



FLEXIGROUP

Annual Review 2016

We make it possible

Every day, FlexiGroup connects people to the things they need for work and home.

Determined to be different, we deliver innovative and tailored financial solutions that support relationships of value and opportunity.

Introduction

About FlexiGroup

FlexiGroup is a diversified financial services group with products and services available through a network of over 20,000 merchant, retail and online partners within Australia, New Zealand and Ireland. We provide a range of innovative finance products and payment solutions for home, personal and commercial use.

Operating at the point a buyer and a seller connect, our financial services are used to refurbish a home, equip a business, finance travel experiences, improve energy efficiency or to support general lifestyle, health and fitness activities.

Operations this year have seen the Group enter the New Zealand Cards market and significantly expand its New Zealand presence with the completion in March of the Fisher & Paykel Finance Holdings Limited (F&P Finance) acquisition. Additionally FlexiGroup announced in May that it was discontinuing the non-core business units of Blink, Think Office Technology (TOT) and Flexi Enterprise and is redeploying capital to businesses with the strongest competitive advantage and highest returns.

Leading into financial year 2017 the Group is more streamlined and better placed to leverage strong core businesses to drive profitable, organic growth.

About this report

The 2016 Annual Review is a summary of FlexiGroup's operational and financial performance for the financial year ended 30 June 2016. See the 2016 Annual Report for full financial details.

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.

All dollar figures are expressed in Australian dollars unless otherwise stated and Ireland results are incorporated within the AU Leasing segment.

Unless otherwise stated references to 'Receivables' refers to Closing Receivables. References to 'Cash NPAT' relate to cash net profit after tax and excludes amortisation of acquired intangibles \$3.7m (FY15: \$3m), deal acquisition costs \$5.6m (FY15: \$1.9m), impairment of TOT goodwill \$8.5m, fixed assets written off \$12.3m and additional receivables provisioning \$16.7m. FY15 also excludes one-off residual value loss in Enterprise business of \$2.5m. Further detail is available in Note 3 Segment Information on page 55 of the 2016 Annual Report.

Key Highlights

$97m

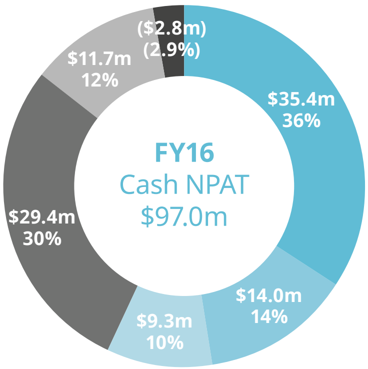
Cash NPAT
Cash NPAT $97m, solid growth of 8% in line with expectation. Reported statutory NPAT of $50.2m

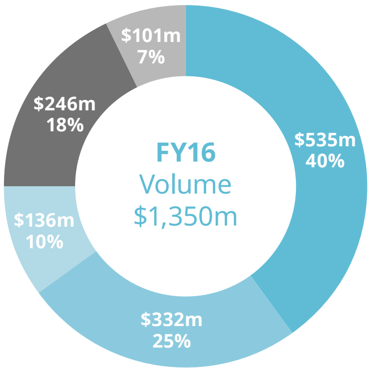
19%

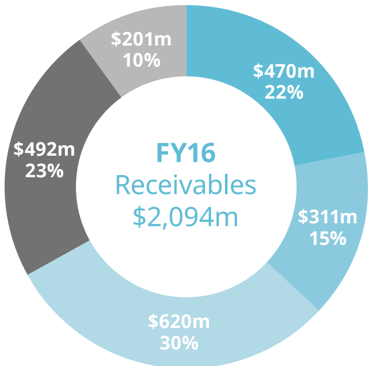
Volume
Volume growth of 19% to $1,350m

47%

Receivables
Receivables growth of 47% to $2,094







No Interest Ever
AU Cards
NZ Cards
AU Leasing
NZ Leasing
Net corporate debt costs

14.5c

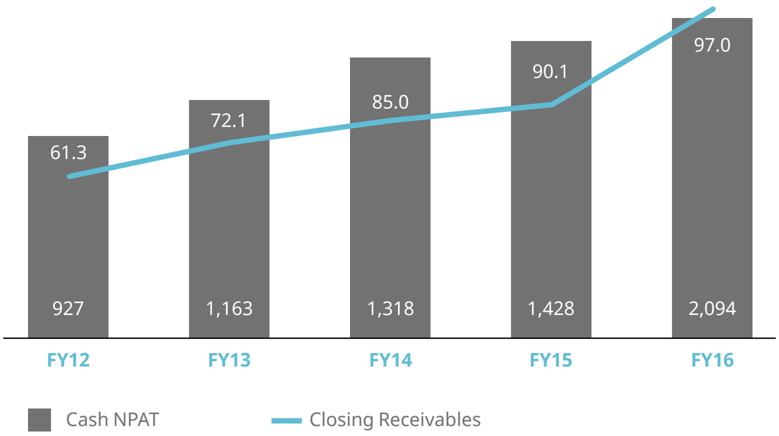
Annual Dividend Payout
14.5 cents per share (fully franked) at 56% of Cash NPAT

