period compared to the S&P/ASX 200 Index (excluding resources companies)

Cash EPS growth performance condition

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

- the reported statutory net profit after tax, adjusted for the after tax effect of material infrequent items that the Board believe do not reflect on ongoing operations of the Group and the amortisation of acquired intangible assets;
- divided by the weighted average number of ordinary shares on issue during the year.

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

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

The Cash EPS Growth condition for Tranche 4 will be satisfied for a Performance Period in accordance with the following table:

Cash EPS growth target	Percentage of performance rights available in given year satisfying condition
Compound annual growth rate in cash EPS less than 4.5%	Nil
Compound annual growth rate in cash EPS of 4.5%	30%
Compound annual growth rate in cash EPS greater than 4.5% But less than 6.0%	Pro-rata between 30% And 60%
Compound annual growth rate in cash EPS of 6.0%	60%
Compound annual growth rate in cash EPS greater than 6.0% But less than 7.5%	Pro-rata between 60% And 100%
Compound annual growth rate in cash EPS equal to or greater than 7.5%	100%

The Cash EPS Growth condition for Tranche 5 will be satisfied for a Performance Period in accordance with the following table:

Cash EPS growth target	Percentage of performance rights available in given year satisfying condition
Compound annual growth rate in cash EPS less than 4.0%	Nil
Compound annual growth rate in cash EPS of 4.0%	30%
Compound annual growth rate in cash EPS greater than 4.0% But less than 10.0%	Pro-rata between 30% And 100%
Compound annual growth rate in cash EPS equal to or greater than 10.0%	100%

Relative TSR performance condition

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

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

- the 90-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 share during the relevant Performance Period

exceeds the 90 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.

Below are targets applicable for Tranche 4:

Relative TSR target	Percentage of performance rights available in given year satisfying condition
Less than 50th percentile of companies in S&P/ASX 200 index (excluding materials and energy companies)	Nil
50th percentile of companies in S&P/ASX 200 index (excluding materials and energy companies)	50%
Greater than 50th percentile but less than the 75th percentile of companies in S&P/ASX 200 index	Pro rata between 50% and 100%
Greater than or equal to 75th percentile of companies in S&P/ASX 200 index (excluding materials and energy companies)	100%

Tranche 5 performance targets are as per the table below:

Relative TSR target	Percentage of performance rights available in given year satisfying condition
Less than 51st percentile of companies in S&P/ASX 200 index (excluding materials and energy companies)	Nil
51st percentile of companies in S&P/ASX 200 index (excluding materials and energy companies)	50%
Greater than 51st percentile but less than the 75th percentile of companies in S&P/ASX 200 index	Pro rata between 51% And 100%
Greater than or equal to 75th percentile of companies in S&P/ASX 200 index (excluding materials and energy companies)	100%

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

Volume condition

The third performance-based Vesting Condition, that is applicable to Tranche 4 only, is based on Volume. The Volume Growth vesting condition will assess volume growth for the Company with respect to the Performance Period applicable to the relevant tranche of Performance Rights, based on performance indicators set by the Board from time to time.

Vesting date and expiry date

Tranche	Performance period	Testing date
4	1 Sept 2019	15 Oct 2021
5	1 Sept 2021	15 Mar 2022

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

Disposal restriction

The CEO and Senior Executives may not dispose of, deal in, or grant a security interest over any interest in, a Performance Right without the prior written consent of the Board, which may be given subject to such conditions as the Board sees fit in relation to the proposed dealing.

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

The Board has imposed a disposal restriction on the Shares that are the subject of this approval, which will be granted on the exercise of any Vested Performance Rights. The disposal restriction will be enforced by placing a sale restriction over the Shares that are allocated on the exercise of the Vested Performance Rights.

The disposal restrictions on those Shares will be lifted at the relevant Restriction Period End Date as set out below:

Tranches of shares allocated on exercise of vested Performance Rights tranches	% of shares allocated on vesting and exercise of Performance Rights	Restriction period end date
Tranche 4	60	15 October 2019
	40	15 October 2020
Tranche 5	100	15 October 2022

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

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

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

REMUNERATION OUTCOMES FOR 2018

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

STI performance outcomes

The below STIs are gross of the 25% deferred shares component.

Name	Position	STI target \$	STI outcome \$
Symon Brewis-Weston	Chief Executive Officer	590,625	132,891
Ross Aucutt	Chief Financial Officer	225,000	180,000
Verity Gilpin	General Manager – Sales	217,875	176,479
Ken Richards	General Manager – Commercial	207,500	134,875
Chris Lamers	CEO New Zealand	195,853 ¹	168,433 ¹
Peter Lirantzis	Chief Operating Officer	-	-

1. NZD translated at the average exchange rate of 1.085

LTI performance outcomes

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

	2018	2017	2016	2015	2014
TSR	26%	(3%)	(16%)	(14%)	(26%)
Dividends per share (cents)	7.70	7.70	14.50	17.75	16.5
Cash EPS (cents)	23.60	25.00	28.00	28.70	27.10
Share price – high	\$2.33	\$2.58	\$3.12	\$4.00	\$4.99
Share price – low	\$1.44	\$1.55	\$1.71	\$2.70	\$2.98
Share price – close	\$2.22	\$1.83	\$1.74	\$2.91	\$3.17

2017 Deferred STI

The table below presents the equity that was granted under the FY17 deferred STI scheme. The deferred shares vest and are exercisable on 15 September 2018.

Name	Deferred STI value (\$)	# of shares issued	Vesting date
Symon Brewis-Weston ¹	84,375	48,981	15 Sep 2018
Ross Aucutt	16,875	9,796	15 Sep 2018
Verity Gilpin	33,070	19,198	15 Sep 2018
Ken Richards	21,094	12,245	15 Sep 2018
Chris Lamers	9,229	5,357	15 Sep 2018
Peter Lirantzis	-	-	-

1. With the resignation of Simon Brewis-Weston effective from 3 September 2018 tenure based conditions have not been satisfied and deferred shares will be forfeited

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

Type of instrument	Commencement date	Test date	TSR Quartile in Ranking Group	TSR Vested %	EPS Volume Vested %	Lapsed %	Remain in plan
Performance rights	1 Dec 2014	15 Sept 2017	4th Quartile	-	-	100	-

Options issued to top five remunerated Non-KMP officers

Details of performance rights granted to KMPs are disclosed in the table on page 58 below. In financial year 2018, no instruments were issued to an officer who is among the five highest remunerated officers of the Company and the Group, and who is not a key management person.

The terms and conditions of each grant of options, performance and sign on incentive rights 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 ¹	Value per option, performance right at grant date (\$)	
1 December 2014	2	1 Sep 2016	15 Oct 2018	Nil	2.65	
	2	1 Sep 2016	15 Oct 2018	Nil	1.40	
	3	1 Sep 2017	15 Oct 2019	Nil	2.49	
	3	1 Sep 2017	15 Oct 2020	Nil	1.31	
	4	1 Sep 2019	15 Oct 2021	Nil	2.35	
	4	1 Sep 2019	15 Oct 2021	Nil	1.23	
	26 November 2015	2	1 Sep 2016	15 Oct 2018	Nil	2.61
		2	1 Sep 2016	15 Oct 2018	Nil	0.27
	2	1 Sep 2016	15 Oct 2018	Nil	2.61	
	3	1 Sep 2017	15 Oct 2019	Nil	2.46	
	3	1 Sep 2017	15 Oct 2019	Nil	1.04	
	3	1 Sep 2017	15 Oct 2019	Nil	2.46	
	4	1 Sep 2019	15 Oct 2021	Nil	2.17	
	4	1 Sep 2019	15 Oct 2021	Nil	1.34	
	4	1 Sep 2019	15 Oct 2021	Nil	2.17	
	22 November 2016	1	1 Sep 2017	15 Oct 2018	Nil	2.11
2		1 Sep 2018	15 Oct 2019	Nil	1.98	
3 July 2017	1	1 Sep 2017	15 Oct 2018	Nil	1.73	
	2	1 Sep 2018	15 Oct 2019	Nil	1.65	
6 September 2017	1	15 Sep 2018	15 Oct 2018	Nil	1.53	
27 November 2017	5	1 Sep 2021	15 Mar 2022	Nil	1.36	
	5	1 Sep 2021	15 Mar 2022	Nil	0.71	

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

Details of performance, deferred STI shares and sign on incentive rights (referred to as "Incentive rights") over ordinary shares in the Company provided as remuneration to each Director of FlexiGroup Limited and each of the KMP of the parent entity and the Group are set out below. When exercisable, an incentive right is convertible into one ordinary share of FlexiGroup Limited. Further information on the incentive rights is set out in note 24 to the financial statements.

Directors of FlexiGroup Limited

Name	Number of incentive rights granted during the year ²	Value of incentive rights granted during the year \$ ¹	Number of incentive rights vested during the year	Number of incentive rights lapsed during the year	Financial years of issue of lapsed rights
A Abercrombie	-	-	-	-	-
C Christian	-	-	-	-	-
R Dhawan	-	-	-	-	-
J Leonard	-	-	-	-	-
C Campbell	-	-	-	-	-
S Brewis-Weston ²	605,843	651,526	36,000	-	-
R J Skippen	-	-	-	-	-

Other Key Management Personnel

Name	Number of incentive rights granted during the year	Value of incentive rights granted during the year \$	Number of incentive rights vested during the year	Number of incentive rights lapsed during the year	Financial years of issue of lapsed rights
R Aucutt	219,813	232,402	-	-	-
V Gilpin	173,263	188,921	-	-	-
K Richards	158,974	170,657	-	-	-
C Lamers	243,706	280,789	15,000	-	-
P Lirantzis	-	-	-	-	-

- This is based on the fair value of the shares on the date of issue
- With the resignation of Symon Brewis-Weston effective from 3 September 2018 tenure based conditions have not been satisfied and deferred performance rights will be forfeited

The assessed fair value at grant date of incentive rights granted in 2018 is allocated equally over the period from grant date to vesting date, and the amount is included in the remuneration table on page 61. The fair values at grant date for sign on and deferred share incentives were internally determined, as the incentives were only subject to a tenure vesting condition. For performance rights issued on 27 November 2017, the fair values at grant date were independently determined using a binomial tree option pricing methodology that takes into account the exercise price, the term of the 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 performance rights.

The model inputs for performance rights granted during the year ended 30 June 2018 included:

- Exercise price: nil
- Grant date: 27 November 2017
- Expiry date: 15 March 2022
- Share price at grant date: \$1.63
- Expected price volatility of the Company's shares: 35%

(f) Expected dividend yield: 4.8%

(g) Risk-free interest rate: 2%

Shares provided on exercise of remuneration options and performance rights

In the current year, nil ordinary shares in the Company were issued because of the exercise of remuneration performance and sign on incentive rights. The 51,000 vested sign on incentive rights were settled through on market share purchases.

ADDITIONAL INFORMATION

Details of remuneration: STI cash payments, performance and sign on incentive rights

For each STI cash payment and grant of performance and sign on incentive rights, the percentage of the available bonus or grant that was paid, or that vested, in the financial year, and the percentage that was forfeited because the person did not meet the service and performance criteria is set out below. The performance and sign on incentive rights vest in accordance with the vesting schedules detailed below. No performance and/or sign on incentive rights will vest if the conditions are not satisfied, hence the minimum value of the rights yet to vest is nil. The maximum value of the rights yet to vest has been determined as the amount of the fair value at grant date of the rights that are yet to be expensed.

Executive Director

Name	2018STI		STI % of target forfeited	LTI Year granted	Prior year equity awards Vested during 2018	Prior year equity awards Forfeited during 2018	Financial years in which performance and sign on incentive rights may vest	Maximum total value of grant yet to vest \$
	Total payment ¹ \$	STI Outcome as % of target			%	%		
				2017	50	-	2019	6,944
S Brewis-Weston ²	132,891	23	77	2018	-	-	2019	15,477
				2019	-	-	2022	551,998

Other Key Management Personnel

Name	2018STI		STI % of target forfeited	LTI Year granted	Prior year equity awards Vested during 2018	Prior year equity awards Forfeited during 2018	Financial years in which performance and sign on incentive rights may vest	Maximum total value of grant yet to vest \$
	Total payment ¹ \$	STI Outcome as % of target			%	%		
				2018	-	-	2019	3,095
R Aucutt	180,000	80	20	2019	-	-	2022	208,182
				2016	-	-	2020/2021	237,244
V Gilpin	176,479	81	19	2018	-	-	2019	6,066
				2018	-	-	2022	152,719
K Richards	134,875	65	35	2018	-	-	2019	3,869
				2018	-	-	2022	145,447
				2018	37.5	-	2019	6,131
C Lamers	168,433 ³	86	14	2018	-	-	2022	1,693
				2018	-	-	2022	196,616
P Lirantzis	-	-	-	2015	-	100%	-	-
				2016	-	100%	-	-

- includes both the cash and deferred shares components
- With the resignation of Symon Brewis-Weston effective from 3 September 2018 tenure based conditions have not been satisfied and deferred performance rights will be forfeited
- NZD translated at the average exchange rate of 1.085

Shares under performance rights

As at the date of this report, there were 2,577,100 unissued ordinary shares of FlexiGroup Limited subject to performance, sign on and deferred STI rights. These unissued ordinary shares are the subject of performance, sign on and deferred STI rights with expiry dates between 1 October 2018 and 15 October 2022.

No performance and sign on incentive shareholder has any right under the performance share to participate in any other share issues of the Company or any other entity.

Non-Executive Directors

Fees and payments to Non-Executive Directors reflect the demands that are made on and the responsibilities of the Non-Executive Directors. Non-Executive Directors' fees and payments are reviewed annually and benchmarked where appropriate by the Board. Non-Executive Directors do not receive share options. Non-Executive Directors may opt each year to receive a percentage of their remuneration in FlexiGroup Limited shares which would be acquired on-market. Shareholders approved this arrangement on 20 November 2006 but no Directors have 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 2016 financial year:

Base fees (per annum)

Chair \$250,000

Other Non-Executive Directors \$120,000

Additional fees (per annum)

Audit Committee – Chair \$25,000

Remuneration Committee – Chair \$25,000

Risk and Compliance Committee – Chair \$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 travel, accommodation and other expenses in attending meetings and carrying out their duties.

Under clause 10.09 of the Company's constitution, subject to the Listing Rules and Corporations Act 2001, a Director at the request of the other Directors may be remunerated for performing additional or special duties for the Company.

Under clause 10.11 of the Company's constitution, subject to the Listing Rules and Corporations Act 2001, the Company may pay a former Director, or the personal representatives of a Director who dies in office, a retirement benefit in recognition of past services of an amount determined by the Directors. The Company may also enter into a contract with a Director providing for payment of the retiring benefit. No such contracts have been entered into to date. Despite having this clause in the Company's constitution, the Company does not intend to pay such benefits to Directors.

Amounts of remuneration

Details of the remuneration of the Directors and the KMP (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 KMP of FlexiGroup Limited is the Directors and certain Executives that report directly to the CEO.

2018

Name	Short-term employee benefits			Post-employment benefits	Long-term benefits		Total earnings
	Cash salary and fees	STI cash payment ¹	Other benefits	Superannuation	Long service leave	Share-based payments expense ²	
A Abercrombie (Chairman)	253,701	-	-	20,049	-	-	273,750
C Christian (Deputy Chairman)	157,978	-	-	15,008	-	-	172,986
R Dhawan ³	199,100	-	-	12,390	-	-	211,490
J Leonard	135,063	-	-	12,831	-	-	147,894
C Campbell ⁴	18,218	-	-	1,731	-	-	19,949
R J Skippen ⁷	60,417	-	-	5,740	-	-	66,157
Subtotal Non- Executive Directors	824,477	-	-	67,749	-	-	892,226

Name	Short-term employee benefits			Post-employment benefits	Long-term benefits		Total earnings
	Cash salary and fees	STI cash payment ¹	Other benefits	Superannuation	Long service leave	Share-based payments expense ²	
S Brewis-Weston	767,454	132,891	-	20,049	-	141,224	1,061,618
Subtotal Executive Director	767,454	132,891	-	20,049	-	141,224	1,061,618

Name	Short-term employee benefits			Post-employment benefits	Long-term benefits		Total earnings
	Cash salary and fees	STI cash payment ¹	Other benefits	Superannuation	Long service leave	Share-based payments expense ²	
R Aucutt	429,951	135,000	-	20,049	-	21,125	606,125
V Gilpin	415,703	132,360	-	20,049	-	52,064	620,176
K Richards	382,799	101,156	-	20,049	-	21,341	525,345
C Lamers ⁵	381,731	126,325	-	12,237	-	76,349	596,642
P Lirantzis ⁶	316,741	-	191,541	11,695	-	18,255	538,232
Subtotal other key management personnel	1,926,925	494,841	191,541	84,079	-	189,134	2,866,520
Total key management personnel compensation (Group)	3,518,857	627,732	191,541	171,877	-	330,357	4,840,364

- This represents 75% of the 2017 STI payable in September 2018. The remaining 25% is deferred to the financial year commencing 1 July 2018 with a vesting date of 15 September 2019
- Remuneration for share-based payments represents amounts expensed during the year for accounting purposes. Negative amounts represent lapsed instruments due to failure to meet either performance vesting conditions or termination of employment. Included in the share based payment expense is the FY2017 deferred STI amount that is settled in equity. The shares vest on 15 September 2018
- R Dhawan received additional fees for serving on the FXL NZ Board
- C Campbell was appointed a non-executive director on 17 May 2018. Amounts above include payments commencing on appointment date
- NZD translated at the average exchange rate of 1.085
- P Lirantzis ceased being a KMP on 16 January 2018
- R J Skippen resigned on 27 November 2017

2017

Non-Executive Director	Short-term employee benefits			Post-employment benefits	Long-term benefits	Share-based payments expense ²	Total earnings
	Cash salary and fees	STI cash payment ¹	Other benefits	Superannuation	Long service leave		
A Abercrombie (Chairman)	250,000	-	-	23,750	-	-	273,750
R Dhawan ³	157,644	-	-	13,775	-	-	171,419
C Christian ⁴	80,100	-	-	7,610	-	-	87,710
J Leonard ⁴	70,000	-	-	6,650	-	-	76,650
R J Skippen	145,000	-	-	13,775	-	-	158,775
Subtotal	702,744	-	-	65,560	-	-	768,304

Executive Director	Short-term employee benefits			Post-employment benefits	Long-term benefits	Share-based payments expense ²	Total earnings
	Cash salary and fees	STI cash payment ¹	Other benefits	Superannuation	Long service leave		
S Brewis-Weston	702,450	253,125	-	47,550	-	83,405	1,086,530
Subtotal	702,450	253,125	-	47,550	-	83,405	1,086,530

Other key management personnel	Short-term employee benefits			Post-employment benefits	Long-term benefits	Share-based payments expense ²	Total earnings
	Cash salary and fees	STI cash payment ¹	Other benefits	Superannuation	Long service leave		
D Stevens ⁵	365,984	-	469,813	13,078	-	(130,713)	718,162
R Aucutt ⁵	198,103	50,625	-	18,820	-	-	267,548
R May ⁵	205,679	-	188,323	19,540	-	(101,480)	312,062
V Gilpin	383,431	99,211	-	26,570	-	21,132	530,344
P Lirantzis ⁵	580,385	33,750	-	19,616	21,528	2,808	658,087
K Richards ⁶	270,885	62,532	-	25,734	-	-	359,151
C Lamers ⁷	127,917	27,686	47,414	5,103	-	-	208,120
Subtotal other key management personnel	2,132,384	273,804	705,550	128,461	21,528	(208,253)	3,053,474
Total key management personnel compensation (Group)	3,537,578	526,929	705,550	241,571	21,528	(124,848)	4,908,308

- This represents 75% of the 2017 STI payable September 2017. The remaining 25% is deferred until the financial year commencing 1 July 2017 and vesting on 15 September 2018
- Remuneration for share-based payments represents amounts expensed during the year for accounting purposes. Negative amounts represent lapsed instruments due to failure to meet either performance vesting conditions or termination of employment
- R Dhawan received additional fees for serving on the FXL NZ Board
- C Christian and J Leonard were appointed as non-executive directors on 1 December 2016. Amounts above include payments commencing on appointment date
- D Stevens, R May and P Lirantzis ceased being KMPs on 9 January 2017, 31 January 2017 and 16 January 2018 respectively. Amounts shown in their remuneration include amounts earned up to that date and termination benefits, which are included as other benefits above. R Aucutt replaced D Stevens and R May was not replaced
- K Richards was appointed as General Manager Commercial on 10 October 2016. Amounts above include payments commencing on appointment date
- C Lamers was appointed as CEO of New Zealand commencing 6 March 2017. Amounts above include payments commencing on appointment date. C Lamers was paid a NZ\$47,414 sign on bonus to compensate him for lost benefits from his previous employment. This amount has been disclosed as other benefits above. Lamers was also offered sign on incentive rights as part of his lost earnings compensation, with a grant date of 1 July 2017. These incentives will be reflected in his FY18 earnings. NZD translated at the average exchange rate of 1.085

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

Name	Fixed remuneration		At risk STI		2018 Rights %	2017 Rights %
	2018 %	2017 %	2018 %	2017 %		
S Brewis-Weston	74	69	13	23	13	8
R Aucutt	74	81	22	19	4	-
V Gilpin	70	77	21	19	9	4
K Richards	77	83	19	17	4	-
C Lamers	66	87	21	13	13	-
D Stevens ¹	n/a	100	n/a	n/a	n/a	n/a
R May ¹	n/a	100	n/a	n/a	n/a	n/a
P Lirantzis ¹	100	94	-	5	-	1

- Mr P Lirantzis, Mr D Stevens and Mr R May's total remuneration is disclosed as 100% fixed remuneration in the year of their departure. They did not qualify for STI due to resignation and their LTIs lapsed on departure

Service agreements

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

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

In the event of retrenchment, the Executives listed in the table on page 48 are entitled to the payment provided for in the service agreement. The employment of the Executives may be terminated by the Company without notice by payment in lieu of notice. Upon termination of employment, the Board exercises its discretion on payment of a pro-rata STI entitlement and early vesting of any unvested LTI's held by the above KMP.

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

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

Name	Term of agreement and notice period ¹	Total Fixed Remuneration \$ ²	Termination payments ³
S Brewis-Weston	6 months	787,500	6 months
R Aucutt	3 months	450,000	3 months
V Gilpin	3 months	435,750	3 months
K Richards	3 months	415,000	3 months
C Lamers ⁴	3 months	425,000	3 months

- Notice applies to either party
- Base salaries and superannuation are for financial year ended 30 June 2018. Annual reviews are performed by the remuneration committee.
- Base salary payable if the Company terminates employee with notice, and without cause, (e.g. for reasons other than unsatisfactory performance)
- Remuneration is in NZ\$

Other services obtained from related parties- rental of Melbourne premises

Flexirent Capital Pty Limited has rented premises in Melbourne owned by entities associated with Mr A Abercrombie. The rental arrangements for these premises are based on market terms. The rent paid for these premises amounted to \$177,353. Refer to note 30 for further details.

Equity instrument disclosures relating to Directors and Key Management Personnel

Performance, deferred STI shares and sign on incentive rights holdings.

2018

Executive Director

Name	Balance at start of year	Granted at compensation ¹	Exercised	Lapsed	Balance at end of year	Vested and exercisable	Unvested
S Brewis-Weston	72,000	605,843	(36,000)	-	641,843	-	641,843

1. With the resignation of Symon Brewis-Weston effective from 3 September 2018 tenure based conditions have not been satisfied and deferred performance rights will be forfeit

Other Key Management Personnel

Name	Balance at start of year	Granted at compensation	Exercised	Lapsed	Balance at end of year	Vested and exercisable	Unvested
R Aucutt	-	219,813	-	-	219,813	-	219,813
V Gilpin	150,000	173,263	-	-	323,263	-	323,263
K Richards	-	158,974	-	-	158,974	-	158,974
C Lamers	-	243,706	(15,000)	-	228,706	-	228,706
P Lirantzis	120,000	-	-	(120,000)	-	-	-

2017

Executive Director

Name	Balance at start of year	Granted at compensation	Exercised	Lapsed	Balance at end of year	Vested and exercisable	Unvested
S Brewis-Weston	-	72,000	-	-	72,000	-	72,000

Other Key Management Personnel

Name	Balance at start of year	Granted at compensation	Exercised	Lapsed	Balance at end of year	Vested and exercisable	Unvested
D Stevens	360,000	-	-	(360,000)	-	-	-
R Aucutt	-	-	-	-	-	-	-
R May	255,000	-	-	(255,000)	-	-	-
V Gilpin	190,000	-	-	(40,000)	150,000	-	150,000
P Lirantzis	360,000	-	-	(240,000)	120,000	-	120,000
K Richards	-	-	-	-	-	-	-
C Lamers	-	-	-	-	-	-	-

Shareholding disclosures relating to Directors and Key Management Personnel

2018

Non-Executive Directors

Name	Balance at start of year	Received during the year on the exercise of rights	Other changes during the year	Balance at end of year
A Abercrombie (Chairman)	90,766,593	-	-	90,766,593
C Christian (Deputy Chairman)	-	-	10,000	10,000
R Dhawan	275,371	-	-	275,371
J Leonard	3,560	-	-	3,560
C Campbell	-	-	-	-
RJ Skippen	147,470	-	(147,470)	-

Executive Director

Name	Balance at start of year	Received during the year on the exercise of rights	Other changes during the year	Balance at end of year
S Brewis-Weston	50,852	36,000	10,000	96,852

Other Key Management Personnel

Name	Balance at start of year	Received during the year on the exercise of rights	Other changes during the year	Balance at end of year
R Aucutt	-	-	-	-
V Gilpin	-	-	-	-
K Richards	-	-	-	-
C Lamers	-	15,000	-	15,000
P Lirantzis	103,453	-	(103,453)	-

2017

Non-Executive Directors

Name	Balance at start of year	Received during the year on the exercise of rights	Other changes during the year	Balance at end of year
A Abercrombie (Chairman)	90,000,000	-	766,593	90,766,593
C Christian	-	-	-	-
R Dhawan	275,371	-	-	275,371
J Leonard	-	-	3,560	3,560
RJ Skippen	145,000	-	2,470	147,470

Executive Director

Name	Balance at start of year	Received during the year on the exercise of rights	Other changes during the year	Balance at end of year
S Brewis-Weston	50,000	-	852	50,852

Other Key Management Personnel

Name	Balance at start of year	Received during the year on the exercise of rights	Other changes during the year	Balance at end of year
D Stevens	46,510	-	(46,510)	-
R Aucutt	-	-	-	-
R May	23,375	-	(23,375)	-
V Gilpin	-	-	-	-
P Lirantzis	103,453	-	-	103,453
K Richards	-	-	-	-
C Lamers	-	-	-	-

OTHER INFORMATION

Directors' indemnification

During the year ended 30 June 2018, 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 agreed to indemnify their auditors, PricewaterhouseCoopers, to the extent permitted by law, against any claim by a third party arising from the Company's breach of their agreement. The indemnity stipulates that the Company will meet the full amount of any such liabilities including a reasonable amount of legal costs.

Proceedings on behalf of the Company

No person has applied to the court under section 237 of the Corporations Act 2001 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 32 of the financial statements.

The Board of Directors has considered the position and, in accordance with advice received from the Audit 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 32 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 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.

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.

Rounding of amounts

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 relating to the "rounding off" of amounts in the Directors' Report and the Annual Financial Statements. Some amounts in the Directors' Report and the Annual Financial Statements have been rounded off in accordance with that Instrument to the nearest hundred thousand dollars.

Matters subsequent to end of the financial year

Other than matters discussed in note 36, there are no other matters or circumstances that have arisen since 30 June 2018 that has significantly affected, or may significantly affect:

- the Company's operations in future financial years, or
- the results of those operations in future financial years, or
- the Company's state of affairs in future financial years.

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 78.

Auditor

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

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



Andrew Abercrombie
Chairman

Sydney
26 September 2018



CORPORATE GOVERNANCE STATEMENT

A framework for effective oversight

This Corporate Governance Statement sets out details of FlexiGroup Limited's (Company) corporate governance practices for the year ended 30 June 2018 (Reporting Period) including the Company's position relating to each of the Australian Securities Exchange (ASX) Corporate Governance Council's (ASX CGC) Corporate Governance Principles and Recommendations 3rd Edition (Recommendations).

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

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

Throughout the year, the Board's composition has changed. On 27 November 2017, Mr R John Skippen resigned from his position as Non-Executive Director of the Board and on 17 May 2018, Ms Carole Campbell was appointed as an Independent Non-Executive Director.

Additionally, due to the substantial holdings of Mr Andrew Abercrombie, the Board has appointed Ms Christine Christian as Deputy Chairman from 6 August 2018. The Deputy Chairman will assume the role of Chair of the Board when Mr Abercrombie has a potential conflict of interest or lack of independence. This position also offers an alternative point of contact for shareholders.

Mr Abercrombie indirectly holds approximately 24% of the shares currently on issue in the Company and as the former CEO, is not regarded as being an independent Director. The Board believes that Mr Abercrombie is best placed to act as Chairman of both the Board and the Nomination Committee given his extensive corporate knowledge and understanding of the Company and his industry associations.

With the resignation of Mr Symon Brewis-Weston as Chief Executive Officer (CEO) and Executive Director on 3 September 2018, the Company appointed Ms Rebecca James as CEO commencing on 2 October 2018.

As at the date of this Corporate Governance Statement, the Board is majority independent and consists of Mr Andrew Abercrombie (Chair), Ms Christine Christian (Deputy Chair), Mr Rajeev Dhawan, Ms Jodie Leonard and Ms Carole Campbell. All Board Committees are chaired by Non-Executive Directors. The Company's Audit Committee and Remuneration Committee are both entirely independent in composition.

This Corporate Governance Statement is current as at 26 September 2018, and has been approved by the Board of the Company.

THE COMPANY IS COMMITTED TO ENSURING THAT ITS POLICIES AND PRACTICES MEET THE RECOMMENDATIONS OF CORPORATE GOVERNANCE AS OUTLINED BY THE ASX CORPORATE GOVERNANCE COUNCIL

SUSTAINABILITY

WE AIM TO OPERATE OUR BUSINESSES IN ACCORDANCE WITH OUR SUSTAINABILITY FRAMEWORK, WHICH IS BUILT AROUND OUR CORE VALUES, THE FLEXIDNA, WHICH ARE INTEGRAL TO THE WAY WE DO BUSINESS.



SUSTAINABILITY PERFORMANCE

Corporate responsibility and long term sustainability are key priorities that are embedded in the way we work. Our approach to sustainability is designed to anticipate, respond to and shape emerging issues and opportunities that have the potential to impact both internal and external stakeholders including customers, employees, suppliers, shareholders and communities. We aim to operate our businesses in accordance with our sustainability framework, which is built around our core values, the FlexiDNA, which are integral to the way we do business.

Values and integrity

In conducting its business activities, the Company is committed to maintaining the highest ethical standards. FlexiGroup has a Code of Conduct that applies to all Directors, officers, employees, contractors, consultants and associates of the Company. The Code of Conduct

outlines how the Company expects its representatives to behave and conduct business in the workplace on a range of issues. The Board of Directors, as the Company's highest governance body, ensures that FlexiGroup's values and ethical standards are reflected in its day to day operations.

FlexiGroup takes its obligations in regards to ethical behaviour very seriously. In addition to our Code of Conduct, the Company has also implemented policies regarding the disclosure of personal relationships where a potential conflict may arise and has improved its processes regarding pre-employment and background audits, particularly for senior leaders and those employees accessing credit information and making financial decisions.

Our Code of Conduct also references our FlexiDNA. This is how we refer to our purpose, vision and values.

Our Purpose: We finance opportunities, connecting buyers and sellers

Our Vision: To create more opportunities where moments are made possible

Our Values: Integrity, Relationships Matter, Accountability, Flexibility, Courage with Credibility

Our purpose is founded on the principle that every person should have the opportunity to buy what they want and need, provided it is within their means to do so. Our focus is on our strong relationships with our partners (our 'sellers') who provide great products and services for customers (our 'buyers').

Our vision is based on our drive to continually build our business – in new markets, with new sellers and for more buyers, so we can continue to create more opportunities where moments are made possible. A moment could be starting school with the right technology, starting a new business with the right equipment, or being able to book a dream holiday.

Our values guide how we operate and behave – whether it's internally or externally.

Integrity - We believe that integrity is critical for any organisation but particularly for a Financial Services team. We pride ourselves in doing the right thing and being transparent in our dealings with our shareholders, customers and employees.

Relationships matter - We also put relationships at the heart of the decisions we make – our buyers and sellers are critical to our success and customer experience is a key focus for us.

Accountability - We drive accountability across the organisation to ensure that we deliver for our shareholders, customers and employees.

Flexibility - We have flexibility in our processes to ensure we remain agile and continually grow and improve the way we operate.

Courage and credibility - We encourage our people to share sound ideas that help us disrupt our traditional ways of thinking and operating to ensure we are delivering innovative solutions for all of our stakeholders.

The values permeate all of our people, processes and systems, and are built into our performance management processes.

People and culture

FlexiGroup recognises the importance of attracting, building and retaining a highly skilled team. The Company strives to create an equal, safe and positive workplace for all employees. We also believe that engaging with our employees is key to maintain a satisfied workforce. During the reporting period, FlexiGroup undertook an employee Net Promoter Score (eNPS) survey. Responses were collected from employees and shared with the business and used for planning activities to build engagement and employee advocacy.

Diversity and Equal Opportunity

At FlexiGroup, we value diversity and inclusion across our business and believe that an inclusive workforce enhances our reputation and helps us to attract, engage and retain talented people.

We are proud to support a diverse range of customers and it is important to us that our team is reflective of our customer base. We firmly believe that a strong and diverse workforce is key to providing a great experience for our customers.

One of our key strategic goals is to be an employer of choice. This means that we are committed to the principles of equal employment and the provision of a work environment that is safe and supportive of all of our team members. The Company adopts and encourages diversity through an open and inclusive culture that values and respects all employees, customers and the communities in which we live and work.

FlexiGroup sees diversity as recognising and valuing the contribution of people from different backgrounds, with different perspectives and experiences, which in turn benefits our business as a whole.

While we embrace the principle of meritocracy and seek to recruit, promote and remunerate based on performance and capabilities, we also ensure that we have clear, readily available policies that support diversity underpinning our operating model and business processes, and we actively support programs within our business that enhance diversity and inclusiveness. We have introduced a number of new policies and undertaken new initiatives during the reporting period to help encourage inclusiveness across the Group.

Equal employment opportunity, bullying, harassment, discrimination and victimisation policy

FlexiGroup is committed to maintaining a work environment that is free from bullying, harassment, discrimination and victimisation – a workplace where all employees are treated with respect, dignity and fairness, and an environment that promotes honesty and integrity. The Company does not tolerate any form of discrimination, including on the basis of gender, race, religion, cultural background, colour, marital status, sexual orientation, gender identity, age, disability, personal associations, political beliefs, family responsibilities, pregnancy, membership or non-membership of a trade union.

FlexiGroup is dedicated to ensuring that the Company creates and maintains a diverse work environment in which everyone is treated in a fair and respectful manner and where everyone feels responsible for the reputation and performance of the Company.

The Company has adopted a comprehensive and robust Equal Employment Opportunity, Bullying, Harassment, Discrimination and Victimisation Policy in order to ensure that employees and other stakeholders are treated fairly and equally. This policy sets out the types of behaviours and conduct that constitute bullying, harassment, discrimination and victimisation, establishes guidelines for dealing with a complaint, if one arises, and explains the consequences if a breach in the policy is committed. FlexiGroup maintains a zero-tolerance stance regarding bullying, harassment, discrimination and victimisation. The Equal Employment Opportunity, Bullying, Harassment, Discrimination and Victimisation Policy, which is also available on the Company employee portal, is closely aligned with the key principles of the FlexiGroup Code of Conduct and is handed out to all employees upon commencement of employment.

Gender diversity

As part of its 2018 remuneration review process, FlexiGroup carried out a gender equity pay analysis across the organisation. No further action was required as no imbalances were observed.

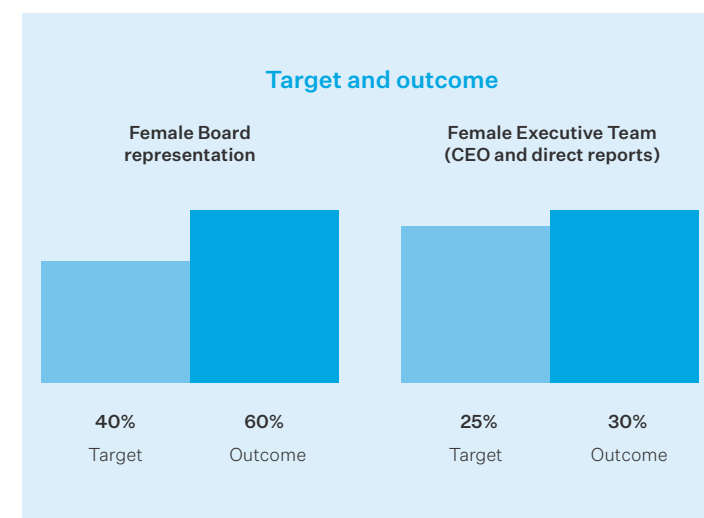
FlexiGroup retained its compliance with the Workplace Gender Equality Act 2012 during the reporting period, which demonstrates the Company's focus on ensuring that there is strong and practical support for gender diversity within the organisation.

While we believe in the principle of meritocracy for all appointments and promotions, we have also ensured that the agencies we work with when

recruiting for new roles are aware of our diversity policies and in particular, our focus on gender diversity. Any searches undertaken specifically look for female candidates who have the right skill set to perform the duties of the role.

This year, we have also advertised a number of part time or flexible positions, utilising non-traditional search platforms that have a greater focus on targeting skilled candidates who are seeking more flexible working arrangements.

FlexiGroup have maintained the number of female employees at 38% across the reporting period. In terms of representation at a Board and executive level, we are very pleased to report our progress against the targets set in July 2017:



Domestic violence policy

FlexiGroup is committed to supporting employees who are experiencing domestic violence. Our goal is to assist victims and their families by offering a flexible and supportive working environment.

A Domestic and Family Violence Support Policy was adopted in 2018 and was designed to provide assistance to employees who are victims of domestic violence, as well as the ability for employees to provide support to family members who are also impacted.

FlexiGroup supports our employees who are victims of domestic violence with leave options such as the provision of five additional paid leave days per year, access to unpaid leave, and leave to support family members who are victims of domestic violence.