NZ Cards
Entered the NZ Cards market through the strategic acquisition of Fisher & Paykel Finance

Cards momentum
Strong growth momentum for Cards will continue as a major agreement, signed with the Flight Centre Group, will drive significant volume in FY17

Consistent Cash NPAT and Receivables growth

(Cash NPAT CAGR growth of 12% over 4 years)



Business Snapshot

FLEXIGROUP

$2,094m Total receivables

1,055m Total customers

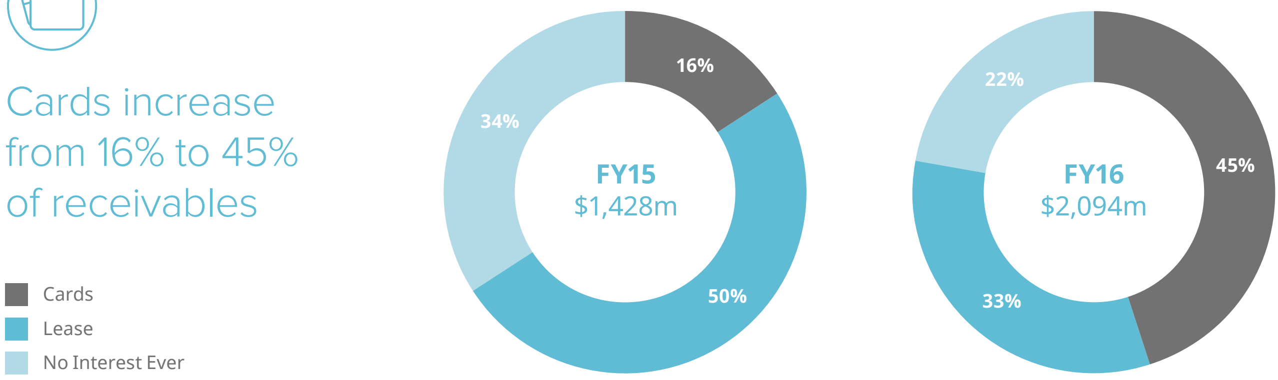
Country	Products	Brands	Description and key segments	Key metrics
Australia	No Interest Ever	certegy ezi-pay	Retail and homeowner "No Interest Ever" payment plan. Key segments: domestic solar, home improvement and high margin retail. 1.5 million customers have used product.	$470m receivables 307,000 customers
Australia	AU Cards	Lombard; Once agile	Retail point of sale Interest Free Cards. Visa Card subsequently used for everyday retail purchases. Key segments: major furniture retailers, travel and home improvement.	$311m receivables 122,000 customers
Australia	AU Leasing	FLEXI RENT; FLEXI COMMERCIAL	Leasing – retail point of sale and commercial programs. Key segments: technology and home appliance retailers, brokers, and commercial equipment vendors.	$492m receivables 170,000 customers
New Zealand	NZ Leasing	FLEXIRENT Finance Solutions; equico Funding Technology; trl leasing technology finance	Leasing – point of sale, commercial and education. Key segments: education and government sectors, technology vendors.	$201m receivables 51,000 customers
New Zealand	NZ Cards	Q; Farmers; Q CARD	Retail point of sale Interest Free Cards. Mastercard and store cards subsequently used for everyday retail purchases. Key segments: major retailers, technology, furniture and travel.	$620m receivables 405,000 customers

FlexiGroup has transitioned and emerged with a dominant presence in the New Zealand market and with growth momentum in the Cards business as scale continues to build.

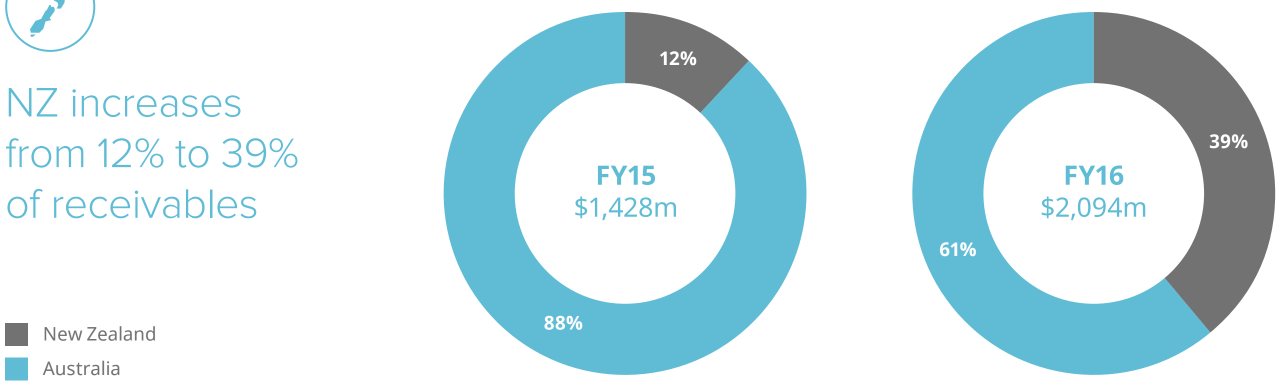
Discontinuing businesses can be challenging; however there is reward to be gained from a more streamlined company with a clearer focus.

The business mix is transitioning by both product and geography

Cards increase from 16% to 45% of receivables



NZ increases from 12% to 39% of receivables



Chairman's Report

"FlexiGroup's key competitive advantage has always been in high volume, small ticket transactions, ensuring that when a buyer and seller connect we offer a payment method that adds value to both."

The Board was delighted in February to welcome Symon Brewis-Weston as CEO to the Group. He has a strong international financial services background with a deep understanding of consumer and business markets in Australia and New Zealand. Symon is a great cultural fit for FlexiGroup and is like minded on the fundamental importance of our supplier relationships and how they relate to our customers.

He has quickly adapted to the business and the Board is pleased to report a solid year. FlexiGroup entered the New Zealand Cards market through the strategic acquisition of Fisher & Paykel Finance, crossing the $2 billion receivables mark for the first time in FlexiGroup's history.

Cash NPAT grew 8% to $97.0 million, in line with the updated guidance provided in May 2016. Cash NPAT growth is underpinned by diversification, organic growth, successful acquisitions and the implementation of funding strategies to reduce costs.

Statutory NPAT for the year was $50.2 million, incorporating non-cash and one-off adjustments, including deal and integration costs from the Group's acquisition of Fisher & Paykel Finance, and impairments and provisioning from discontinued operations.

The total annual shareholder dividend was 14.5 cents (per share) at 56% of Cash NPAT, delivering a yield of 8.3% based on the closing share price as at 30 June 2016. This was paid after the Board declared a fully franked final dividend of 7.25 cents. The dividend per share was lower than the prior year due to shares issued as part of capital raised in November 2015 (22% of issued share capital).

FlexiGroup's key competitive advantage has always been in high volume, small ticket transactions, ensuring that when a buyer and seller connect we offer a payment method that adds value to both.

When viewed from that perspective the decision to exit non-core activities such as Enterprise and Blink mobile broadband was unavoidable. While the rationale for entering those markets was, at the time, compelling and produced strong results, when those external conditions were no longer favourable these businesses became a distraction from core activities.

Now more streamlined, the Group is focused on organic growth from the high value businesses of: Cards, Leasing and Certegy. The combined opportunities presented by New Zealand Cards, the Flight Centre agreement and the Australian Commercial business are currently providing strong growth stimulus that is expected to continue.

The outlook for financial year 2017 estimates Cash NPAT between $90 million and $97 million, after targeted growth investments. These investments are in line with strategy and are focused on delivering improved returns on invested capital, include growing Ireland, Commercial Lease and Oxipay. The dividend payout is forecast to remain at 50-60% of Cash NPAT.

While M&A opportunities will continue to be considered if deemed the right fit, the Group's key focus will be on delivering profitable organic growth. Our strong channel partner relationships, digital origination capabilities, proven credit algorithms and diversified funding sources continue to provide FlexiGroup with a deep competitive advantage. Combined with our one million strong business and consumer customers, we have a clear path to continue providing consistent profit and returns.

On behalf of the Board I would also like to thank David Stevens and Peter Lirantzis who as acting CEOs provided strong leadership until Symon's commencement.

Andrew Abercrombie
Chairman

CEO's Report

"The strategy is simple: realise the full benefits of diversification by driving scale and organic growth in high return core businesses through sales effectiveness, customer focus relationship management and execution."

Having joined FlexiGroup in February, I have observed a company that, following a sustained period of diversification, was high in energy but with a number of untapped growth opportunities. In what is normally a traditional market, Flexi has cemented a unique identity and continues to impress me with its ability to think and act differently. While the Group maintains a strong competitive advantage in the high volume, small ticket finance space, the sales culture had become diluted across the Group and required reinvigoration to increase effectiveness. Similarly the organisation had drifted from a relentless focus on customers.