Apart from leave options, we also offer additional support through flexible working arrangements that provide our employees the option of changing their working hours, the duties that they perform, or where possible, the location of their role.

Parental leave policy

In addition to the government paid parental leave scheme, FlexiGroup offers paid parental leave for both primary and secondary carers.

Our parental leave policy allows for primary care givers to receive six weeks of paid leave with the choice of receiving either an additional four weeks of paid leave, or, have their superannuation paid for any unpaid leave taken as part of their parental leave, up to a maximum of 12 months.

FlexiGroup is proud of the fact that we continue to maintain our achievement of 100% of women returning from parental leave during the year.

Indigenous cultural awareness

In 2018, a group of FlexiGroup employees initiated a committee whose purpose is to raise awareness of indigenous cultures across the Group. The committee was tasked with creating a better understanding and appreciation of people from the diverse countries we live and work in. By raising awareness, we improve how we interact with our customers and each other, which will contribute to our business results.

The committee, which commenced meeting in December 2017, has brought members together from various locations across the Group to share stories and learnings. These conversations have so far resulted in the introduction of an Acknowledgement of Country at our quarterly Company employee meetings, the creation of a committee logo, an inaugural NAIDOC week celebration, and attendance at a number of indigenous cultural events. The committee will continue to focus on building engagement with the wider group throughout the year.

Employee training and development

The Company understands that maintaining and improving employee skills and capabilities is a key element of FlexiGroup's success and development. As such, the Company has introduced a variety of training programs aimed at enhancing the knowledge base and skills of our employees. Specifically, during 2018, we have undertaken a number of initiatives focused on building capability within the Group including the following programs:

Induction

FlexiGroup's induction modules have been designed to ensure that employees have access to all important information required during their first week. This includes information regarding FlexiGroup's history, our organisational structure, our FlexiDNA as well as some of our important policies and processes that help us create a safe work environment.

The FlexiGroup induction module also includes a 'product overview' course that provides information on each product offering of FlexiGroup Australia and New Zealand.

Flexi Agent Learning Pathway

The Flexi Agent Learning Pathway (FALP) is FlexiGroup's flagship program for all team members who work in customer service and contact centre roles. The objective of FALP is to provide team members working with customers an organised and logical learning path that provides them with the skills and knowledge to provide a great customer experience.

This training program is currently offered over a nine month period and provides agents with a mix of soft and technical skills using a blended approach of learning delivery (i.e. eLearn, classroom sessions and on the job learning). In 2018, FlexiGroup offered eligible employees approximately 1,630 hours of FALP training.

Compliance

Compliance courses provide employees with an understanding of the legal boundaries that the organisation and the financial industry work within. These training courses enable team members to act within the stipulated framework and make correct decisions. It also helps employees avoid costly errors that could result in significant fines or other legal sanctions for FlexiGroup.

AT FLEXIGROUP, WE DON'T JUST REVIEW WHAT IS ACHIEVED, BUT HOW IT IS ACHIEVED. THIS MEANS THAT WE DISCUSS NOT ONLY ACHIEVEMENT OF PERFORMANCE OBJECTIVES, BUT ALSO THE DEMONSTRATION OF BEHAVIOURS, AS MEASURED BY THE FLEXIDNA VALUES. THIS RECOGNISES THE IMPORTANCE OF OUR FLEXIDNA VALUES WITHIN OUR ORGANISATION AND ENSURES THAT THESE VALUES ARE DISCUSSED ON A REGULAR BASIS.

The courses delivered in 2018 include:

- Anti-money laundering and counter terrorism
- Consumer and competition act
- Privacy and spam
- Equal opportunity, bullying and discrimination

Code of conduct

Employees are required to complete these modules within the first three months of their employment at FlexiGroup and retake them on an annual basis. On average, employees each received approximately 5 hours of training on compliance issues in 2018.

Mental health first aid training

In 2018, FlexiGroup launched a program aimed at raising mental health awareness within our workplace.

The Company partnered with LIVIN, a non-profit organisation, to facilitate a set of workshops for employees. Two types of workshops were held, one for people leaders and another for non-people leaders.

The intent of the training for people leaders was to ensure that they have the skills necessary to be able to successfully recognise and support employees with mental health issues. The workshops provide insights into the challenges that mental health issues create and highlighted practical strategies that can be used to help address some of these challenges. This compliments our Employee Assistance Program, which has been in place for all employees and their family members for a number of years now.

By the end of June 2018, 70 of our leaders in our Australian sites had completed a two-day training course to receive accreditation in providing Mental Health First Aid and over 200 employees attended optional mental health education sessions.

We will continue to focus on this area in the coming year as part of our ongoing commitment to health and wellness in the workplace.

Leadership development

FlexiGroup's 'Stepping Into Leadership' program was part of the Company's practical steps to build capability and succession planning within the organisation. The program was designed to give front line employees the skills and confidence to step into leadership roles within the organisation, thus reducing the Company's need to seek external recruitment candidates for front line leadership roles. The program was successful, with 75% of participants moving into leadership roles within six months of completing the program. On average, each participant received 25 hours of training under the 'Stepping Into Leadership' program in 2018.

FlexiDNA training

The Company's FlexiDNA values have been embedded across the organisation in policies and processes as well as in training rolled out to leaders and executives. In the last year, 70 of our key people leaders have attended training sessions to build their capability and enable them to further embed the FlexiDNA within their teams. The classroom training was supplemented with peer-to-peer coaching groups, the development of 90-day action plans focussed on embedding the FlexiDNA values within their teams, and group workshops designed to follow up on the implementation of the plans.

Performance assessments of employees

Performance assessments assist with the professional development of employees and contribute to both skills management and the expansion of human capital within the Company. At FlexiGroup we undertake a performance and development planning process at least annually. There are a number of elements that make up this process including:

- **Structured performance objectives:** At the start of each financial year, managers set performance objectives that are linked to the business priorities of the department and team. Performance against these objectives, and the continued relevance of the objectives themselves, are reviewed throughout the year and at a minimum every six and twelve months.
- **Our FlexiDNA values:** At FlexiGroup we don't just review WHAT is achieved, but HOW it is achieved. This means that we discuss not only achievement of performance objectives, but also the demonstration of behaviours, as measured by the FlexiDNA values. This recognises the importance of our FlexiDNA values within our organisation and ensures that these values are discussed on a regular basis.
- **A structured development plan:** Managers discuss development needs with their team members in light of the performance and behaviour objectives for their current role. These conversations can also be used to get a broader understanding regarding career aspirations.
- **Assessment of achievement against performance objectives and values:** Identifying and recognising the different contributions of our people is an important objective of our annual review process. We do this through the evaluation conversations we have, and also through applying ratings. Ratings provide the benchmark for performance expectations and development requirements. It is great for our employees to have a good understanding of whether they have achieved the required expectations and to what degree, or if they have not, why and what is required for improvement. At the end of the financial year, everyone receives two ratings: a performance rating and a FlexiDNA values rating. Ratings are communicated after calibration conversations have occurred.

- **Calibration process:** Once managers have conducted review conversations with their team members, the business holds calibration sessions. The objective of this process is to ensure that ratings are consistently applied by leaders across the Company. In addition to this process, all new employees participate in a review of their performance at 3 months and 6 months from commencement of employment.

Flexible working arrangements

A key focus for FlexiGroup during 2018 was to provide access to flexible working arrangements for at least 25% of employees.

The Company continues to increase the number and type of arrangements across the Group that enable employees to access flexible working options. While there are some arrangements that have limited applicability in some areas of the Group, all employees will have access to at least one of the arrangements, which include:

- Flexible hours of work (including work from home options or variable hours)
- Compressed working weeks
- Time-in-lieu arrangements
- Part-time work
- Purchased leave (the ability to purchase an additional week of leave to use during the year)
- Unpaid leave

Approximately 45% of our employees accessed at least one of these options during the 2018 reporting period, which exceeded our target.

Health and safety

The Company is committed to ensuring the health, safety and well-being of its employees, consultants, contractors and any visitors to its premises. FlexiGroup ensures that all applicable laws and internal regulations (including occupational health and safety laws) are fully complied with. It is important that we work together to create a safe and healthy workplace.

Employees are instructed to immediately report any unsafe situations or conditions that they are aware of to their manager.

In addition, all employees have access to and are instructed to read the Company's Bullying, Harassment, Discrimination and Victimisation Policy for further information regarding FlexiGroup's expectations on health and safety matters.

Customer protection

Product safety and customer satisfaction

Product quality and safety as well as customer satisfaction are key objectives of the Company. Customers experiencing financial difficulties are offered variations to their credit contracts. Specifically, a dedicated 'Financial Hardship' function exists within the Company, which is responsible for assessing hardship notices. We also have a Financial Hardship Policy in place that sets out guidelines on how to appropriately manage these notices.

Ensuring we have the highest customer service standards in place is key. We strive to respond to all customer complaints in an efficient and timely manner. Our complaints team is responsible for categorising and investigating the root cause of all complaints received. Where the root cause relates to a serious or potential systemic issue, it will be escalated

to senior management to determine if further remedial action is required. This process is further outlined in the Company's Complaint Management Policy and procedures.

To ensure customer satisfaction, FlexiGroup has established a hotline for complaints. The complaints team can be contacted on 1300 858 608. Each dispute that is received by the complaints team is investigated and addressed on a case-by-case basis. All complainants are treated equally and fairly in line with the Complaint Management Policy, which outlines the process followed when investigating and addressing complaints.

Protecting customer privacy is paramount

FlexiGroup is dedicated to protecting the personal information of its customers in line with relevant legislation, including the Privacy Act 1988 (Cth) as well as the Credit Reporting Privacy Code (where applicable).

FlexiGroup has published a Privacy and Credit Reporting Privacy Policy outlining the kinds of personal information (including credit-related information) we collect, and the purposes for which we do that, how we manage all personal information collected, how customers can seek access to and correction of that information and if necessary, how customers can make a complaint relating to our handling of that information. A copy of the Privacy and Credit Reporting Privacy Policy is available on FlexiGroup's website.

In order to ensure that the privacy and information of our customers is protected, FlexiGroup has established a Cyber and Information Security Steering Committee comprised of business and technology stakeholders that meets monthly and is tasked with enforcing the Privacy and Credit Reporting Privacy Policy and ensuring that all necessary steps are taken to protect customer information from potential cyber security threats.

FlexiGroup has a cyber security framework in place that is aligned with the National Institute of Standards and Technology's Cyber Security Framework (NIST Framework). The NIST Framework provides voluntary guidance, based on existing standards, guidelines, and practices that allows companies to better manage and reduce their cyber security risk exposures. In addition to helping organisations manage and reduce their risks, the NIST Framework was designed to foster risk and cyber security management communications amongst both internal and external stakeholders.

During the 2018 reporting period, FlexiGroup undertook the following activities in order to monitor and mitigate risks from new and emerging cyber threats:

- Upgrade of the e-mail security gateway with enhancements made to include phishing detection and imposter emails (also known as 'proofpoint') as well as awareness training to employees
- Security review for Microsoft Office 365 e-mail and account settings
- Deployed Managed Security Services Program for security event logging, monitoring and alerting
- Upgraded the Firewall security controls

During the reporting period, the Company did not receive any substantiated complaints concerning breaches of customer privacy.

Environmental sustainability and performance

Green bonds

In 2016, FlexiGroup was the first Australian company to issue a green asset-backed security to fund its solar panel installation financing.

The Flexi ABS 2016-1 transaction was arranged by National Australia Bank (NAB) and a cornerstone investor in the green bonds was the Australian Government's Clean Energy Finance Corporation. Following this successful issuance, FlexiGroup issued a further securitisation of similar loans in 2017.

FlexiGroup closed its latest transaction including green bonds, Flexi ABS Trust 2018-1, in May 2018. This was FlexiGroup's largest transaction under its Flexi ABS Trust securitisation programme.

The 2018-1 transaction included two green tranches – the senior Class A2-G notes and subordinated Class B-G notes. According to distribution data provided by NAB, 56% of the combined Class A2-G and Class B-G notes were allocated to ESG focused investors.

The green tranches, backed by solar receivables, were also Climate Bond Certified by the Climate Bonds Standard Board based in London.

Environmental initiatives

FlexiGroup is continuously seeking to adopt measures that can assist the Company to improve its environmental performance.

In FY17, FlexiGroup installed PaperCut, a solution that requires users to swipe their access card to release a print job. This is a simple way to reduce FlexiGroup's impact on the environment. If employees accidentally print something they don't have to release the print, thereby reducing paper wastage and the amount of ink used. PaperCut was continued in 2018 and was expanded to set printers to automatically print documents on two sides and in black and white in order to increase savings efficiencies.

The Company has also adopted recycling initiatives for its head office whereby designated bins separate paper and bottles from regular waste.

NABERS rating

FlexiGroup's head office is located at 179 Elizabeth Street, Sydney. The building has attained a 4 star NABERS Energy rating and a 3 star NABERS Water rating.

NABERS is a national rating system that measures the environmental performance of Australian buildings by measuring the energy efficiency, water usage, waste management and indoor environment quality of a building or tenancy and its impact on the environment. The rating scale ranges from one to six stars with six stars indicating market leading performance and one star indicating that the building under review has considerable scope for improvement.

Community relations

The relationships we have within the community are important to FlexiGroup. As such, FlexiGroup has created the iCare program. This initiative provides two additional days of paid leave to every FlexiGroup employee in order to contribute time and skills back into the community via charities and registered not-for-profit originations. During the reporting period, 534 hours were donated to the community.

In addition to our iCare program, FlexiGroup has also established relationships with two organisations that do great work in the community.

FlexiGroup is proud of our ongoing work with LIVIN, whose mission is to break the stigma associated with talking about mental health, and with the GWS Giants Care program, which supports communities across Western Sydney by delivering Health, Harmony, Education and Employment initiatives.

Our relationship with GWS Giants is as one of eight foundation partners who have made a three-year commitment to Giants Care to help double the club's community engagement outcomes which will impact positively on current and future generations.

Governance & risk management

Risk & Compliance Committee

The Board Risk & Compliance Committee meets every second month in order to review and address risks impacting the business. The Risk & Compliance Committee makes recommendations and reports directly to the Board. The Committee has a program of review for key policies and has set up several management committees reporting on risk areas for FlexiGroup.

Updated risk management function

Effective risk management is one of the keys to achieving our vision as it influences the experiences of our customers (buyers and sellers), the public's perceptions, our financial performance, our reputation and our shareholders' expectations. It is critical to our future success. We regard efficient and effective management of risk as a core function performed at all levels of the Group. Central to FlexiGroup's management of risk is the Enterprise Risk Management Framework, which is approved by the Board of Directors and reviewed by the Board Risk & Compliance Committee on an annual basis, or more frequently where required by a material business or strategy change or a material change to the Group's risk profile.

FlexiGroup Limited's Chief Executive Officer (CEO) is responsible for the Enterprise Risk Management Framework and appoints an Executive Team of KMPs from across the Group to develop and implement policies, controls, processes and procedures that identify and manage risk in all of FlexiGroup's activities.

Credit risk

For FlexiGroup, Credit risk is the risk of financial loss where a customer or counterparty fails to meet their financial obligations. We have a framework and supporting policies for managing the credit risk associated with FlexiGroup that covers all stages of the credit cycle – origination, evaluation, approval, documentation, settlement, ongoing administration and problem management. The extension of credit to consumers is underpinned by our commitment to comply with all local legislation, codes of practice and relevant guidelines and obligations to market our products responsibly and ensure they meet the expectations of our customers and the communities in which we are active.

Liquidity and market risk

Liquidity risk is the risk that FlexiGroup will be unable to fund assets and meet obligations as they become due. This risk could potentially arise as a result of:

- an inability to meet both expected and unexpected current and future cash flows and collateral needs without affecting either daily operations or the financial condition of FlexiGroup; and/or
- adverse changes to contractual debt facilities when they mature. Market risk is the risk of an adverse impact FlexiGroup's earnings resulting from changes in market factors, such as foreign exchange rates and interest rates.

FlexiGroup has a Treasury management framework and policy that seeks to address key elements of liquidity and market risk. In addition,

all liquidity and market risk is reported, discussed and approved each month at the Assets and Liabilities Committee meeting.

Operational risk & compliance

Operational risk is the risk of loss resulting from FlexiGroup having inadequate internal processes, people and systems, or from external events. The manner in which operational risk is managed has the potential to positively or negatively impact our customers (buyers and sellers), our employees, our financial performance and our reputation. Compliance risk is the risk of FlexiGroup receiving legal or regulatory sanction, or suffering financial or reputational loss arising from our failure to abide by the compliance obligations required of us. The Operational and Compliance Risk Framework assists FlexiGroup to achieve its objectives through the effective identification, assessment, measurement, management, monitoring, reporting, control and mitigation of its risks. The Operational Risk Management Framework defines the organisational and governance structures, roles and responsibilities, principles, policies, processes and systems that we use to manage operational risk. The Compliance Management Framework sets out the approach of FlexiGroup to managing compliance obligations and mitigating compliance risk in order to achieve our compliance objective. These frameworks are revised and enhanced on a continual basis following regular feedback from the Board Risk & Compliance Committee, which oversees the effectiveness of the Operational Risk Management and Compliance Management Frameworks.



Auditor's Independence Declaration

As lead auditor for the audit of FlexiGroup Limited for the year ended 30 June 2018, 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.

Rob Spring
Partner
PricewaterhouseCoopers

Sydney
26 September 2018

PricewaterhouseCoopers, ABN 52 780 433 757
One International Towers Sydney, Watermans Quay, Barangaroo, GPO BOX 2650, SYDNEY NSW 2001
T: +61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au
Level 11, 1PSQ, 169 Macquarie Street, Parramatta NSW 2150, PO Box 1155 Parramatta NSW 2124
T: +61 2 9659 2476, F: +61 2 8266 9999, www.pwc.com.au
Liability limited by a scheme approved under Professional Standards Legislation.