As CEO, I believe I add the most value by directing energies to the areas of highest impact. Accordingly, in conjunction with the Board, the decision was made to focus our resources on businesses with the highest competitive advantage and the strongest returns and to accept the challenges and subsequent write-downs associated with discontinuing the non-core activities of Enterprise, Blink and TOT.

Ultimately the strategy is simple: realise the full benefits of diversification by driving scale and organic growth in high return core businesses through improved sales effectiveness, customer focus, relationship management and execution.

As a result FlexiGroup is becoming a simpler and more cohesive company, focused on driving organic growth through quality execution to optimise the Group's full earning potential. We will continue to measure success based on our ability to create high quality relationships that deliver more opportunities and benefits for all our stakeholders.

"We will continue to measure success based on our ability to create high quality relationships that deliver more opportunities and benefits for all our stakeholders."

Following our activities in the 2016 financial year I am pleased to report the following highlights:

- Cash NPAT growth of 8% to $97 million was in line with expectations and continues a track record of consistent, solid results with a four year compound annual growth rate of 12%.
- Receivables passed the $2 billion mark for the first time, up 47% to $2,094 million; and new business volumes of $1,350 million were up 19% delivering strong total portfolio income growth of 16% to $396.4 million.
- Growth momentum continued in the AU Cards business which achieved volume growth of 40% this year. Following a competitive tender process the Group was delighted, to recently sign a significant new agreement with the Flight Centre Travel Group which is expected to commence delivering significant volumes in the 2017 financial year.
- FlexiGroup has been significantly transformed with the acquisition in March of F&P Finance. We have entered the New Zealand cards market and substantially expanded our trans-Tasman presence as the receivables originating from New Zealand increased from 12% to 39%. Additionally, our product mix has also transitioned, as Cards receivables increased from 16% to 45% of the Group total.
- Capital is being redeployed from discontinued non-core businesses to drive profitable organic growth from core businesses with the highest returns and strongest competitive advantage: Cards, Leasing and Certegy.
- The Commercial finance offer has been rebuilt and is tracking ahead of expectations as the pipeline of new business is growing. The value proposition and sales processes have been enhanced and several new introducer agreements have been signed.

$2bn

Total Receivables
Passed the $2 billion mark for the first time, up 47%

22%

Cash flow growth
Operating activities deliver strong cash flow growth of 22% to $147.4 million

39%

Strong trans-Tasman presence
Receivables originating from New Zealand increased from 12% to 39% of the Group

Solid results from a more streamlined business

The Group's operating activities delivered strong cash flow growth of 22% to $147.4 million. Segment performance (excluding F&P Finance) was solid with volume growth of 7%. NZ Leasing and AU Cards remained drivers of growth and performed strongly with 63% and 40% volume growth respectively.

Exiting non-core businesses impacted AU Leasing volumes which reduced 14%. It is anticipated that the winding down of Enterprise volume will be offset over time, as the Commercial finance offer (re-labelled from SME Leasing) has been rebuilt and is building sales success.

Certegy increased Cash NPAT by 3% while volume decreased 3% to $535 million due to the closure of a number of merchants. Additionally, expansion into the New Zealand market was suspended given the product and merchant synergies resulting from the acquisition of F&P Finance. Pleasingly solar volumes remained stable and market share was increased in this sector.

Growth from innovative, low cost opportunities

In line with the strategy to invest for growth, in August 2016 FlexiGroup completed the acquisition of a 15% equity interest in Kikka Capital for $2 million. Kikka provides growth capital to small and medium businesses, via a revolving line of credit. Using a credit decisioning engine that assesses the cash flow of a business in real time to determine the loan size and interest rate, Kikka can approve a loan online in seven minutes. By partnering with Kikka, FlexiGroup will be able to offer its established commercial customers unsecured loans (up to $100,000) to grow and expand their businesses.

Recognising an increasing consumer demand for a no cost, low value payment solution (similar to lay-by) FlexiGroup has developed Oxipay, providing a new low touch, consumer friendly payment option. Available in-store and online, customers can pay for purchases in four easy payments with no fees and no interest. Retailers experience a higher basket size and avoid the costs of self-funding customer lay-bys.

The Group will utilise the existing Certegy back end platform to facilitate speed and a low cost to market. The sales teams will cross-sell Oxipay to existing FlexiGroup merchants and use it to fuel new merchant relationships in previously untapped channels.