FlexiGroup Limited and its controlled entities

ANNUAL FINANCIAL STATEMENTS

30 June 2018

ABN 75 122 574 583

These financial statements are the consolidated financial statements for the Group consisting of FlexiGroup Limited and its subsidiaries. A list of major subsidiaries is included in note 29. The financial statements are presented in the 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 7, 179 Elizabeth Street, Sydney NSW 2000**

A description of the nature of the consolidated entity's operations and its principal activities is included in the Operating and Financial Review in the Directors' Report on page 18, which is not part of these financial statements. The financial statements were authorised for issue by the Directors on **26 September 2018**. The directors have the power to amend and reissue the 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 our Investor Centre on our website: www.flexigroup.com.au

08 T E

CONSOLIDATED INCOME STATEMENT

A\$m	Notes	2018	2017
Total portfolio income	5	460.4	462.8
Interest expense		(98.0)	(102.0)
Net portfolio income		362.4	360.8
Employment expenses		(91.9)	(84.5)
Receivables and customer loan impairment expenses		(66.5)	(62.8)
Impairment of goodwill and other intangible assets	6a	(94.7)	-
Depreciation and amortisation expenses	6b	(17.5)	(16.2)
Operating and other expenses	6c	(76.6)	(75.1)
Profit before income tax		15.2	122.2
Income tax expense	7a	(25.5)	(34.8)
(Loss) / Profit for the year attributable to shareholders of FlexiGroup Limited		(10.3)	87.4
	Notes	2018 cents	2017 cents
Basic earnings per share	22a	(2.8)	23.4
Diluted earnings per share	22a	(2.8)	23.4

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

A\$m	2018	2017
(Loss) / Profit for the year	(10.3)	87.4
Other comprehensive income		
<i>Items that may be reclassified to profit or loss</i>		
Exchange differences on translation of foreign operations	(9.6)	4.1
Changes in the fair value of cash flow hedges, net of tax	4.2	5.2
Other comprehensive income for the year, net of tax	(5.4)	9.3
Total comprehensive income for the year attributable to shareholders of FlexiGroup Limited	(15.7)	96.7

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Assets

A\$m	Notes	2018	2017
Cash and cash equivalents	8a	125.3	167.3
Inventories	9	2.6	4.7
Receivables	10	599.9	628.3
Customer loans	11	1,768.2	1,537.6
Current tax receivable		0.5	3.8
Plant and equipment	12	8.3	8.4
Goodwill	13	236.5	321.4
Other intangible assets	14	100.4	114.4
Assets of disposal group held for sale	4a	12.5	-
Total assets		2,854.2	2,785.9

Liabilities

A\$m	Notes	2018	2017
Payables	15	51.7	50.3
Borrowings	16	2,124.7	2,007.7
Current tax liabilities		12.7	0.5
Provisions	17	14.6	7.9
Derivative financial instruments	18	6.4	12.9
Deferred and contingent consideration		1.0	10.1
Deferred tax liabilities	7e	13.1	24.7
Liabilities of disposal group held for sale	4a	2.4	-
Total liabilities		2,226.6	2,114.1
Net assets		627.6	671.8

Equity

A\$m	Notes	2018	2017
Contributed equity	19a	362.8	361.2
Reserves	20a	10.3	17.0
Retained earnings	20b	254.5	293.6
Total equity		627.6	671.8

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

2017

A\$m	Contributed equity	Reserves	Retained earnings	Total
Balance at the beginning of the year	356.8	8.1	247.5	612.4
Profit for the year	-	-	87.4	87.4
Other comprehensive income	-	9.3	-	9.3
Total comprehensive income for the year	-	9.3	87.4	96.7
Issue of shares on reinvestment of dividend	4.4	-	-	4.4
Share based payment income	-	(0.4)	-	(0.4)
Dividends provided for or paid (note 21)	-	-	(41.3)	(41.3)
Balance at the end of the year	361.2	17.0	293.6	671.8

2018

A\$m	Contributed equity	Reserves	Retained earnings	Total
Balance at the beginning of the year	361.2	17.0	293.6	671.8
Loss for the year	-	-	(10.3)	(10.3)
Other comprehensive income	-	(5.4)	-	(5.4)
Total comprehensive income for the year	-	(5.4)	(10.3)	(15.7)
Treasury shares purchased on market	(0.2)	-	-	(0.2)
Transfer from treasury shares on vesting of sign on rights	0.1	-	-	0.1
Transfer from share capital reserve	0.3	(0.3)	-	-
Expired options and rights transferred from share based payments reserve	1.4	(1.4)	-	-
Share based payment expense	-	0.5	-	0.5
Other changes	-	(0.1)	-	(0.1)
Dividends provided for or paid (note 21)	-	-	(28.8)	(28.8)
Balance at the end of the year	362.8	10.3	254.5	627.6

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

CONSOLIDATED STATEMENT OF CASH FLOWS

Cash flows from operating activities

A\$m	Note	2018	2017
Interest and fee income received		487.3	491.2
Payment to suppliers and employees		(180.1)	(193.8)
Interest paid		(97.1)	(102.7)
Income taxes paid, net of refunds		(21.4)	(33.7)
Net cash inflow from operating activities	23	188.7	161.0

Cash flows from investing activities

A\$m	Note	2018	2017
Payment for purchase of plant and equipment and software		(29.0)	(24.6)
Payment for business acquisitions, net of cash acquired		-	(2.4)
Payment for deferred consideration relating to business acquisitions		(9.2)	(3.5)
Payment for equity investment		-	(1.7)
Net movement in:			
Customer loans		(307.1)	(229.2)
Receivables due from customers		3.0	70.2
Net cash outflow from investing activities		(342.3)	(191.2)

Cash flows from financing activities

A\$m	Note	2018	2017
Dividends paid		(28.8)	(36.9)
Treasury shares purchased on market		(0.2)	-
Drawdown of corporate borrowings		149.3	135.0
Repayment of corporate borrowings		(168.8)	(150.8)
Net movement in:			
Non-recourse borrowings		181.5	76.3
Loss reserve on non-recourse borrowings		(16.0)	(0.4)
Net cash inflow from financing activities		117.0	23.2

A\$m	Note	2018	2017
Net decrease in cash and cash equivalents		(36.6)	(7.0)
Cash and cash equivalents at the beginning of the year		167.3	174.4
Effects of exchange rate changes on cash and cash equivalents		(2.5)	(0.1)
Cash and cash equivalents at the end of the year	8	128.2	167.3

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

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:

Statement of Financial Position	125.3	167.3
TOT cash balance disclosed as disposal group held for sale (note 4)	2.9	-
Statement of cash flows	128.2	167.3

CONTENTS OF THE NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of significant accounting policies	86
2. Critical accounting estimates and judgements	96
3. Segment information	97
4. Disposal group held for sale	100
5. Total portfolio income	100
6. Expenses	101
7. Income tax expense	101
8. Cash and cash equivalents	103
9. Inventories	103
10. Receivables	103
11. Customer loans	104
12. Plant and equipment	104
13. Goodwill	105
14. Other Intangible assets	107
15. Payables	108
16. Borrowings	108
17. Provisions	108
18. Derivative financial instruments	108
19. Contributed equity	109
20. Reserves and retained earnings	111
21. Dividends	112
22. Earnings per share	112
23. Reconciliation of profit after income tax to net cash inflow from operating activities	113
24. Share-based payments	114
25. Financial risk management	117
26. Lease commitments	121
27. Contingent liabilities	122
28. Insurance	122
29. Investments in subsidiaries	122
30. Key management personnel disclosures	123
31. Related party transactions	124
32. Remuneration of auditors	124
33. Closed group	125
34. Parent entity financial information	126
35. Securitisation and special purpose vehicles	127
36. Events occurring after the reporting period	127
Directors' declaration	128
Independent Auditor's Report	129

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a. Basis of preparation

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

(i) Compliance with IFRS

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

(ii) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2018 reporting period and have not been early adopted by the Group.

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

AASB 9 Financial instruments

AASB 9 results in changes to accounting policies for financial assets and financial liabilities covering Classification and Measurement, Impairment and Hedge accounting. The Group will first apply AASB 9 in the financial year beginning 1 July 2018 and it will be applied retrospectively in respect of Classification and Measurement and Impairment, with no requirement to restate comparatives. The cumulative effect of initially applying the standard is recognised as an adjustment to the opening balance sheet.

Classification and Measurement:

Financial assets

AASB 9 has three classification categories for financial assets; amortised cost, fair value through other comprehensive income (FVTOCI) and fair value through profit or loss (FVTPL). The classification is based on the business model under which the financial instrument is managed and its contractual cash flows. The Group will apply the following policies for the newly adopted classification categories under AASB 9:

Amortised cost - A financial asset will be measured at amortised cost if both of the following conditions are met;

the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows

the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

FVTOCI - A financial asset will be measured at FVTOCI if both of the following conditions are met:

the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets

the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

FVTPL - All financial assets that are not measured at amortised cost or FVTOCI will be measured at FVTPL. All financial assets that are equity instruments will be measured at FVTPL unless the Group irrevocably elects to present subsequent changes in the fair value in other comprehensive income. The Group does not expect to make this election.

Business model assessment

The Group will determine the business model at the level that reflects how groups of financial assets are managed. In determining the business model, all relevant evidence that is available at the date of the assessment is used including;

- how the performance of financial assets held within that business model are evaluated and reported to the Group's KMP;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way in which those risks are managed; and
- how managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).
- Based on the assessment performed, no changes in classification and measurement of financial assets will occur as a result of the adoption of AASB 9.

Impairment

AASB 9 replaces the incurred loss model of AASB 139 with an expected loss model, resulting in an acceleration of impairment recognition. The impairment requirements apply to the Group's net investment in finance lease receivables and net loan receivables measured at amortised cost, as well as lease receivables. The model applies to on-balance financial assets, as well as off-balance items such as undrawn loan commitments, certain financial guarantees, and undrawn committed credit facilities for the Group's revolving products.

AASB 9 program governance and status

The AASB 9 programme was initiated at the start of the 2018 financial year and consisted of experts from Finance, Risk, Operations and the Business. The Audit Committee was periodically updated about

AASB 9 and the key judgments and decisions being made. In 2018 the program's focus was on:

Building and validation the new expected credit loss models; Developing and implementing processes for staging and using forward looking economic guidance in the Expected Credit Losses models;

Implementing and testing system changes; Updating the policies, governance and control frameworks that are impacted by AASB 9 and starting to embed these changes into everyday business and financial reporting cycles; and Performing some 'parallel runs' to test readiness of systems, processes and controls for transitions to AASB 9 on 1 July 2018.

Three stage approach

Under the expected credit loss model, the Group will apply a three-stage approach to measuring the expected credit loss (ECL) based on credit migration between the stages. Where ECL is modelled collectively for portfolios of exposures, it is modelled as the product of the probability of default (PD), the loss given default (LGD) and the exposure at default (EAD).

Stage 1: 12 month ECL – No significantly increased credit risk. Financial instruments that have not had a significant increase in credit risk since initial recognition require, at initial recognition, a provision for ECL associated with the probability of default events occurring within the next 12 months (12 month ECL). For those financial assets with a remaining maturity of less than 12 months, a probability of default is used that corresponds to the remaining maturity.

Stage 2: Lifetime ECL – Significantly increased credit risk. In the event of a significant increase in credit risk since initial recognition, a provision is required for the lifetime ECL representing losses over the life of the financial instrument (lifetime ECL).

Stage 3: Lifetime ECL – Defaulted

Financial instruments that move into Stage 3 once credit impaired and purchase of credit impaired assets will require a lifetime provision.

Significant increase in credit risk

A financial asset moves from stage 1 to stage 2 when there is a significant increase in credit risk since initial recognition. The Group has established a framework which incorporates quantitative and qualitative information to identify this on an asset level applying a relative assessment. Each financial asset will be assessed at the reporting date on the triggers for significant deterioration, including:

- Forbearance status;
- Watch list status - loans on the watch list are individually assessed for stage 2 classification;
- Arrears; and
- More than 30 days past due backstop for stage 1 to stage 2 transfers.

Macroeconomic Scenarios

The assessment of credit risk, and the estimation of ECL, will be unbiased and probability weighted, and incorporate all relevant

available information relevant to the assessment, including information about past events, current conditions and reasonable and supportable information about future events and economic conditions at the report date. The Group has established a process whereby forward-looking macroeconomic scenarios and probability weightings are developed for ECL calculation purposes. The final probability-weighted ECL amount, will be calculated from a baseline, an up-scenario and a down-scenario.

Measurement

To measure ECL, the Group applies a PD X EAD X LGD approach incorporating the time value of money. For stage 1 assets a forward-looking approach on a 12-month horizon will be applied. For stage 2 assets a lifetime view on the credit is applied. The Lifetime Expected Loss is the discounted sum of the portions of lifetime losses related to default events within each time window of 12 months till maturity. For stage 3 assets the PD equals 100% and the LGD and EAD represent a lifetime view of the losses based on characteristics of defaulted facilities.

Hedge Accounting

The Group decided to continue applying AASB 139 for hedge accounting. The revised hedge accounting disclosures as required by AASB 7 Financial Instruments Disclosure will be implemented for the year ending 30 June 2019.

Transition

The Group will record a transition adjustment to the opening balance sheet, retained earnings and other comprehensive income at 1 July 2018 primarily for the impact of adoption of the impairment requirements of AASB 9.

The transition adjustment will reduce opening retained earnings by \$57m million after tax (\$82m pre-tax). The outcome is driven by:

The requirement to capture significant committed but undrawn amounts in the EAD for all revolving products;

The requirement to calculate a lifetime PD for stage 2 assets;

The inclusion of forward-looking information and a probability weighted downturn scenario.

The Group will continue to refine and validate components of the ECL impairment models and develop related technology solutions and controls during the financial year ending 30 June 2019.

AASB 15 Revenue from contracts with customers

This standard is mandatory for adoption by the Group for the year ending 30 June 2019 but is available for early adoption. This new comprehensive standard for revenue recognition replaces AASB 111 Construction contracts, AASB 118 Revenue, AASB Interpretations 13 Customer Loyalty Programmes and AASB Interpretations 18 Transfers of Assets from Customers. The standard requires identification of discrete performance obligations within a transaction and an associated transaction price allocation to these obligations, which occurs when control of the goods or services are transferred to the customer. Revenue received for a contract that includes a variable

amount is subject to revised conditions for recognition, whereby it must be highly probable that no significant reversal of the variable component may occur when uncertainties around its measurement are removed. The financial impact to the Group of adopting AASB 15 is not expected to be material.

AASB 16 Leases

This standard is mandatory for adoption by the Group for the year ending 30 June 2020 but is available for early adoption. This new standard sets out a comprehensive model for identifying lease arrangements and the subsequent measurement. A contract contains a lease if it conveys the right to control the use of an identified asset for a period of time. The majority of leases from a lessee perspective are within the scope of the standard and will require the recognition of a 'right to use' asset and a related lease liability, being the present value of future lease payments. Other than the leases on the Group's premises and motor vehicles, there are no other items that are significant as the Group mainly operates as a lessor. The financial impact to the Group of adopting AASB 16 will be quantified by the Group for the year ending 30 June 2019.

(iv) Disclosure

Some disclosures in the income statement, statement of financial position, statement of cash flows and notes to the financial statements for comparatives have been reclassified to be consistent with current period disclosures and include notes 3, 11, 25 (parts a, c and d), and 32. The statement of financial position has been prepared in order of liquidity, including the comparatives.

(v) Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and liabilities (including derivative instruments) at fair value and disposal group held for sale is accounted for at fair value.

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 2018 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 entities (including special purpose entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

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

(ii) Investment in associates

An associate is an entity over which the Group has significant influence, but not control. In the consolidated financial report, it is equity accounted. It is initially recorded at cost and adjusted for the Group's share of the associate's post acquisition profits or losses and other comprehensive income, less any dividends received.

The carrying amount of equity accounted investments is tested for impairment in accordance with the policy described in note 1(t).

(iii) Employee Share Trust

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

c. Segment reporting

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

d. Foreign currency translation

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 average exchange rates for the respective month. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss. 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 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. Non-monetary items that are measured based on historical cost in a foreign currency are translated using the spot exchange rate at the date of the transaction.

(iii) Group companies

The results and financial position of all 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 for the respective month (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting exchange differences are recognised in other comprehensive income.

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

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign entities and as a result are expressed in the functional currency of the foreign operation 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, rebates and amounts collected on behalf of third parties.

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

Revenue is recognised for the major business activities as follows:

Gross interest and finance lease income

Finance lease interest income

Finance lease interest income is recognised by applying discount rates implicit in the leases to lease balances receivable at the beginning of each payment period. Initial direct costs incurred in the origination of leases are included as part of receivables in the balance sheet and form part of the effective interest rate calculation.

Secondary lease income, including rental income on extended rental assets, is recognised on an accruals basis. Proceeds from the sale of

rental assets are recognised upon disposal of the relevant assets.

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.

(ii) Interest income

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

(iii) Other portfolio income

Other portfolio income includes:

Account keeping fees, transaction processing fees, and inertia rental

Revenue is recognised in the period when goods and services are provided.

Equipment protection plan revenue

The Group operates an equipment protection and debt waiver plan entitled Protect Plan. Protect Plan revenue is recognised 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.

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 as revenue in the month to which they relate.

Premium revenue

Premium revenue includes amounts charged to the insured party but excludes GST and other amounts collected on behalf of third parties.

Premium revenue is recognised in the income statement when it has been earned. The unearned portion of premium revenue is recognised as an unearned premium liability on the balance sheet.

General insurance acquisition costs

Acquisition costs incurred in obtaining general insurance contracts are deferred and recognised as assets where they can be reliably measured and where it is probable that they will give rise to premium revenue that will be recognised in the income statement in subsequent reporting periods.

Deferred acquisition costs are amortised systematically in accordance with the expected pattern of the incidence of risk under the general insurance contracts to which they relate. The pattern of amortisation corresponds to the earning pattern of the corresponding premium revenue.

(iv) Sale of goods

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

f. Insurance

(i) Assets backing general insurance liabilities

As part of its investment strategy the Group actively manages its money market deposits to ensure that sufficient liquid funds are available to meet the expected pattern of future cash flows arising from general insurance liabilities. The Group has determined that its money market deposits are held to back general insurance liabilities. These liabilities are stated at amortised costs using the effective interest rate method and are accounted for in the receivables financial statement line item on the balance sheet.

(ii) Outstanding claims liability

The liability for outstanding claims is measured as the central estimate of the present value of expected future payments against claims incurred at the balance date under general insurance contracts issued by the Group, with an additional risk margin to allow for the inherent uncertainty in the central estimate.

The expected future payments include those in relation to claims reported but not yet paid; claims incurred but not reported (IBNR); claims incurred but not enough reported (IBNER) and anticipated claims handling costs.

Claims handling costs include costs that can be associated directly with individual claims, such as legal and other professional fees, and costs that can be indirectly associated with individual claims, such as claims administration costs.

The expected future payments are discounted to present value using a risk free rate.

The outstanding claims liability has been determined using the Bornhuetter-Fergusson (incurred claims) methodology (an actuarial method). It has been assumed that future incurred claims patterns for each group of business will continue to follow observed historic patterns.

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 applicable 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 based on the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries 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 based on amounts expected to be paid to the tax authorities.

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

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

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

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

Current and deferred tax is recognised in the income statement except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity respectively.

Tax consolidation legislation

FlexiGroup Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation. As a consequence, these entities are taxed as a single entity and the deferred tax assets and liabilities of these entities are set-off in the consolidated financial statements.

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 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 Consolidated Group.

Assets or liabilities arising under the Tax Funding Agreement with the members of the Tax Consolidated Group 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(f). Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) members of the Tax Consolidated Group.

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 acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquired entity 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 after 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 lessee. 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.

j. Loan receivables

Loan receivables are non-derivative financial assets with fixed or

determinable payments that are not quoted in an active market and that the Group did not intend to sell immediately or in the near term. They arise when the Group provides loans to customers via products such as credit cards and interest free fixed instalment plans.

Loans and advances were initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method.

k. Provision for doubtful debts

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

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

l. Other Debtors

Other debtors are recognised initially at fair value and subsequently measured at amortised cost, using the effective interest rate method, less any provision for impairment. Other debtors are generally due for settlement within 30 days. They are included as receivables in the statement of financial position.

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 is depreciated over the shorter of the asset's useful life and the lease term.

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

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

n. Cash and cash equivalents

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

o. Investments

The Group classifies its investments into 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.

The Group had no assets in this category at 30 June 2018 (2017: \$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.

The Group's use of this class of asset is consistent with all other group of assets.

(iii) Held-to-maturity investments

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

The Group had no assets in this category at 30 June 2018 (2017: \$nil).

(iv) Available-for-sale financial assets

Availableforsale financial assets, comprising principally marketable equity securities, are nonderivatives that are either designated in this category or not classified in any of the other categories. Investments are designated as availableforsale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to longterm.

The Group had no assets in this category at 30 June 2018 (2017: \$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 2018 and 30 June 2017 as hedges of a particular risk associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges) or hedges of a net investment in a foreign operation (net investment hedges).

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

The fair values of derivative financial instruments used for hedging purposes are disclosed in note 18. Movements in the hedging reserve in shareholders' equity are shown in note 20(a).

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

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

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

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

Hedges of net investment in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument related to the effective portion of the hedge 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 expenses. Gains and losses accumulated in equity are reclassified to the income statement when the foreign operation is partly disposed or sold.

q. Inventories

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

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. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All repairs and maintenance are charged to the income statement during the reporting period in which they are incurred.

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

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.

Assets	Method	Depreciation rate
Computers	Diminishing value	50%
Plant and equipment	Diminishing value	30%
Motor vehicles	Diminishing value	25%
Leasehold improvements	Straight line/ Diminishing value	6.7% – 20%
Furniture and fittings	Diminishing value	15%
Software	Straight line/ Diminishing value	10% – 33%

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 is not amortised. Instead, goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the

carrying amount of goodwill relating to the entity sold.

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

(ii) IT development and software

Costs incurred on software development projects (relating to the design and testing of new or improved software products) are recognised as intangible assets when it is probable that the project will be a success considering its commercial and technical feasibility and its costs can be measured reliably. The expenditure capitalised comprises all directly attributable costs, including direct labour. Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Capitalised development costs are recorded as an intangible asset and amortised using straight line method from the point at which the asset is ready for use over its useful life from 3 to 10 years.

(iii) Merchant and customer relationships

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

- Merchant relationships from 3 to 27 years
- Customer relationships from 3 to 15 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 tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows, which are largely independent of the cash inflows from other assets or groups of assets (cash generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting period.

u. Assets held for sale

Non-financial assets, or disposal groups comprising assets and liabilities, are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Such assets, or disposal groups, are generally, measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill,

and then to the remaining assets and liabilities on a pro-rata basis, except no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, which continue to be measured in accordance with the Group's other accounting policies. Impairment losses on initial classification as held-for-sale and subsequent gains and losses on remeasurement are recognised in profit or loss.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the statement of profit or loss.

v. Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

w. 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.

x. Provisions

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

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the

class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance sheet date. The discount rate used to determine the present value reflects current market assessments of the time 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

Short-term obligations

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

(ii) Other long-term employee benefit obligations

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

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

(iii) Profit-sharing and bonus plans

The Group recognises a liability and an expense for bonuses and profit-sharing based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. 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 24.

The fair value of such instruments is recognised as employment expenses in the income statement 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 and subordinated perpetual notes 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 Group, 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 the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

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

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

ad. Rounding of amounts

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, relating to the "rounding off" of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with that Instrument to the nearest hundred thousand dollars, or in certain cases, to the nearest dollar.

ae. Parent entity financial information

The financial information for the parent entity, FlexiGroup Limited, disclosed in note 34 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 whollyowned 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(f).

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

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.

The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below.

(i) Estimation of unguaranteed residuals on leases

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

(ii) Provision for doubtful debts

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

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

Under the accounting standards, the Group is required to perform an annual assessment as to whether there has been any impairment of its goodwill. In addition, the Group is required to perform an impairment assessment of other assets in the event it identifies an indicator of impairment. Details of the basis of performance of the assessment and the assumptions made are set out in note 13.

(iv) Acquired intangible assets

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

(v) Fair value of disposal group held for sale

The disposal group held for sale is recognised and measured at fair value, being the lower of its value in use or its estimated recoverable amount through sale less costs to sell. The fair value of the disposal group held for sale is disclosed at note 4.

(vi) 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 25(e).

(vii) 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) and note 24.

(viii) Taxation

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

3. SEGMENT INFORMATION

(a) Description of segments

Management has determined the operating segments based on the reports reviewed by the Chief Executive Officer (CEO) that are used to make strategic decisions. In addition to statutory profit after tax, the CEO and the Board 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 infrequent items that the CEO and Board believe do not reflect ongoing operations of the Group and amortisation of acquired intangible assets.

The CEO considers the business from a product perspective and has identified six reportable segments; Certegy (including Oxipay), AU Cards business, Consumer Leasing (consisting of Lisa, FlexiRent, SmartWay and FlexiWay), Commercial Leasing, NZ Leasing and NZ Cards.

During the year, a new segment, Commercial Leasing was established. Management see this segment as providing strong growth and profitability through a focus on driving new business in operating and finance leases, chattel mortgages and managed services. The Commercial Leasing segment resulted from the amalgamation of the Enterprise (disclosed as "Other" in FY17), Think Office Technology (TOT) and SME businesses. SME was reported as part of Australia Leasing in FY17 which also included Consumer Leasing. As a consequence, the remaining businesses in the previous Australia Leasing now form the Consumer Leasing segment, which is also reported separately. Additionally, there is an unallocated segment which consists of net corporate debt interest. Prior year comparatives have been restated to reflect the changes to reportable segments.

The Group operates in Australia, New Zealand and Ireland. The operating segments are identified according to the nature of the products and services provided with New Zealand disclosed separately (based on its product offering) and Ireland included within Consumer Leasing.

The segment information provided to the CEO for the reportable segments for the year ended 30 June 2018 is as below:

(b) Operating segments - 2018

A\$m	Certegy	AU Cards	Consumer Leasing	Commercial Leasing	NZ Leasing	NZ Cards	Unallocated	Total
Total portfolio income	111.0	79.2	60.0	49.8	37.3	123.1	-	460.4
Interest expense	(18.1)	(17.9)	(8.2)	(8.2)	(6.4)	(32.4)	(6.8)	(98.0)
Net portfolio income	92.9	61.3	51.8	41.6	30.9	90.7	(6.8)	362.4
Operating expenses	(29.3)	(25.1)	(45.0)	(23.6)	(14.6)	(35.3)	-	(172.9)
Impairment (losses) / reversals on receivables and customer loans	(18.0)	(25.8)	(7.6)	0.5	(1.3)	(14.3)	-	(66.5)
Impairment of goodwill and other intangible assets	-	-	(94.7)	-	-	-	-	(94.7)
Customer remediation provision ³	-	-	(7.0)	-	-	-	-	(7.0)
Amortisation of acquired intangible assets	(1.1)	(0.5)	(0.2)	(0.9)	(1.0)	(2.4)	-	(6.1)
Profit / (loss) before income tax	44.5	9.9	(102.7)	17.6	14.0	38.7	(6.8)	15.2
Income tax expense	(13.3)	(3.0)	9.0	(5.3)	(4.0)	(10.9)	2.0	(25.5)
Statutory profit / (loss) for the year	31.2	6.9	(93.7)	12.3	10.0	27.8	(4.8)	(10.3)
Recurring non-cash adjustments:								
Amortisation of acquired intangible assets ¹	0.8	0.3	0.1	0.7	0.9	1.7	-	4.5
Non-recurring adjustments								
Impairment of goodwill and intangible assets ²	-	-	89.1	-	-	-	-	89.1
Customer remediation provision ³	-	-	4.9	-	-	-	-	4.9
Cash net profit after tax	32.0	7.2	0.4	13.0	10.9	29.5	(4.8)	88.2
Total segment assets at 30 June 2018	570.3	680.4	175.4	346.8	168.9	912.4	-	2,854.2

- The acquisition of companies over the years has resulted in the recognition of merchant and customer relationships that are amortised over their useful lives ranging between 3 and 27 years. The amortisation of acquired intangible assets (excluding IT development and software), is a cash earnings adjustment because it is a non-cash item and does not affect cash distributions available to shareholders
- Impairments relate to the write down of the Consumer Leasing business. Refer to note 13 for further details. The impairment is non-cash and does not affect cash distributions available to shareholders
- This relates to a provision for customer remediation as a result of the proactive arrangement with CIO on the Company's responsible lending obligations. The amount is non-recurring and does not reflect the Group's underlying performance

(b) Operating segments - 2017

A\$m	Certegy	AU Cards	Consumer Leasing	Commercial Leasing	NZ Leasing	NZ Cards	Unallocated	Total
Total portfolio income	113.4	57.5	74.1	51.8	40.1	125.9	-	462.8
Interest expense	(19.0)	(13.0)	(11.3)	(10.4)	(7.0)	(32.0)	(9.3)	(102.0)
Net portfolio income	94.4	44.5	62.8	41.4	33.1	93.9	(9.3)	360.8
Operating expenses	(26.7)	(17.9)	(44.9)	(21.7)	(16.9)	(42.6)	-	(170.8)
Impairment (losses) / reversals on receivables and customer loans	(19.7)	(12.7)	(10.5)	(6.6)	(0.7)	(12.6)	-	(62.8)
Amortisation of acquired intangible assets	(1.0)	(0.6)	(0.2)	(1.0)	(0.8)	(1.4)	-	(5.0)
Profit / (loss) before income tax	47.0	13.3	7.1	12.1	14.7	37.3	(9.3)	122.2
Income tax expense	(14.1)	(4.0)	(0.1)	(4.6)	(4.3)	(10.5)	2.8	(34.8)
Statutory profit / (loss) for the year	32.9	9.3	7.0	7.5	10.4	26.8	(6.5)	87.4
Recurring non-cash adjustments:								
Amortisation of acquired intangible assets ¹	0.7	0.4	0.3	0.7	1.1	1.0	-	4.2
Other ²	-	-	1.4	-	-	-	-	1.4
Cash net profit after tax	33.6	9.7	5.6	11.3	11.5	27.8	(6.5)	93.0
Total segment assets at 30 June 2017	544.0	513.5	330.0	280.2	205.3	912.9	-	2,785.9

- The acquisition of companies over the years has resulted in the recognition of merchant and customer relationships that are amortised over their useful lives ranging between 3 and 7 years. The amortisation of acquired intangible assets (excluding IT development and software), is a cash earnings adjustment because it is a non-cash item and does not affect cash distributions available to shareholders
- The share of equity accounted losses is a non-cash, non-recurring item and is treated as an adjustment to the statutory profit for the year. The investment in associate has been fully impaired as at 30 June 2017

4. DISPOSAL GROUP HELD FOR SALE

On 17 July 2018, FlexiGroup Australia Holdings Pty Ltd, a fully owned subsidiary of FlexiGroup, signed a share sale agreement to sell Australian Print Holdings Pty Limited (trading as Think Office Technology 'TOT'), a fully owned subsidiary entity within the Commercial Leasing segment, into a joint venture structure. At 30 June 2018, the sale process was active and as a result TOT is disclosed as a disposal group held for sale in the statement of financial position. Refer to note 36 "Events occurring after the reporting date" for further information.

a. Assets and liabilities of disposal group held for sale

The assets and liabilities of the disposal group were recognised as held for sale and measured at the lower of fair value less costs to sell and the carrying amount. The carrying values are presented in the table below:

A\$m	2018	2017
Cash and cash equivalents	2.9	-
Inventories	1.9	-
Receivables	1.3	-
Plant and equipment	2.0	-
Goodwill	1.9	-
Other intangible assets	2.3	-
Deferred tax asset	0.2	-
Total assets of disposal group held for sale	12.5	-
Payables	1.1	-
Provisions	0.8	-
Deferred tax liabilities	0.5	-
Total liabilities of disposal group held for sale	2.4	-

b. Measurement of fair value of the disposal group held for sale

The valuation technique used to arrive at fair value for the disposal group is based on Enterprise Value/EBIT multiple adjusted for the relative size, growth and margins relative to benchmark companies. The fair value estimate was calculated at \$13.8m.

5. TOTAL PORTFOLIO INCOME

A\$m	2018	2017
Gross interest and finance lease income	387.4	394.3
Amortisation of initial direct transaction costs	(24.5)	(26.9)
Other portfolio income	87.2	85.0
Sale of goods	6.0	4.8
Interest income	2.7	3.3
Sundry income	1.6	2.3
Total portfolio income	460.4	462.8

6. EXPENSES

a. Impairment of goodwill and other intangible assets

A\$m	2018	2017
Impairment of goodwill (note 13)	75.9	-
Impairment of other intangible assets (note 14)	18.8	-
Total impairment of goodwill and other intangible assets	94.7	-

b. Depreciation and amortisation expenses

A\$m	2018	2017
Depreciation of plant and equipment (note 12)	3.1	2.6
Amortisation of other intangible assets (note 14)	14.4	13.6
Total depreciation and amortisation expenses	17.5	16.2

c. Operating and other expenses

A\$m	2018	2017
Advertising and marketing	9.1	9.0
Cost of goods sold	3.8	3.1
Customer remediation provision (note 27)	7.0	-
Information technology and communication	15.5	15.4
Operating lease rental expenses	5.5	5.5
Other occupancy, equipment and related costs	3.6	3.7
Outsourced operation costs	11.1	10.7
Professional, consulting and other service provider costs	19.5	17.8
Share of associate's loss, net of impairment	-	2.0
Onerous lease expenses	-	2.6
Other	1.5	5.3
Total operating and other expenses	76.6	75.1

7. INCOME TAX EXPENSE

a. Income tax expense

A\$m	2018	2017
Current tax	38.0	33.0
Deferred tax expense	(12.5)	1.8
Total Income tax expense	25.5	34.8

b. Numerical reconciliation of income tax expense to prima facie tax payable

A\$m	2018	2017
Profit before income tax expense	15.2	122.2
Tax at the Australian tax rate of 30%	4.6	36.7
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Impairment of goodwill	22.8	-
Permanent differences	(1.0)	(0.5)
Effect of differences in tax rates in foreign jurisdiction	(0.8)	(1.4)
Income tax expense	25.5	34.8

c. Amounts recognised directly in equity

A\$m	2018	2017
Deferred income tax expense related to items taken directly to equity	(1.7)	(2.2)

d. Deferred tax expense represent movements in deferred tax assets/liabilities

A\$m	2018	2017
Difference between lease principal to be returned as assessable income and depreciation on leased assets to be claimed as a tax deduction	(4.5)	(4.7)
Initial direct transaction costs	(1.4)	(1.2)
Other intangible assets	(2.0)	0.6
Provisions and other liabilities	(4.6)	7.1
Deferred tax expense	(12.5)	1.8

e. Deferred tax assets and liabilities**Deferred tax assets**

A\$m	2018	2017
Provisions and other liabilities	35.3	31.3
Reclassified to disposal group held for sale (note 4)	(0.2)	-
Total deferred tax assets	35.1	31.3

Deferred tax liabilities

A\$m	2018	2017
Difference between lease principal to be returned as assessable income and depreciation on leased assets to be claimed as a tax deduction	28.1	33.1
Initial direct transaction costs	6.3	7.9
Plant and equipment	1.5	0.3
Other intangible assets	12.4	14.7
Reclassified to disposal group held for sale (note 4)	(0.5)	-
Others	0.4	-
Total deferred tax liabilities	48.2	56.0
Net deferred tax assets	13.1	24.7

A\$m	2018	2017
Amounts expected to be settled within 12 months	(6.4)	(1.4)
Amounts expected to be settled after more than 12 months	19.5	26.1
Net deferred tax liabilities	13.1	24.7

f. Carryforward tax losses

As at 30 June 2018, the balance of carryforward losses and the associated deferred tax asset were both \$Nil (2017: \$Nil).

g. Tax consolidation legislation

FlexiGroup Limited and its wholly-owned Australian 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 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 intercompany receivables.

8. CASH AND CASH EQUIVALENT

A\$m	2018	2017
Cash at bank and on hand	125.3	167.3
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:		
A\$m	2018	2017
Balance as above	125.3	167.3
TOT cash balance disclosed in disposal group held for sale	2.9	-
Balance per statement of cash flows	128.2	167.3

Included in cash at bank are amounts of \$100.1 million (2017: \$125.2 million) which are held as part of the Group's funding arrangements and are not available to the Group. The restricted cash balances are distributed to various parties at a future date and are not available to the Group for any other purpose.

9. INVENTORIES

A\$m	2018	2017
Equipment, parts and accessories	2.0	2.8
Rental equipment	0.6	1.9
Total inventories	2.6	4.7

10. RECEIVABLES

A\$m	2018	2017
Gross investment in finance lease receivables ¹	684.9	721.8
Guaranteed residuals	7.9	5.4
Unguaranteed residuals	42.9	51.3
Unamortised initial direct transaction costs	24.3	30.3
Unearned future income	(157.3)	(176.2)
Net investment in finance lease receivables	602.7	632.6
Provision for doubtful debts	(16.6)	(24.0)
Net investment in finance leases after provision for doubtful debts	586.1	608.6
Loan to associate	-	1.3
Other debtors	13.8	18.4
Total receivables	599.9	628.3

1. Refer to note 25 for disclosure of impaired lease receivables, past due but not impaired lease receivables and the fair value of lease receivables

Maturity profile of net investment in finance lease receivables before provision for doubtful debts

A\$m	2018	2017
Due within one year	365.2	413.8
Due after one year but not later than five years	393.4	394.0
Due greater than five years	1.4	1.0
Unearned future income	(157.3)	(176.2)
Net investment in finance lease receivables	602.7	632.6

Movement in provision for doubtful debts

A\$m	2018	2017
Carrying amount at beginning of the year	24.0	29.1
Provided for during the year, net of utilisation of provisions	(7.4)	(5.1)
Carrying amount at the end of the year	16.6	24.0

11. CUSTOMER LOANS

A\$m	2018	2017
Gross customer loans	1,894.6	1,655.3
Unearned future income	(90.5)	(89.3)
Net loan receivables	1,804.1	1,566.0
Provision for doubtful debts	(35.9)	(28.4)
Net investment in customer loans	1,768.2	1,537.6

Maturity profile of net customer loans before provision for doubtful debts

A\$m	2018	2017
Due within one year	1,238.6	1,130.5
Due after one year but not later than five years	634.9	504.6
Due greater than five years	21.1	20.2
Unearned future income	(90.5)	(89.3)
Net loan receivables	1,804.1	1,566.0

Movement in provision for doubtful debts

A\$m	2018	2017
Carrying amount at beginning of the year	28.4	28.3
Additions or fair value adjustments through business combinations	-	12.8
Provided for during the year, net of utilisation of provisions	7.5	(12.7)
Carrying amount at the end of the year	35.9	28.4

Reconciliation of fair value of customer loans and lease receivables acquired in business combinations

A\$m	2018	2017
Gross customer loans and receivables	-	616.4
Additions or fair value adjustments through business combinations	-	(12.8)
Other fair value adjustments through business combinations	-	(5.2)
Fair value	-	598.4

12. PLANT AND EQUIPMENT

A\$m	2018	2017
Cost	14.5	5.8
Accumulated depreciation	(6.2)	(7.4)
Net book amount	8.3	8.4

Movement in plant and equipment at net book amount

A\$m	2018	2017
Balance at the beginning of the year	8.4	6.1
Additions or fair value adjustments through business combinations	-	(0.2)
Additions	5.4	2.7
Transfer (to)/from disposal group held for sale	(2.0)	3.0
Disposals	(0.4)	(0.6)
Depreciation (note 6b)	(3.1)	(2.6)
Balance at the end of the year	8.3	8.4

13. GOODWILL

a. Carrying value

A\$m	2018	2017
Cost	236.5	321.4
Balance at the end of the year	236.5	321.4

Movement in goodwill at net book amount

A\$m	2018	2017
Balance at the beginning of the year	321.4	298.9
Additions or fair value adjustments through business combinations:		
- acquisition of subsidiaries	-	1.0
- NZ Cards (fair value adjustment)	-	15.2
Impairment of Consumer Leasing CGU (note 6a)	(75.9)	-
Transfer (to)/from assets in disposal group held for sale	(1.9)	1.9
Effect of movements in exchange rates	(7.1)	4.4
Balance at the end of the year	236.5	321.4

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:

A\$m	2018	2017
Consumer Leasing	-	75.9
Certegy	30.7	30.7
AU Cards	18.9	18.9
NZ Leasing	17.6	18.3
Think Office Technology ¹	-	1.9
NZ Cards	169.3	175.7
Total goodwill	236.5	321.4

1. TOT has been transferred to disposal group held for sale in the current year.

The carrying amount of goodwill of each CGU is tested for impairment at each statutory reporting date and whenever there is an indicator that the asset may be impaired. If an asset is impaired, it is written down to its recoverable amount. The recoverable amount is based on a value in use calculation using cash flow projections based on the Board approved 3-year plan. Cash flows for a further 2-year period were extrapolated using declining growth rates such that the long term terminal growth was determined at 2% - 2.5%, which does not exceed the long term average for the sectors and economies in which the CGUs operate.