A clear focus will drive organic growth

Exiting non-core businesses allows our sales and marketing effort to be directed to areas of high impact. The Group can focus on improving sales effectiveness and on nurturing partner relationships to drive organic growth, and it is expected that:

- The AU Cards business growth momentum will continue as the strategic partnership with Flight Centre began roll-out in September 2016 and will provide significant increased customer activations to drive scalable, lower cost operations.

  The product and marketing teams will be expanded as there is considerable scope to optimise card usage and revenue opportunities. We will manage the customer lifecycle by:

  - leveraging data insights to drive portfolio profitability;
  - adopting the customer segmentation approach developed in NZ Cards; and
  - develop a test and learn program to identify customer behavioural drivers across segments.

- The NZ Cards business will continue to develop in line with expectations as synergies continue to be realised. It is expected that volumes will increase from a reinvigorated sales culture and from the broader appeal of the Q Mastercard, (a recently introduced Scheme card) that will continue to roll out through financial year 2017.
- In AU Leasing the rebuild of the Commercial product offer will continue to progress, as a proven commercial finance leadership team recruited to focus on operational and sales processes successfully delivers a clearly defined value proposition in targeted sectors. Additionally the Kikka partnership provides new product and technology opportunities that can be leveraged.

“With a dedicated focus in key areas the intrinsic FlexiGroup sales culture is again driving results and the sales pipeline is building.”

- FlexiGroup will invest in an Ireland expansion as the business has operated there for eight years, is profitable and is approaching critical mass. The Irish economy continues to recover strongly from the GFC, and there is minimal competition within point of sale finance where FlexiGroup is currently the only provider of point of sale rental/lease product.

  Significant opportunity exists to roll out a point of sale ownership product as multiple major retailers are requesting a finance product that suits a broader market and many have well established relationships with FlexiGroup in Australia and New Zealand. Achieving 10% penetration in these retailers represents approximately a €100 million opportunity.
- No Interest Ever (Certegy) will see VIP/repeat volume momentum continue with customers’ increasing use of digital engagement. A new Ezi-Living product recently launched will target the high value/low risk home renovation sector. Additionally, energy storage for domestic solar systems is expected to gain traction as we leverage existing dealer and customer solar relationships.

It is pleasing to see that with a dedicated focus the intrinsic FlexiGroup sales culture is again driving results and the sales pipeline is building. We are well positioned to leverage NZ Cards and new contract wins across the Group; while new products (Oxipay and Kikka) leverage technology and provide opportunities in new channels and demographics.

Relationships are at the heart of our business and I would like to thank the Board, the hardworking Flexi team, our suppliers and all key stakeholders who help create such a high energy and welcoming environment.

Symon Brewis-Weston
Chief Executive Officer

Segment Results

Australia

Segment Results

AU Cards

	Volume ($m)	Closing Receivables ($m)	Cash NPAT ($m)
Change	↑ 40%	↑ 34%	↑ 14%
FY16	332	311	14.0
FY15	237	232	12.3

The Cards business is a strong driver of growth for the Group and momentum is expected to continue following strong volume growth of 40% to $332 million.

New business volumes increased $95 million from increases in both interest free originations and card spend. The Group has seen a strong uplift in new customer acquisitions as new retail partner agreements were initiated throughout the year and penetration with existing partners increased.

Consequently the number of active customers increased 18% to 122,000 and receivables of $311 million drove Cash NPAT growth of 14% to $14 million. An enhanced card proposition was delivered successfully and, following a focus on customer engagement, an increase in card activations drove a 33% improvement in card spend.

Increased customer numbers and a 15% growth in interest bearing receivables supported net portfolio income growth of 17% to $39.4 million. The rate of impairment losses remained steady at 3% and is in line with expectations and the prior year. A 20% increase in operating expenses to $10.9 million reflects the growth in the size of the overall cards portfolio and the increase in new business activity.

Growth Outlook

Following a competitive tender process the Group signed an agreement with the Flight Centre Travel Group (FCTG) in August 2016. The Group was well placed in the tender process given a longstanding successful relationship with one of FCTG's key retail brands, Escape Travel. With solid relationships, existing channel experience and a clear understanding of the FCTG culture the sales team is rolling out to the additional 1,090 agencies confident that the significant volumes expected from this partnership will quickly accelerate in the 2017 financial year.

Volume growth is the lead indicator to future NPAT growth as customers revolve through the initial interest free period to interest bearing and card account utilisation. FCTG will provide scale and has the potential to more than double the Group's Card business' revenue and profitability over the next several years.

The F&P Finance acquisition (apart from driving scale for the New Zealand business), will allow FlexiGroup to consolidate the existing Interest Free Cards businesses and leverage the F&P Finance Cards expertise in areas such as customer segmentation.