At the interim reporting date, an assessment of the Consumer Leasing CGU was performed, resulting in a pre-tax impairment of goodwill (\$75.9m), acquired intangible assets (\$0.4m) and capitalised development software (\$18.4m) totalling \$94.7m. The impairment resulted from the following factors:

The main product that underpinned the operations of the CGU, the FlexiRent consumer lease product in Australia was retired in February 2018 and the receivables portfolio will run down over the next few years. The future cash flows attaching to this product are therefore not sufficient to support the value of the CGU net assets.

The realignment of operating segments as described in note 3, resulted in SME cash flows that previously were part of this CGU being excluded from recoverable amount assessment. Management deemed that no part of existing goodwill be allocated to a new CGU containing the SME cash flows.

The CGU that has been impaired belongs to the Consumer Leasing reportable segment

The key assumptions used in determining value in use for 30 June 2018 are:

Assumption	How determined
Forecast revenues and expenses	<p>Forecast revenues and expenses beyond the 2020-21 financial year forecast period have been extrapolated using declining growth rates such that the long-term terminal growth rates are as follows:</p> <ul style="list-style-type: none"> • Consumer Leasing – 2.5% (2017: 2.0%) • Certegy – 2.5% (2017: 2.0%) • AU Cards – 2.5% (2017: 2.0%) • NZ Leasing – 2.0% (2017: 2.0%) • NZ Cards – 2.0% (2017: 2.0%)
Long-term growth rate	<p>The above long-term growth rate for each of the CGUs does not exceed the long-term average growth rate for the sector / industry in which the CGU operates.</p>
Cost of Equity Capital	<p>The discount rate applied to the cash flows of each CGU is based on the risk free rate for ten-year Commonwealth Government bonds, adjusted for a risk premium to reflect both the increased risk of investing in equities and the risk of the specific Group operating company. In making this adjustment, inputs required are the equity markets risk premium (that is the required increased return required over and above a risk free rate by an investor who is investing in the market as a whole) and the risk adjustment, beta, applied to reflect the risk of the specific Group operating company relative to the market as a whole, giving rise to the CGU specific Cost of Equity Capital.</p> <p>Geared cash flows are used to calculate recoverable amounts for all CGUs.</p> <p>The discount rates used for impairment testing are as follows:</p> <ul style="list-style-type: none"> • Consumer Leasing – 19.7% (2017: 15.3%) • Certegy – 18.4% (2017: 15.2%) • AU Cards – 18.7% (2017: 15.3%) • NZ Leasing – 14.7% (2017: 13.5%) • NZ Cards – 18.2% (2017: 14.4%)

Sensitivity analysis

The Group has conducted sensitivity analysis of +/- 100 basis point movements on the growth rates and discount rates 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 reasonable changes to these assumptions that would cause the aggregate carrying amount to exceed the aggregate recoverable amount of any of the Group's CGUs as at 30 June 2018.

14. OTHER INTANGIBLE ASSETS

A\$m	IT development & software	Merchant & customer relationships and other rights	Non-compete agreements	Brand name	Total
At 1 July 2016	53.5	47.3	-	-	100.8
Additions	22.4	-	-	-	22.4
Additions and changes in fair value through business combinations	(5.0)	1.5	-	4.1	0.6
Reclass of intangible assets included in a disposal group classified as held for sale (note 4)	-	3.7	-	0.4	4.1
Amortisation (note 6b)	(8.8)	(4.8)	-	-	(13.6)
Effect of movements in exchange rates	-	0.1	-	-	0.1
At 30 June 2017	62.1	47.8	-	4.5	114.4

A\$m	IT development & software	Merchant & customer relationships and other rights	Non-compete agreements	Brand name	Total
At 1 July 2017	62.1	47.8	-	4.5	114.4
Additions	23.8	-	-	-	23.8
Impairment ¹ (note 6a)	(18.4)	(0.4)	-	-	(18.8)
Intangible assets included in a disposal group classified as held for sale (note 4)	-	(2.3)	-	-	(2.3)
Amortisation (note 6b)	(8.7)	(5.7)	-	-	(14.4)
Effect of movements in exchange rates	(0.6)	(1.5)	-	(0.2)	(2.3)
At 30 June 2018	58.2	37.9	-	4.3	100.4

1. Impairment relates to the write down of intangible assets relating to the Consumer Leasing CGU. Refer to note 13 for further details

15. PAYABLES

A\$m	2018	2017
Trade payables	51.7	50.3
Total payables	51.7	50.3

16. BORROWINGS

Secured

A\$m	2018	2017
Corporate debt	104.3	126.2
Secured loans	2,058.7	1,903.8
Total secured borrowings	2,163.0	2,030.0
Loss reserve	(38.3)	(22.3)
Total borrowings	2,124.7	2,007.7

Maturity profile of borrowings, net of loss reserve

A\$m	2018	2017
Due within one year	1,327.0	1,200.0
Due after one year but not later than five years	797.7	807.7
Total borrowings	2,124.7	2,007.7

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.

Financing arrangements

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

A\$m	2018	2017
Total loan facilities available	2,782.4	2,784.4
Loan facilities used at balance date	(2,163.0)	(2,030.0)
Loan facilities unused at balance date	619.4	754.4

17. PROVISIONS

A\$m	2018	2017
Annual leave	3.8	3.8
Long service leave	2.4	2.7
Outstanding claims liability	1.2	0.5
Unearned premium liability	0.2	0.2
Customer remediation (note 27)	7.0	-
Other	-	0.7
Total provisions	14.6	7.9

18. DERIVATIVE FINANCIAL INSTRUMENTS

A\$m	2018	2017
Interest rate swaps used for hedging	6.4	12.9

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 25. 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.

19. CONTRIBUTED EQUITY

a. Share capital

	2018 Shares	2017 Shares	2018 A\$m	2017 A\$m
Ordinary shares – fully paid	374,050,685	374,145,403	313.7	312.1
Subordinated perpetual notes	49,129,075	49,129,075	49.1	49.1
Total share capital	423,179,760	423,274,478	362.8	361.2

b. Movement in ordinary shares

	Number of shares (m)	A\$m
1 July 2016	372.2	307.7
Issue of shares on reinvestment of dividend	1.9	4.4
30 June 2017	374.1	312.1

	Number of shares (m)	A\$m
1 July 2017	374.1	312.1
Treasury shares purchased on market	(0.2)	(0.2)
Transfer from treasury shares on vesting of sign on rights and employee scheme shares	0.1	0.1
Transfer from share capital reserve	-	0.3
Expired options and rights transferred from share based payment reserve	-	1.4
30 June 2018	374.0	313.7

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

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote. There is no current on market buy back of shares, other than shares purchased by the Share Plan Trust to satisfy vested share based payments.

c. Subordinated perpetual notes

FlexiGroup Limited issued unsecured subordinated perpetual notes as part of the consideration for the acquisition of Fisher & Paykel Finance. The face value of the notes is \$49.1m, the A\$ equivalent of NZ\$55.0m. Interest is payable on the perpetual notes at the sole and absolute discretion of the issuer commencing on 18 March 2018. Interest payable or capitalised will be accounted for as a dividend in equity. In the unlikely event that no interest is paid or capitalised on the perpetual notes in any given year, the Group may not pay or declare any ordinary dividends to the ordinary shareholders.

In limited circumstances upon a change of control, the noteholder may elect to convert the perpetual notes having an aggregate principal amount equal to the face value into 28.5 million ordinary shares. Prior to conversion, the perpetual notes have no right to share in any surplus assets or profits, ordinary dividends and no voting rights.

d. Performance and sign on incentive rights

Information relating to the FlexiGroup Employee Options and Performance Rights Plan, including details of performance and sign on incentive rights exercised and lapsed during the financial year and performance and sign on incentive rights outstanding at the end of the financial year, is set out in note 24.

e. Movement in treasury shares

	Number of shares (m)	A\$m
1 July 2016	0.1	0.3
30 June 2017	0.1	0.3

	Number of shares (m)	A\$m
1 July 2017	0.1	0.3
Treasury shares purchased on market	0.2	0.2
Transfer from treasury shares on vesting of sign on rights	(0.1)	(0.1)
30 June 2018	0.2	0.4

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 24).

f. Capital risk management

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can continue to provide returns for shareholders and to maintain an optimal capital structure to facilitate growth in the business. 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 the issue of new capital, return of capital to shareholders and its dividend policy as well as its plans for acquisition and disposal of assets

20. RESERVES AND RETAINED EARNINGS

a. Reserves

A\$m	2018	2017
Share-based payment reserve	0.4	1.4
Foreign currency translation reserve	4.3	13.9
Share capital reserve	-	0.3
Cash flow hedge reserve	5.6	1.4
Balance at 30 June	10.3	17.0

Movements: Share-based payment reserve

A\$m	2018	2017
Balance at 1 July	1.4	1.8
Transfer to share capital	(1.4)	-
Share-based payment expense	0.5	(0.4)
Other changes	(0.1)	-
Balance at 30 June	0.4	1.4

Movements: Foreign currency translation reserve

A\$m	2018	2017
Balance at 1 July	13.9	9.8
Other comprehensive income	(9.6)	4.1
Balance at 30 June	4.3	13.9

Movements: Share capital reserve

A\$m	2018	2017
Balance at 1 July	0.3	0.3
Transfer to share capital	(0.3)	-
Balance at 30 June	-	0.3

Movements: Cash flow hedge reserve

A\$m	2018	2017
Balance at 1 July	1.4	(3.8)
Other comprehensive income	4.2	5.2
Balance at 30 June	5.6	1.4

b. Retained earnings

Movements in retained profits were as follows:

A\$m	2018	2017
Balance at 1 July	293.6	247.5
Net (loss)/ profit for the year	(10.3)	87.4
Dividends (note 21)	(28.8)	(41.3)
Balance at 30 June	254.5	293.6

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, and
- 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.

21. DIVIDENDS

Final dividends paid

A\$m	Parent entity	
	2018	2017
2017 final dividend paid on 13 October 2017: 3.85 cents (2016 final dividend paid on 14 October 2016: 7.25 cents) per ordinary share franked to 100%	14.4	27.0

Interim dividends paid

A\$m	2018	2017
2018 interim dividend paid on 13 April 2018: 3.85 cents (2017 interim dividend paid on 13 April 2017: 3.85 cents) per ordinary share franked to 100%: Cash	14.4	9.9
Share capital reinvestment ⁽²⁾	-	4.4
Total interim dividends paid	14.4	14.3
Total dividends paid⁽¹⁾	28.8	41.3

- All dividends are franked at a tax rate of 30%
- Dividend reinvestment plan was offered at 2% discount on the volume weighted average share price for the 10 trading days commencing 15 March 2017 and ending on 28 March 2017

Final dividends proposed but not recognised at year end

A\$m	Parent entity	
	2018	2017
2018: 3.85 cents (2017: 3.85 cents) per ordinary share franked to 100%	14.4	14.4

Franked dividends

The franked dividends recommended after 30 June 2018 will be franked out of existing franking credits, or out of franking credits arising from the payment of income tax in the year ending 30 June 2018.

A\$m	Consolidated		Parent entity	
	2018	2017	2018	2017
Franking credits available for subsequent financial years based on a tax rate of 30% (2017: 30%)	42.1	48.9	42.1	48.9

The above amounts are calculated from the balance of the franking account as at the end of the reporting period, adjusted for franking credits and debits that will arise from the settlement of liabilities or receivables for income tax and dividends after the end of the year. The consolidated amounts include franking credits that would be available to the parent entity if distributable profits of subsidiaries were paid as dividends. share price for the 10 trading days commencing 15 March 2017 and ending on 28 March 2017.

22. EARNINGS PER SHARE

a. Earnings per share

cents	2018	2017
Total basic earnings per share attributable to the ordinary equity holders of the Company	(2.8)	23.4
Total diluted earnings per share attributable to the ordinary equity holders of the Company	(2.8)	23.4

b. Reconciliation of earnings used in calculating earnings per share

A\$m	2018	2017
(Loss) / profit attributable to the ordinary equity shareholders of the Company used in calculating:	(10.3)	87.4
- basic earnings per share		
- diluted earnings per share	(10.3)	87.4

c. Weighted average number of ordinary shares

Number	2018	2017
Weighted average number of ordinary shares used in calculation of basic earnings per share	374,061,938	372,631,358
Add: potential ordinary shares considered dilutive	-	-
Weighted average number of ordinary shares used in calculating diluted earnings per share	374,061,938	372,631,358

Information concerning the classification of securities

Performance, sign on incentive and deferred STI rights granted to employees under the FlexiGroup Long Term Incentive Plan are settled through an on-market share purchase. The rights are not considered to be dilutive. The rights have not been included in the determination of basic and diluted earnings per share. Details relating to the rights are set out in note 24.

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

A\$m	2018	2017
Net (loss)/profit for the year after tax	(10.3)	87.4
Receivables and loan impairment expenses	66.5	62.8
Depreciation and amortisation	17.5	16.2
Customer remediation provision	7.0	-
Share of losses from associate	-	2.0
Impairment of goodwill and other intangible assets	94.7	-
Share-based payment expense / (benefit)	0.5	(0.4)
Exchange differences	(0.3)	(0.6)
Other non-cash movements	(1.0)	0.4
Net cash inflows from operating activities before changes in operating assets and liabilities	174.6	167.8

Change in operating assets and liabilities:

A\$m	2018	2017
Decrease/(increase) in other receivables	5.4	(8.7)
Increase in current tax receivables	-	(0.5)
Increase/(decrease) in payables	3.2	(0.8)
Decrease in inventories	0.1	0.2
Decrease/(increase) in current tax liabilities	16.5	(1.3)
(Decrease)/increase in net deferred tax liabilities	(11.1)	4.3
Net cash inflows from operating activities	188.7	161.0

24. SHARE-BASED PAYMENTS

a. Long Term Incentive Plan

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

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

The table below shows options, performance rights, sign on incentive and deferred STI rights granted under the plan:

Consolidated and parent entity – 2018

Grant date	Expiry date	Exercise price	Balance at start of the period	Granted during the period	Exercised during the period	Forfeited during the period	Balance at end of the period	Vested and exercisable at the end of the period
			Number	Number	Number	Number	Number	Number
3/6/11	31/12/16	\$0.00	19,375 ¹	-	-	(19,375) ¹	-	-
3/6/11	31/12/16	\$2.11	426,437 ¹	-	-	(426,437) ¹	-	-
5/8/11	31/12/16	\$0.00	12,498 ¹	-	-	(12,498) ¹	-	-
19/3/12	31/12/16	\$2.18	37,500 ¹	-	-	(37,500) ¹	-	-
23/4/12	31/12/16	\$2.27	7,500 ¹	-	-	(7,500) ¹	-	-
10/8/12	31/3/16	\$3.05	571,100 ¹	-	-	(571,100) ¹	-	-
1/12/14	15/10/18 15/10/19 31/10/20 31/10/21	\$0.00	1,812,000	-	-	(1,452,500) ²	359,500	-
26/11/15	15/10/18 15/10/19 31/10/20 31/10/21	\$0.00	765,200	-	-	(445,200) ³	320,000	-
22/11/16	15/10/18 15/10/19	\$0.00	72,000	-	(36,000)	-	36,000	-
3/7/17	1/10/18 1/10/19	\$0.00	-	40,000	(15,000)	-	25,000	-
6/09/17	15/10/18	\$0.00	-	117,193	-	(10,645)	106,548	-
27/11/17	15/3/22	\$0.00	-	1,730,052	-	-	1,730,052	-
Total			3,723,610	1,887,245	(51,000)	(2,982,755)	2,577,100	-
Weighted average exercise price ⁴			\$0.00	\$0.00	\$0.00		\$0.00	

1. These instruments were either TSR performance lapsed or expired and were written off to share capital
2. The forfeiture includes 843,200 performance rights that were TSR lapsed and were written off to share capital
3. The forfeiture includes 253,200 performance rights that were TSR lapsed and were written off to share capital
4. Excludes the weighted average exercise price of lapsed and expired options

Consolidated and parent entity – 2017

Grant date	Expiry date	Exercise price	Balance at start of the period	Granted during the period	Exercised during the period	Forfeited during the period	Balance at end of the period	Vested and exercisable at the end of the period
			Number	Number	Number	Number	Number	Number
3/6/11	31/12/16	\$0.00	19,375 ¹	-	-	-	19,375 ¹	-
3/6/11	31/12/16	\$2.11	426,437 ¹	-	-	-	426,437 ¹	-
5/8/11	31/12/16	\$0.00	12,498 ¹	-	-	-	12,498 ¹	-
19/3/12	31/12/16	\$2.18	37,500 ¹	-	-	-	37,500 ¹	-
23/4/12	31/12/16	\$2.27	7,500 ¹	-	-	-	7,500 ¹	-
10/8/12	31/3/16	\$3.05	571,100 ¹	-	-	-	571,100 ¹	-
3/7/14	31/3/16	\$0.00	-	-	-	-	-	-
1/12/14	15/10/18 15/10/19 31/10/20 31/10/21	\$0.00	3,166,000	-	-	(1,354,000)	1,812,000 ²	-
26/11/15	15/10/18 15/10/19 31/10/20 31/10/21	\$0.00	1,353,000	-	-	(587,800)	765,200 ³	-
22/11/16	15/10/18 15/10/19	\$0.00	-	72,000	-	-	72,000	-
Total			5,593,410	72,000	-	(1,941,800)	3,723,610	-
Weighted average exercise price ⁴			\$0.00	\$0.00			\$0.00	

1. These instruments are all either TSR performance lapsed or expired and remain in share based payments reserve
2. Includes 732,000 (2016: 496,000) performance rights that are TSR lapsed and remain in share based payments reserve
3. Includes 125,200 performance rights that are TSR lapsed and remain in share based payments reserve
4. Excludes the weighted average exercise price of lapsed and expired options

The weighted average share price at the date of exercise of sign on incentive rights exercised during the year ended 30 June 2018 was \$1.55 (2017: \$Nil). The weighted average remaining contractual life of performance, deferred STI and sign on incentive rights outstanding at the end of the year was 2.41 years (2017:1.15 years).

Fair value of performance, sign on and deferred STI rights

The fair values at grant date for sign on and deferred share incentives were internally determined, as the incentives were only subject to a tenure vesting condition. For performance rights issued on 27 November 2017, the fair values at grant date were independently determined using a binomial tree option pricing methodology that takes into account the exercise price, the term of the 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 performance rights.

The model inputs for performance rights granted during the year ended 30 June 2018 included:

- (a) Exercise price: nil
- (b) Grant date: 27 November 2017
- (c) Expiry date: 15 March 2022
- (d) Share price at grant date: \$1.63
- (e) Expected price volatility of the Company's shares: 35%
- (f) Expected dividend yield: 4.8%
- (g) Risk-free interest rate: 2%

Shares provided on exercise of performance rights

Nil (2017: Nil) ordinary shares in the Company were issued as a result of the exercise of any remuneration performance and sign on incentive rights. The vested 51,000 sign on incentive rights were settled through an on market share purchase and did not result in an increase in issued share capital.

b. Employee share plan

The Employee Share (Taxed Upfront) Plan ("ESP") 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. Nil shares were issued under this plan in 2018.

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

Eligibility

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

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 ESP Rules under which shares acquired under the ESP cannot be transferred, sold or otherwise disposed of until the earlier of:

- The time when the participant is no longer employed by the Group 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 ESP 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 ESP 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 ESP will rank equally with those traded on the ASX at the time of issue. A participant under the ESP is entitled to receive distributions/dividends made in respect of, and exercise voting rights attaching to, shares held under the ESP (whether or not the shares are subject to disposal restrictions).

Restrictions on shares

Shares acquired under the ESP 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 ESP may be dealt with freely. Details of FlexiGroup's Share Trading Policy are contained in the Corporate Governance Statement.

Employee gift offer

There were no employee gift offers in the year ended 30 June 2018 (2017: 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:

A\$m	2018	2017
Performance, sign on incentive and deferred STI rights issued under LTIP	500,000	(397,000)

25. FINANCIAL RISK MANAGEMENT

Overview

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

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

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

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

Market risk

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

a. Interest rate risk

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

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

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

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

The contracts require settlement of net interest receivable or payable monthly. The settlement dates coincide with the dates on which interest is payable on the underlying debt. The contracts are settled on a net basis. The gain or loss from remeasuring the hedging instruments at fair value is recognised in other comprehensive income and deferred in equity in the hedging reserve, to the extent that the hedge is effective. It is reclassified into profit or loss when the hedging relationship ceases. In the year ended 30 June 2018, nil amounts were reclassified into profit or loss (2017 – Nil) and included in interest expenses. There was no material hedge ineffectiveness in the current or prior year.

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

	2018		2017	
	Weighted average interest rate %	\$Am	Weighted average interest rate %	\$Am
Floating rate borrowings	2.00%	2,003.0	1.76%	1,843.4
Interest rate swaps (notional principal amount)	2.79%	(1,046.6)	2.75%	(1,240.7)
Unhedged variable borrowings		956.4		602.7

Interest rate risk sensitivity analysis

The analysis demonstrates the impact of 100 basis point change in interest rates, with all other variables held constant. A sensitivity level of +/-100 basis point change is determined considering the range of interest rates applicable to the following variable rate financial assets and financial liabilities in the Group:

A\$m	2018	2017
Customer Loans	604.8	514.5
Cash and cash equivalents	125.3	167.3
Loss reserve on borrowings	38.3	23.3
Floating rate borrowings	2,003.0	1,843.4
Interest rate swaps (notional principal amount)	(1,046.6)	(1,240.7)

Based on the variable rate financial assets and financial liabilities held at 30 June 2018, if interest rates had changed by +/- 100 basis points from the year-end rates with all other variables held constant, the impact on the Group's after-tax profits and equity on the above exposures would have been \$1.3m lower / \$1.3m higher (2017: \$0.7m higher / \$0.7m lower).

Cash flow hedges

The Group hedges a portion of the variability in future cash flows attributable to the interest rate risk on floating rate borrowings 52% (2017 – 67%) using interest rate swaps. There were no forecast transactions for which cash flow hedge accounting had to be ceased as a result of the forecast transaction no longer being expected to occur in the current or prior period.

b. Foreign exchange risk

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

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

The Group's only material exposure to this risk arises from its investment in its New Zealand businesses. The foreign exchange gain or loss on translation of the investment in foreign subsidiaries to Australian dollars at the end of the reporting period is recognised in other comprehensive income and accumulated in the foreign currency translation reserve, in shareholders' equity.

The Group has designated NZ\$73.5m (2017:NZ\$73.5m) of the acquisition corporate debt as a hedging instrument against the net assets of the acquired entity. At the end of the financial year NZ\$14.0m (2017: NZ\$68.5m) was outstanding. This creates a natural hedge between the underlying business cash flows and debt. Movements in foreign currency are accounted for in other comprehensive income as a translation reserve in equity to the extent that the hedging relationship remains effective. The reserve will be reclassified to profit and loss on disposal of the hedged entity.

c. Credit risk

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

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

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

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

Counterparty risk is where the Group incurs credit exposures to banks as a consequence of hedging of interest rate risks. Credit limits for counterparties are based on external ratings and the Group manages and controls its credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and by monitoring exposures in relation to such limits. Determination of the fair value of the derivatives includes credit valuation adjustment (CVA) to reflect the credit worthiness of the counterparty.

Loans and receivables

The majority of 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.

As at 30 June 2018

Past due loans and receivables⁽¹⁾

	Contracts	A\$m
Past due under 30 days	47,193	138.7
Past due 30 days to under 60 days	12,874	23.4
Past due 60 days to under 90 days	8,043	9.4
Past due 90 days and over	15,395	12.2
Total past due loans and receivables	83,505	183.6
Total loans and receivables	833,780	2,338.0
Past due as a percentage of total loans and receivables		7.9%
Past due 30 days and over as a percentage of total loans and receivables		1.9%

As at 30 June 2017

Past due loans and receivables⁽¹⁾

	Contracts	A\$m
Past due under 30 days	47,456	142.2
Past due 30 days to under 60 days	10,892	25.1
Past due 60 days to under 90 days	5,670	9.7
Past due 90 days and over	8,239	9.0
Total past due loans and receivables	72,257	186.0
Total loans and receivables	831,686	2,115.9
Past due as a percentage of total loans and receivables		8.8%
Past due 30 days and over as a percentage of total loans and receivables		2.1%

- This excludes unamortised initial direct transactions costs and net of provision for doubtful debts

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

For the majority of its receivables, the Group does not identify any individual receivables as significant, and accordingly for those receivables, no unimpaired past due loans are identified and the allowance for losses is calculated on a collective basis. However, a small portion of the Group's receivables are individually significant (primarily in the Commercial portfolio). At 30 June 2018, there were no significant single individual exposures that were considered to be impaired.

The Group either writes off or recognises a 100% allowance for all past due receivables between 120 and 180 days past due (2017: 120 and 180 days past due) depending on the portfolio.

d. Liquidity risk

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

monitored by the Board.

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

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 16. Amounts due to funders are repaid directly by rentals and repayments received from the Group's customers. For the current year, the Group raised funding of A\$285m and NZ\$202m (2017: A\$265.0m and NZ\$89.5m) through the asset-backed securitisation program.

Loan covenants

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

Contractual maturity of financial liabilities on an undiscounted basis

The table below shows cash flows associated with financial liabilities including derivative financial liabilities within relevant maturity groupings based on the earliest date in which the Group may be required to pay. The balances in the table will not agree to amounts

presented in the balance sheet as amounts incorporate net cash flows on an undiscounted basis and include both principal and associated future interest payments.

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

As at 30 June 2018**Non-derivative financial liabilities**

A\$m	Less than 1 year	1 to 2 years	2 to 5 years	5 years plus	Total
Payables	51.7	-	-	-	51.7
Borrowings before loss reserves	1,420.7	500.9	444.7	-	2,366.2
Derivative financial instruments					
Interest rate swaps	4.7	1.4	0.5	-	6.6
Total undiscounted financial liabilities	1,477.0	502.3	445.2	-	2,424.5

As at 30 June 2017**Non-derivative financial liabilities**

A\$m	Less than 1 year	1 to 2 years	2 to 5 years	5 years plus	Total
Payables	50.3	-	-	-	50.3
Borrowings before loss reserves	1,271.7	511.8	415.1	-	2,198.6
Derivative financial instruments					
Interest rate swaps	8.9	3.7	0.6	-	13.2
Total undiscounted financial liabilities	1,330.9	515.5	415.7	-	2,262.1

e. Fair value of financial assets and financial liabilities

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

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

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

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

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

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

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

Cash and cash equivalents

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

Receivables and customer loans

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

Payables

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

Borrowings and derivative financial instruments

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

2018**Financial assets**

A\$m	Carrying amount	Fair value
Cash and cash equivalents (note 8)	125.3	125.3
Receivables (note 10)	599.9	599.9
Customer loans (note 11)	1,768.2	1,768.2

Financial liabilities

A\$m	Carrying amount	Fair value
Payables	51.7	51.7
Borrowings ¹		
- Floating interest rate ¹	2,003.0	2,003.0
- Fixed interest rate	160.0	160.4
Total borrowings before loss reserves	2,163.0	2,163.4
Derivative financial instruments	6.4	6.4

2017**Financial assets**

A\$m	Carrying amount	Fair value
Cash and cash equivalents (note 8)	167.3	167.3
Receivables (note 10)	628.3	628.3
Customer loans (note 11)	1,537.6	1,537.6

Financial liabilities

A\$m	Carrying amount	Fair value
Payables	50.3	50.3
Borrowings ¹		
- Floating interest rate ¹	1,843.4	1,843.4
- Fixed interest rate	186.6	190.3
Total borrowings before loss reserves	2,030.0	2,033.7
Derivative financial instruments	12.9	12.9

1. Refer note 25a for further information on how the Group manages its interest rate risk

Fair value hierarchy

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

(a) Receivables and customer loans

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

(b) Borrowings and derivative financial instruments

These are classified as level 2 as the inputs into the fair value models used to determine fair value are observable. There are no level 1 or level 3 financial assets or liabilities.

26. LEASE COMMITMENTS

Lease commitments for property, plant and equipment

Operating leases are entered into to meet the business needs of the entities in the Group. Leases are for premises and plant and equipment. Lease rentals are determined in accordance with market conditions when leases are entered into or on rental review dates.

Non-cancellable operating leases contracted for but not capitalised in the financial statements due:

A\$m	2018	2017
- within one year	3.0	4.8
- after one year but not later than five years	10.4	13.6
- greater than five years	9.4	13.4
	22.8	31.8

FlexiGroup has a call centre service agreement, where the Group will receive call centre services. At 30 June 2018, the minimum future commitment on this agreement was approximately \$5.2m (2017: \$5.4m). Additionally, in the normal course of the business at 30 June 2018 the Group has approved customer loan and lease receivable accounts, which have not been drawn at year end. Committed amounts are typically drawn within a short period of the loan or lease being approved.

27. CONTINGENT LIABILITIES

FlexiGroup and its wholly-owned consumer leasing subsidiary, FlexiRent Capital Pty Limited (FlexiRent), have been proactively engaging with the CIO regarding historic responsible lending practices in relation to the FlexiRent product, which ceased being sold in February 2018. As part of this engagement, FlexiGroup has been focussed on seeking to ensure that its practices meet evolving consumer demands and community expectations and utilise available technology. A remediation program has been agreed with the CIO to compensate affected customers.

Based on information available to date, a provision of \$7m has been recognised in the financial statements with respect to the refund of fees charged to impacted customers that can be identified and the financial impact being reliably estimated.

Discussions with the Australian Securities and Investments Commission (ASIC) and the CIO are still ongoing with respect to other matters and it is possible that future remediation may be undertaken. At this stage, uncertainties remain as to the nature, timing and amount of this. FlexiRent continues to work proactively with both ASIC and the CIO, to ensure its responsible lending practices are appropriate.

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

28. INSURANCE

The Group conducts insurance business through its controlled entity in New Zealand, Consumer Insurance Services Limited (CISL). CISL's primary insurance activities are the development, underwriting and management of non-life insurance products under The Insurance (Prudential Supervision) Act 2010. The non-life insurance products are in respect of Goods Cover, Payment Protection and Extended Warranty Cover. The solvency capital of CISL at 30 June 2018 of NZ\$ 4.1m (A\$ 3.8m) (2017: NZ\$ 5.2m (A\$ 5.0m)) is greater than the minimum required solvency capital of NZ\$ 3.0m (A\$ 2.8m) (2017: NZ\$ 3.0m (A\$ 2.9m)). The insurance business of CISL comprises less than two percent of the total assets of the Group.

29. INVESTMENTS IN SUBSIDIARIES

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

Country of incorporation: Australia	Percentage of shares	
	2018	2017
Australian Print Holdings Pty Limited ⁽²⁾	100%	100%
Certegy Ezi-Pay Pty Ltd ⁽²⁾	100%	100%
Flexi ABS Trust 2010-2	100%	100%
Flexi ABS Trust 2015-1 ⁽³⁾	100%	100%
Flexi ABS Trust 2015-2 ⁽³⁾	100%	100%
Flexi ABS Trust 2016-1 ⁽³⁾	100%	100%
Flexi ABS Trust 2017-1	100%	100%
Flexi ABS Trust 2018-1 ⁽¹⁾	100%	-
Flexi ABS Warehouse Trust No. 2	100%	100%
Flexi ABS Warehouse Trust No. 3	100%	100%
FlexiGroup Employee Share Plan Trust	100%	100%
FlexiGroup Management Pty Limited	100%	100%
FlexiGroup SubCo Pty Limited ⁽²⁾	100%	100%
FlexiGroup Australia Holdings Pty Limited ⁽²⁾	100%	100%
Flexirent SPV Number 2 Pty Limited	100%	100%
Flexirent Capital Pty Limited ⁽²⁾	100%	100%
Flexirent SPV Number 4 Pty Limited ⁽³⁾	100%	100%
Flexirent SPV Number 7 Pty Limited ⁽³⁾	100%	100%
Flexirent SPV Number 8 Pty Limited ⁽³⁾	100%	100%
Flexicards Australia Pty Limited ⁽²⁾	100%	100%
Helix Trust	100%	100%
ICT Finance Pty Limited ⁽²⁾	100%	100%
Lighthouse Warehouse Trust No.9	100%	100%
Lombard Warehouse Trust No.1	100%	100%
Once Credit Pty Limited ⁽²⁾	100%	100%
OxiPay Pty Limited	100%	100%
RentSmart Finance Limited ⁽²⁾⁽³⁾	100%	100%
RentSmart Pty Limited ⁽²⁾⁽³⁾	100%	100%
RentSmart Servicing Pty Limited ⁽²⁾⁽³⁾	100%	100%
RentSmart Unit Trust ⁽³⁾	100%	100%
SmartCheck Pty Limited ⁽²⁾⁽³⁾	100%	100%
ThinkSmart Trust ⁽³⁾	100%	100%
TOT CNS Pty Limited ⁽²⁾	100%	100%
TOT GNE Pty Limited ⁽²⁾	100%	100%

TOT MKY Pty Limited ⁽²⁾	100%	100%
TOT SC Pty Limited ⁽²⁾	100%	100%
TOT TBA Pty Limited ⁽²⁾	100%	100%
TOT TSV Pty Limited ⁽²⁾	100%	100%

Country of incorporation: Ireland	Percentage of shares	
	2018	2017
FlexiFi Europe Limited	100%	100%
FlexiFi Europe Holdings Limited	100%	100%
Flexirent Ireland Limited	100%	100%
FlexiFi Europe Services Limited	100%	100%

Country of incorporation: New Zealand	Percentage of shares	
	2018	2017
Columbus Financial Services Limited	100%	100%
Columbus Trust	100%	100%
Consumer Finance Limited	100%	100%
Consumer Insurance Services Limited	100%	100%
Flexi Cards Limited	100%	100%
Flexi Finance Limited	100%	100%
Flexi Financial Services Limited	100%	100%
FlexiGroup New Zealand Limited	100%	100%
FlexiGroup NZ SPV1 Limited	100%	100%
FlexiGroup NZ SPV 2 Limited	100%	100%
FlexiGroup NZ SPV 3 Limited	100%	100%
Q Card Trust	100%	100%
Retail Financial Services Limited	100%	100%
RFS Trust 2006-1 ⁽³⁾	100%	100%
TRL Leasing Limited	100%	100%

- Created during the year ended 30 June 2018
- These controlled entities have entered into a deed of cross guarantee (refer note 33) with the Company pursuant to ASIC Class order 98/1418 dated 13 August 1998. These controlled entities and the Company form a closed group (closed group is defined as a group of entities comprising a holding entity and its related wholly owned entities). Relief was granted to these controlled entities from the Corporations Act 2001 (Cth) requirements for preparation, audit and publication of an annual financial report
- These are in the process of being wound up

30. KEY MANAGEMENT PERSONNEL DISCLOSURES

a. Directors

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

S Brewis-Weston (resigned 3 September 2018)	Executive Director and Chief Executive Officer
A Abercrombie	Non-Executive Director
C Campbell (appointed on 17 May 2018)	Non-Executive Director
C Christian	Non-Executive Director
R Dhawan	Non-Executive Director
J Leonard	Non-Executive Director
J Skippen (resigned on 27 November 2017)	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:

R Aucutt	Chief Financial Officer ⁽¹⁾
V Gilpin	General Manager - Sales
C Lamers	Chief Executive Officer - New Zealand
K Richards	General Manager - Commercial
P Lirantzis	Chief Operating Officer

- Ross Aucutt is Chief Executive Officer (Acting) until 2 October 2018.

c. Key management personnel compensation

\$	2018	2017
Short-term employee benefits	4,338,130	4,770,057
Post-employment benefits	171,877	241,571
Long-term benefits	-	21,528
Share-based payments	330,357	(124,848)
Total	4,840,364	4,908,308

Further remuneration disclosures are provided in the Remuneration Report on pages 56-66.

d. Other transactions with related parties

Rental of Melbourne premises

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

\$	2018	2017
Rental expense for premises	177,353	172,187

31. RELATED PARTY TRANSACTIONS

a. Parent entity

The parent entity of the Group is FlexiGroup Limited.

b. Subsidiaries and associate

Interests in Group entities are set out in note 29.

c. Transactions with related parties

There were no transactions between the Group and related parties other than those disclosed in note 30 (d).

32. 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.

a. Audit and assurance services

Audit services	2018	2017
\$		
PricewaterhouseCoopers Australian firm	708,237	701,283
Network firms of PricewaterhouseCoopers	420,423	376,859
Other Assurance Services		
\$	2018	2017
PricewaterhouseCoopers Australian firm	-	-
Total remuneration for audit and assurance services	1,128,660	1,078,142

b. Non-audit services

Taxation services	2018	2017
\$		
PricewaterhouseCoopers Australian firm	16,600	8,240
Network firms of PricewaterhouseCoopers	61,706	-
Other Services		
\$	2018	2017
PricewaterhouseCoopers Australian firm	157,898	3,500
Network firms of PricewaterhouseCoopers	20,678	49,999
Total remuneration for audit and assurance services	256,882	61,739
Total remuneration of PwC	1,385,542	1,139,881

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.