Increased penetration and access to new channels will be delivered as there is scope to evolve technology to provide a more seamless point of sale solution and to provide integration to an online shopping cart.

Launched in September, FlexiGroup's new payments product, Oxipay, provides a new low touch, consumer friendly payment option. Available in-store and online, it is expected to particularly appeal to the millennial generation, for purchases below $1,000.

Australia

Segment Results

AU Leasing

(including Ireland)

	Volume ($m)	Closing Receivables ($m)	Cash NPAT ($m)
Change	↓ 14%	↓ 11%	↓ 23%
FY16	246	492	29.4
FY15	285	552	38.4

The Australia Leasing business was impacted by the decision to exit non-core businesses; volumes reduced 14% primarily due to the winding down of the Enterprise volumes.

Sales volume decreased by 14% to $246 million, driving an 11% decrease in receivables to $492 million.

Cash NPAT decreased 23% to $29.4 million primarily driven by lower receivables and as point of sale profitability continued to be impacted by decreasing retail technology pricing and consumer trends.

The rebuild of Commercial (re-labelled from SME Leasing) continued with the value proposition and sales processes further enhanced in the fourth quarter. During the second half, Commercial margins improved and volumes stabilised at $25 million. It is anticipated that Enterprise volume will be offset over time, as the Commercial finance offer continues to build on sales success.

The drop in receivables decreased net portfolio income by 5% to $124.2 million; this has been partly offset by an improved product yield mix, improved funding costs and stronger fee income. Operating expenses increased by 49%, driven by a write-down on systems primarily within the Enterprise portfolio and the impairment of goodwill relating to the TOT business.

Growth Outlook

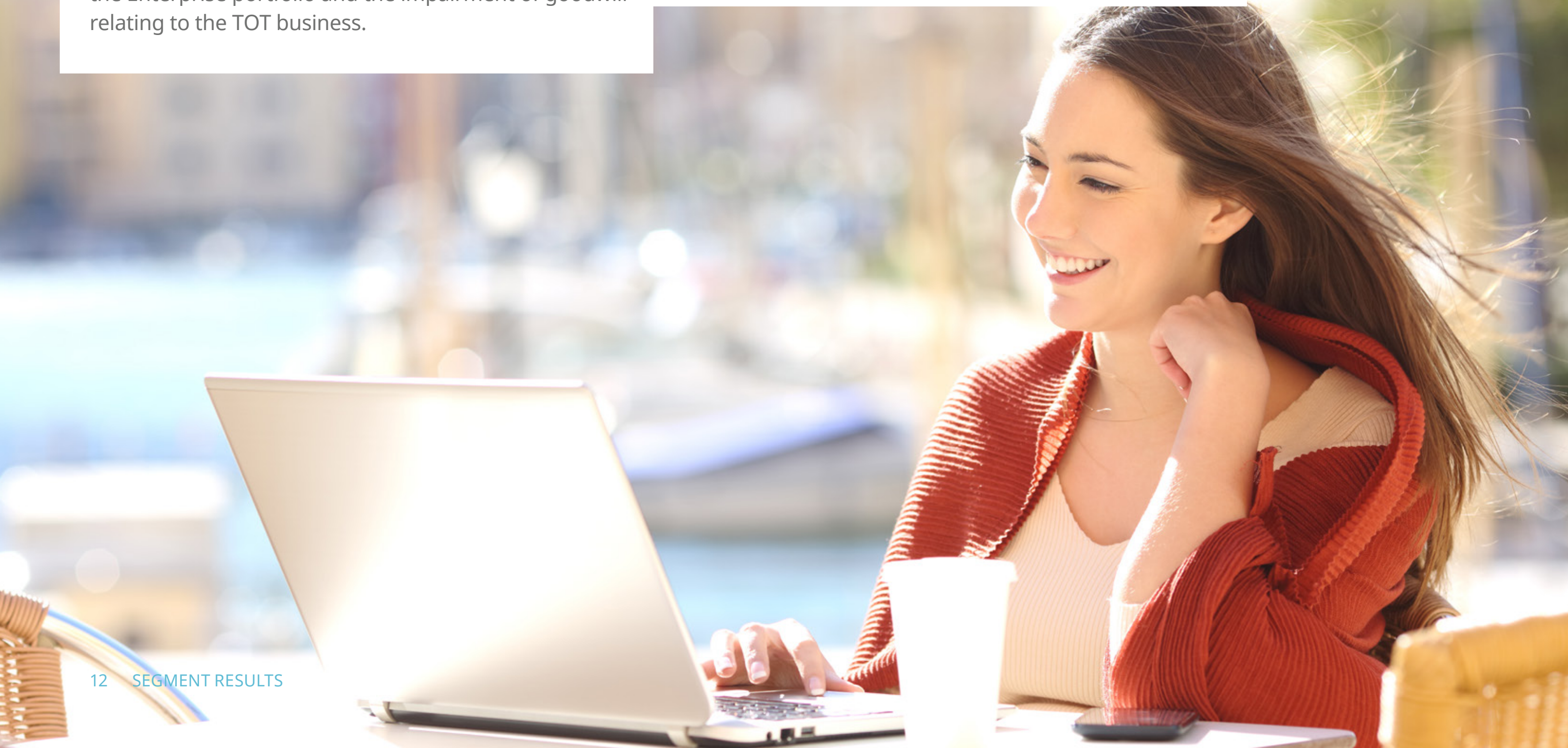
Work has been undertaken to revitalise the point of sale business. There are opportunities to improve the penetration levels of key channels with refreshed product offerings and an enhanced customer value proposition. This will support a program of work undertaken to focus on customer engagement and lifetime customer value and designed to drive repeat business volumes.