33. CLOSED GROUP

The table below presents the consolidated proforma income statement and balance sheet for the Company and controlled entities, which are party to the deed of cross guarantee (referred to as a closed group). For further information, refer note 29, footnote 2. The effects of transactions between entities to the deed are eliminated in full in the consolidated income statement and consolidated statement of financial position.

a. Statement of comprehensive income

A\$m	2018	2017
Total portfolio income	18.9	27.5
Dividend income	71.8	67.8
Interest expense	(6.2)	(6.9)
Net portfolio income	84.5	88.4
Employment expenses	(66.8)	(59.1)
Receivables and customer loan impairment expenses	(13.2)	(12.4)
Goodwill and other impairment expenses	(94.7)	-
Depreciation and amortisation expenses	(10.5)	(11.4)
Operating and other expenses	(40.0)	(30.0)
Profit before income tax	(140.7)	(24.5)
Income tax expense	9.0	(9.1)
Profit for the year	(131.7)	(33.6)
Other comprehensive income		
Items that may be reclassified to profit or loss		
A\$m	2018	2017
Changes in the fair value of cash flow hedges, net of tax	1.4	5.2
Other comprehensive income for the year, net of tax	1.4	5.2
Total comprehensive income for the year	(130.3)	(28.4)

b. Statement of financial position

Assets	2018	2017
A\$m		
Cash and cash equivalents	21.1	19.5
Receivables and customer loans	83.4	69.6
Inventories	2.8	3.9
Plant and equipment	5.2	6.6
Goodwill	51.6	127.4
Other intangible assets	39.8	50.4
Other financial assets	92.3	177.6
Total assets	296.2	455.0
Liabilities		
A\$m	2018	2017
Payables	40.1	32.5
Borrowings	104.5	126.2
Provisions	13.2	5.7
Deferred and contingent consideration	1.1	0.9
Deferred tax liabilities	8.9	3.7
Total liabilities	167.8	169.0
Equity		
A\$m	2018	2017
Contributed equity	362.9	361.2
Reserves	3.0	1.6
Accumulated losses	(237.5)	(76.8)
Total equity	128.4	286.0

34. PARENT ENTITY FINANCIAL INFORMATION

a. Summary financial information

The parent entity financial information is presented as follows:

Balance sheet

A\$m	2018	2017
Current assets	475.6	531.3
Non-current assets	7.9	8.5
Total assets	483.5	539.8
Current liabilities	(31.9)	(38.3)
Non-current liabilities	(107.2)	(126.2)
Total liabilities	(139.2)	(164.5)
Net assets	344.3	375.3
Issued share capital	763.3	763.6
Share based payment reserve	(10.2)	(9.9)
Hedge reserve of net investment (refer note 25 b)	2.7	-
Accumulated losses	(411.5)	(378.4)
Shareholders' equity	344.3	375.3
(Loss)/Profit for the year	(4.2)	-
Exchange differences on hedged net investment	2.7	-
Total comprehensive income	(1.5)	-

b. Guarantees entered into by the parent entity

Pursuant to Australian Securities and Investment Commission Class Order 98/1418 dated 13 August 1998, relief was granted to certain controlled entities (note 29, footnote (2)) from the Corporations Act 2001 (Cth) requirements for preparation, audit and publication of annual financial reports. It is a condition of the Class Order that the Company and each of the controlled entities are party to a deed of cross guarantee. The effect of the deed is that the Company guarantees to each creditor payment in full of any debt in the event of winding up of any of the controlled entities under certain provisions of the Corporations Act 2001 (Cth).

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

c. Contingent liabilities and contractual commitments of the parent entity

The parent entity has no contingent liabilities or contractual commitments as at 30 June 2018 (2017: \$nil).

35. SECURITISATION AND SPECIAL PURPOSE VEHICLES

The Group sells receivables and customer loans to securitisation vehicles through its asset-backed securitisation program and other special purpose vehicles. The securitisation and special purpose vehicles are consolidated as set out in note 29 as the Group is exposed or has rights to variable returns and has the ability to affect its returns through its power over the securitisation and special purpose vehicles. The Group may serve as a sponsor, servicer, manager, liquidity provider, purchaser of notes and/or purchaser of residual interest and capital units.

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

A\$m	2018	2017
Receivables	483.8	519.6
Customer loans	1,747.6	1,520.6
Cash held by securitisation vehicles	100.1	125.2
Total	2,331.5	2,165.4
Borrowings related to receivables and customer loans	2,020.4	1,881.4

36. EVENTS OCCURRING AFTER THE REPORTING PERIOD

On 17 July 2018, Flexigroup Australia Holdings Pty Ltd, a fully owned subsidiary of FlexiGroup, signed a share sale agreement to sell Australian Print Holdings Pty Limited (trading as Think Office Technology 'TOT'), a fully owned subsidiary entity within the Commercial Leasing segment. The Group will retain a 35% interest in the new joint venture ("acquirer"), whose effective sale date is 1 July 2018 and will equity account the investment as an associate. TOT, with a book value of \$10.1m, was sold to the acquirer for a fair value of \$13.8m, being the fair value of assets contributed to the JV, resulting in a profit on sale of \$2.3m. Refer note 4.

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

DIRECTORS' DECLARATION

In the Directors' opinion:

- (a) the financial statements and notes set out on pages 79 to 127 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 2018 and of its performance for the financial year ended on that date; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- (c) at the date of this declaration, there are reasonable grounds to believe that the members of the closed group identified in note 29 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 33.

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.



Andrew Abercrombie
Chairman
Sydney
26 September 2018



Independent auditor's report

To the members of FlexiGroup Limited

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of FlexiGroup Limited (the Company) and its controlled entities (together the Group or FlexiGroup) is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 30 June 2018 and of its financial performance for the year then ended
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The Group financial report comprises:

- the consolidated statement of financial position as at 30 June 2018
- the consolidated income statement for the year then ended
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the notes to the consolidated financial statements, which include a summary of significant accounting policies
- the directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

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

Independence

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

PricewaterhouseCoopers, ABN 52 780 433 757

One International Towers Sydney, Watermans Quay, Barangaroo, GPO BOX 2650, SYDNEY NSW 2001
T: +61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au
Level 11, 1PSQ, 169 Macquarie Street, Parramatta NSW 2150, PO Box 1155 Parramatta NSW 2124
T: +61 2 9659 2476, F: +61 2 8266 9999, www.pwc.com.au

Liability limited by a scheme approved under Professional Standards Legislation.



Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Group, its accounting processes and controls and the industry in which it operates.

The Group is structured along 6 core business areas – Certegy, Australia Cards, Consumer Leasing (which includes the Australian and Irish consumer leasing portfolios), Commercial Leasing, New Zealand Leasing and New Zealand Cards. The Group operates across 3 geographical locations – Australia, New Zealand and Ireland.



Materiality

- For the purpose of our audit we used overall Group materiality of \$5,495,000, which represents approximately 5% of the Group's profit before tax, adjusted for the impact of unusual or infrequently occurring items (as described below).
- We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole.
- We chose Group profit before tax because, in our view, it is the benchmark against which the performance of the Group is most commonly measured and is a generally accepted benchmark. We adjusted for the impact of the impairment recognised on goodwill and other intangible assets, as this was an unusual or infrequently occurring matter impacting the Group's profit before tax.
- We used a 5% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds.



Audit Scope

Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.

We decided the nature, timing and extent of work that needed to be performed by us and component auditors operating under our instruction. We then structured our audit approach as follows:

- We identified two components, FlexiGroup Core (composed of the Consumer Leasing, Commercial Leasing, Australia Cards, New Zealand Leasing, Certegy and unallocated segments) and New Zealand Cards, based on a combination of reportable operating segments and shared operating centres with consistent processes and controls.
- Audit procedures over the FlexiGroup Core component were performed by PwC Australia.
- Work was performed by component auditors in New Zealand in regards to the New Zealand Cards component. For these procedures, we decided on the level of involvement required from us to be able to conclude whether sufficient appropriate audit evidence had been obtained. Our involvement included discussions, written instructions and receiving reporting throughout the year from the component auditors.
- Where deemed appropriate, we performed tests of relevant controls to evaluate whether they were appropriately designed and operated effectively during the year for the purpose of our audit. We considered the results of the controls tests and the implications for our remaining audit work.
- We performed further audit procedures at a Group level, including over the consolidation of the Group's reporting units and the preparation of the financial report.

Our team included specialists and experts in information technology, taxation, data analytics, credit modelling and financial instruments.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context. We communicated the key audit matters to the Audit Committee.

Key audit matter	How our audit addressed the key audit matter
<p>Provision for doubtful debts for receivables and customer loans (Refer to notes 1.k, 10, 11 and 25.c) [\$52.5m]</p> <p>This was a key audit matter because the determination of the provision was driven by complex and subjective judgements made by the Group in determining the approach for predicting incurred losses. This included estimating the probability of a contract defaulting and the potential loss resulting from that default.</p>	<p><u>Collective provision:</u></p> <p>Where the provision was calculated on a collective basis we tested the incurred loss estimate models, and the data and assumptions used, by performing the following procedures:</p> <ul style="list-style-type: none"> • We assessed relevant controls over the historical data used in the collective provision calculations. These controls included those over the identification of those loan and lease receivables that were past due, and over the



Key audit matter

The majority of the receivables and customer loans balances were low value and therefore the provision was modelled and calculated on a collective basis.

The need for a provision for a certain number of Commercial contracts, as well as the incremental risk of losses from operational issues with specific vendors and contracts were individually assessed.

How our audit addressed the key audit matter

accuracy of the time and value of amounts past due.

- We compared the key assumptions underlying the calculation of the provision and found them to be consistent with generally accepted market practices.
- We tested the mathematical accuracy of the calculations in the models used to calculate the provision.
- We considered the potential for the provision to be affected by events which were not captured by the models and evaluated how the Group had responded to these by making further adjustments where appropriate.
- We evaluated the conceptual soundness of the provision model approach for estimating incurred losses.
- We assessed how the Group aggregated contracts into homogeneous portfolios for the purpose of determining the collective provision.

Specific provisions:

We performed a number of procedures, including the following:

- Discussed the provisioning methodology with the Group to develop an understanding of the factors taken into account when assessing the need for and the amounts of provisions against these contracts.
- Inspected evidence held by the Group and external publically available information (e.g., debtor updated financial information), as applicable, to assess the loss event leading to the provision.
- After evaluating the assumptions made by the Group, recalculated the provision and assessed its appropriateness having regard to the applicable Australian Accounting Standards.



Key audit matter

Revenue recognition (Refer to notes 1.e and 5) [\$460.4m]

FlexiGroup has three main streams of revenue: finance lease interest income, customer loans interest income and other portfolio income.

This was a key audit matter due to the risk in revenue recognition, specifically because of:

- The significance of interest income and other portfolio income in the context of the profit of the Group.
- The judgement involved in the estimation of the finance lease residual values, which should reflect the amount the Group expects to realise at the end of the lease contractual period. The residual value is included in the calculation of the effective interest rate at the commencement of the lease contract, which affects the revenue recognition.

Valuation of goodwill (Refer to notes 1.s, 1.t and 13) [\$236.5m]

This was a key audit matter because the carrying value of goodwill was material for the Group and the determination of its value was impacted by subjective judgements and assumptions, as further explained below.

The recoverable amount of goodwill was determined through a 'value in use' valuation model based on the Group's cash flow forecasts from the latest board approved business plans for each cash generating unit ("CGU"). The most significant judgements related to the discount rate applied together with the assumptions supporting the underlying forecast cash flows, in particular, revenue growth rates and terminal growth rates.

The Group considered that each reportable operating segment constituted its own CGU.

How our audit addressed the key audit matter

We performed tests over the relevant controls covering the finance lease and customer loan product systems. Additionally, we performed the following procedures, amongst others:

- Re-performed the automated calculation of interest income for a sample of significant products.
- Inspected and re-performed the reconciliations between the product systems and the general ledger as of 30 June 2018.
- Inspected and compared contract data contained in the product system to the signed contract for a sample of finance leases.
- For a sample of customer loans, compared the income recognised and the cash received reflected in the product system to the relevant signed contract and bank statements.
- For all open contracts at year-end with unguaranteed residuals, compared the estimate of the residual value with the actual historical experience of residual value collections of FlexiGroup.

We assessed the Group's cash flow forecasts for all CGUs disclosed in note 13 of the financial statements and the process by which they were developed.

We considered whether the cash flows were based on supportable assumptions by:

- comparing these forecasts to Board approved business plans.
- comparing previous forecasts to actual results to assess the Group's historic ability to forecast future cash flows.
- performing a sensitivity analysis on the assumed growth rate in revenue, the expense cash flows and the terminal growth rate.

In testing the valuation model:

- we checked the calculations for mathematical accuracy and the consistency of the



Key audit matter

How our audit addressed the key audit matter

FlexiGroup also incurred on a significant impairment loss for the year ending 30 June 2018 on its Consumer Leasing CGU.

methodology with the 'value in use' valuation approach.

- we considered the sensitivity of the calculation by varying the assumptions (e.g., discount rates) and applying other values within a reasonably possible range.

Disclosure of the impact of AASB 9 implementation (Refer to note 1.a) [\$82m]

For the financial year beginning 1 July 2018, FlexiGroup adopted Australian Accounting Standard AASB 9 *Financial Instruments* (AASB 9), which replaces Australian Accounting Standard 139 *Financial Instruments: Recognition and Measurement* (AASB 139). The three key areas of AASB 9 are classification and measurement of financial instruments, the impairment model, and hedge accounting.

The Group has included disclosure in note 1.a to provide an understanding of the expected impact of adopting AASB 9. The standard requires the Group to make further detailed disclosures in the financial statements in the year of adoption, which will be the year ended 30 June 2019.

Under the new AASB 9 impairment model, losses are recognised on an expected credit loss (ECL) basis which incorporates forward-looking information that reflects the Group's view of potential future economic events. The increased complexity requires FlexiGroup to develop new models that use significant judgements and require an increase in the data inputs.

We considered this a key audit matter because:

- the models used to calculate ECLs (ECL models) are inherently complex and judgement is applied in determining the correct construct of model to be applied
- judgement is applied in determining the most appropriate information and datasets to be used as inputs to the models

We have performed the following procedures, amongst others:

- examined and assessed the ECL model developed by the Group, including using PwC credit modelling experts in considering the key judgements and assumptions supporting the ECL against the requirements of AASB 9.
- together with PwC credit modelling experts, assessed the reasonableness of forward-looking information incorporated into the impairment calculations by challenging the forecasts, assumptions and probability weightings applied in the multiple economic scenarios, and comparing on a sample basis against supporting evidence where applicable.
- assessed the integrity of data used as inputs into the models by tracing a sample of inputs used in the models to source systems and calculations
- considered the accuracy and reasonableness of the modelled calculations by re-performing the ECL calculations, on a sample basis.
- assessed the post-model adjustments in the context of the key model and data limitations identified by the Group, considered their rationale and recalculated, where necessary.



Key audit matter

How our audit addressed the key audit matter

- there are a number of key assumptions made by the Group concerning the values of inputs to the models (e.g. statistical assumptions used to determine forward looking loan probability of default and discount rates) and how inputs correlate with one another.

Current tax liabilities and deferred tax liabilities (Refer to notes 1.g and 7) [\$12.7m and \$13.1m, respectively]

FlexiGroup was subject to taxation in each location in which it operated. The assessment of the amounts expected to be paid to tax authorities was considered initially by FlexiGroup at a local level and then reviewed centrally, with consideration given to particular tax positions in certain jurisdictions.

In some cases, the treatment of tax positions required judgement related to the determination of temporary and permanent differences, tax treatment for different locations as well as the impact of business combinations.

We considered this to be a key audit matter due to the extent of judgement involved by the Group.

Our procedures included evaluating the analysis performed by FlexiGroup which set out the basis for judgements made in respect of the ultimate amounts expected to be paid to tax authorities.

We used our understanding of the business, assisted by PwC tax specialists, and where applicable, read a risk-focused selection of correspondence with tax authorities to assess the completeness and quantum of the provisions for tax.

We considered the likelihood of additional tax exposures occurring.

We assessed the appropriateness of FlexiGroup's disclosure in the financial report in light of the requirements of Australian Accounting Standards.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2018, including Performance highlights, Chairman's report, CEO's report, Executive team, Directors' report, Corporate governance statement, Sustainability report, Shareholder information and Corporate directory, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



Responsibilities of the directors for the financial report

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

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 43 to 66 of the Directors' report for the year ended 30 June 2018.

In our opinion, the remuneration report of FlexiGroup Limited for the year ended 30 June 2018 complies with section 300A of the *Corporations Act 2001*.



Responsibilities

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.

PricewaterhouseCoopers

Rob Spring
Partner

Sydney
26 September 2018

SHAREHOLDER INFORMATION

The shareholder information set out below was applicable as at 13 September 2018:

a. Distribution of equity securities

Class of equity security

A\$m	Ordinary shares		Options	
	No. of holders	No. of shares	No. of holders	No. of shares
1 – 1,000	2,107	1,072,110	-	-
1,001 – 5,000	3,692	10,177,906	-	-
5,001 – 10,000	1,482	11,051,133	-	-
10,001 – 50,000	1,483	30,308,933	-	-
50,001 – 100,000	165	11,423,831	-	-
100,001 and over	113	310,243,265	-	-
Total	9,042	374,277,178	-	-

There were 592 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	
	Numbers held	Percentage of issued shares%
The Abercrombie Group Pty Ltd	90,766,593	24.25
HSBC Custody Nominees (Australia) Limited	76,035,258	20.32
J P Morgan Nominees Australia Limited	41,472,750	11.08
Citicorp Nominees Pty Limited	31,616,511	8.45
BNP Paribas Nominees Pty Ltd	21,812,963	5.82
National Nominees Limited	13,884,652	3.71
Behan Superannuation Pty Ltd	4,745,524	1.27
Warbont Nominees Pty Ltd	3,195,750	0.85
Mr Brendan Charles Behan & Mrs Dawn Helen Behan	2,660,000	0.71
BNP Paribas Noms (NZ) Ltd	1,887,414	0.50
Brazil Farming Pty Ltd	1,573,477	0.42
S M & R W Brown Pty Ltd	1,200,000	0.32
Timsim Holdings Pty Ltd	830,000	0.22
Mr Dennis John Banks	572,871	0.15
Mrs Kirsty Amanda Gold	489,687	0.13
Mr Peter Raymond Davies	420,000	0.11
Mr John Chinseng Chew	400,000	0.11
Mr Andrew Charles Darbyshire & Mrs Catherine Jane Darbyshire	391,583	0.10
Bond Street Custodians Limited	379,061	0.10
Charles Low Investments Pty Ltd	370,000	0.10
Total	294,704,094	78.74

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	1,877,690	31

The Company has no other unquoted equity securities.

c. Substantial holders

Substantial holder in the Company is set out below:

	Numbers held	Percentage %
The Abercrombie Group Pty Ltd	90,766,593	24.25

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, performance rights and subordinated perpetual notes

No voting rights.

CORPORATE DIRECTORY

Directors

Andrew Abercrombie (Chairman)
Christine Christian (Deputy Chairman)
Rajeev Dhawan
Jodie Leonard
Carole Campbell

Secretary

Elizabeth Wray

Notice of Annual General Meeting

The Annual General Meeting of FlexiGroup Limited will be held at the Sydney offices of PwC, at One International Towers, Watermans Quay, Barangaroo, NSW, 2000 at 4.00pm on 15 November 2018.

Principal registered office in Australia

Level 7, 179 Elizabeth Street, Sydney
NSW, 2000 Australia

Share Register

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

Auditor

PricewaterhouseCoopers
One International Towers Watermans Quay, Barangaroo,
NSW, 2000 Australia

Solicitors

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

Bankers

Australia and New Zealand Banking Group

Stock Exchanges listing

FlexiGroup Limited shares are listed on the Australian Securities Exchange under the code FXL

Website

www.flexigroup.com.au



FLEXIGROUP[✕]