The Group will continue to expand its online capabilities with further developments planned for digital integration with channel partners.

The increased focus and investment in the rebuild of the Commercial business is progressing strongly. A proven commercial finance leadership team recruited to focus on operational and sales processes is delivering sales success as new and reworked products (with a clearly defined value proposition) are targeted to specific sectors.

Additionally the Commercial team will look to leverage the new technologies being trialled through the Kikka product and the deep commercial lending experience of the New Zealand Leasing business.

The Irish economy continues to recover strongly from the GFC, and there is minimal competition within point of sale finance. FlexiGroup has now operated in Ireland for eight years; the business is profitable and is approaching critical mass. The Group will invest to expand and capture market opportunity.



Australia

Segment Results

No Interest Ever (Certegy)

	Volume ($m)	Closing Receivables ($m)	Cash NPAT ($m)
Change	↓ 3%	↓ 2%	↑ 3%
FY16	535	470	35.4
FY15	552	478	34.4

Certegy remains the largest profit centre of FlexiGroup with Cash NPAT of $35.4 million comprising 36% of the Group's total.

Volume decreased 3% to $535 million as a number of merchants ceased trading throughout the year, and expansion into the New Zealand market was suspended given the product and merchant similarities to the recently acquired F&P Finance where it is viewed better synergies exist. Pleasingly solar volumes remained stable at approximately $15 million per month and market share was increased as the industry continues to transition.

The VIP loyalty program initiatives demonstrate strong customer advocacy as these lower risk/higher margin customers significantly contribute to volume and continue to reach record levels through increased use of digital engagement.

Certegy reported Cash NPAT growth of 3%, despite the volume decline, due to tight control of costs through utilising the highly scalable platform. Operating expenses decreased by 9% to $27.1 million, as a result of: the increased digitisation of business processes, ceasing operations in New Zealand, removal of some sales support costs and more effective marketing activities through the use of electronic communications.

Net portfolio income increased by 4% to $97.3 million; this was primarily driven by a small increase in fee income and a reduction in funding costs. Certegy impairment losses increased to $19.9 million and are reflective of a general increase in losses combined with an impact from the cessation of the New Zealand operations. While impairment losses have increased, pricing is risk based and margins are being maintained.

Growth Outlook

In line with the corporate strategy, driving organic growth is Certegy's key focus for the 2017 financial year as it continues to leverage its customer facing platform. Currently over 90% of originations are digital with the smartphone app now used by over 100,000 customers. Leveraging these technologies there will be increased investment in direct consumer engagement across digital and traditional marketing platforms. Additionally online sales opportunities from the existing 4,600 merchant base will be identified and realised with shopping cart integration.

Certegy has long recognised the quality of the home renovation sector which generally drives high value, low risk applications. Accordingly a new product called Ezi-Living, with an expanded transaction limit, has been developed and launched in July 2016 to directly appeal to this sector.

Energy storage for domestic solar systems is a developing market. Battery storage is important for homes with no solar feed-in tariff to ensure they self-consume their solar energy, rather than letting it 'go to waste' by exporting into the grid at a low rate. While expected to have a low impact in financial year 2017, Certegy has the opportunity to leverage existing dealer relationships and its existing solar customers (circa 120,000) to ensure we are well placed as the market develops. Home battery storage prices are coming down, and the number of products available on the market has significantly increased since 2015.

New Zealand

Segment Results

NZ Cards

Volume	Closing Receivables	Cash NPAT
$136m	$620m	$9.3m

FlexiGroup enters the New Zealand Cards market through the strategic acquisition of Fisher & Paykel Finance, driving the Group's receivables past $2 billion.

New Zealand Cards, formerly Fisher & Paykel Finance (F&P Finance), is a leading provider of non-bank consumer credit in New Zealand and was acquired for a consideration of $284.9 million on 18 March 2016 and contributed Cash NPAT of $9.3 million for the four months ended 30 June 2016.

The integration is tracking to plan and is delivering the expected growth and synergies. Cards are a scale-driven business and F&P Finance has over 400,000 active cardholders across the Farmers Finance and Q Card brands, providing FlexiGroup with a trans-Tasman interest free cards offering and significantly enhancing the scale of the Group's New Zealand operations. FlexiGroup has access to new industry channels both in New Zealand and Australia, and a compelling proposition for retail partners.

Volume of $136 million over the period has been driven by new merchant partnerships and through securing exclusivity agreements with a number of key merchants. The receivables balance of $620 million has been driven by organic volume growth and the access to new merchant channels (food and fuel) for our cards.

Net portfolio income continued to grow over the four month period due to the increase in card volume, improved product yield mix and a lower cost of funds. During this time impairment losses have remained stable, with delinquency levels showing improvement. Operating expenses have decreased as the synergies resulting from the integration of New Zealand Cards have begun to be realised.

Growth Outlook

Migrating from limited, closed loop cards to a new Scheme card (Mastercard) is a key opportunity for this business and will significantly increase card acceptance across domestic, international and online merchants, whilst maintaining a key card feature of flexible interest free finance options.

The Q Mastercard roll-out has commenced and will continue through financial year 2017 and is expected to increase volumes and improve the cost to income ratio.

There is scope for further organic growth from the existing 12,000 merchants, as the sales culture is reinvigorated, and there are opportunities to launch co-branded cards with major retail partners to drive customer and partner loyalty.

New Zealand

Segment Results

NZ Leasing

	Volume ($m)	Closing Receivables ($m)	Cash NPAT ($m)
Change	↑ 63%	↑ 21%	↑ 67%
FY16	101	201	11.7
FY15	62	166	7.0

Strong growth of high quality receivables delivers Cash NPAT growth of 67% to $11.7 million in this well established commercial leasing business.

FlexiGroup is the #1 technology leasing business in New Zealand, following acquisitions in prior years of Equico and Telecom Rentals Limited (TRL). It expands again this year following the integration of the F&P Finance leasing arm, EFL.

Volume growth of 63% to $101 million has been achieved as the full integration benefits from these acquisitions continue to be realised. With a leading market position in the education leasing sector the Group was pleased to sign a two-year extension to the Ministry of Education's TELA contract which leases approximately 47,000 laptops to New Zealand teachers and principals.

Closing receivables growth of 21% to $201 million was driven by strong volume performance and the integration of the EFL business. This growth underpinned a net portfolio income increase of 68% to $31 million together with a strong end of term performance, particularly from the Equico portfolio.

Cash NPAT of $11.7 million is up 67% driven by: a full 12 months TRL ownership, strong receivables growth, continued low impairment rates and the continued realisation of synergies. Operating expenses grew by 76% to $14.6 million which was primarily due to the full-year impact of TRL expenses and the additional costs required to drive volume and receivables growth.

Growth Outlook

There is significant scope for organic growth as the diverse and integrated customer base offers substantial opportunity to deploy a 'direct to customer' sales model across all sectors. Plus further growth in the SME and Education sectors can be achieved as the Group works to increase penetration into large-scale existing vendor relationships.

Opportunity exists to leverage the existing Spark arrangement that provides a first right of refusal on commercial and corporate leasing for Spark customers and to enhance the relationship by deploying a managed service product offering to the large customer base.

Board of Directors

Symon Brewis-Weston

Non-Independent, Executive, Chief Executive Officer
BEc (Hons), MAppFin

Symon's appointment as CEO of FlexiGroup was announced on 24 November 2015 and he commenced on 8 February 2016. Symon has worked in banking for 15 years with 13 years' experience in senior leadership positions at the Commonwealth Bank of Australia (CBA). Prior to joining FlexiGroup, Symon was Chief Executive Officer, for 3 years, of New Zealand's largest life insurance company, Sovereign Assurance, which is a subsidiary of CBA. Previously, he was CBA's Executive General Manager of Corporate Financial Services.

Andrew Abercrombie

Chairman (appointed August 2015), Founding Director,
Non-Independent, Non-Executive, BEc, LLB, MBA

Andrew became a Director and CEO of the original Flexirent business in 1991. He was appointed a Director of the public Company for the IPO in November 2006.

Andrew is an experienced commercial and tax lawyer and was a founding partner in a legal firm operating in Sydney and Melbourne. Following several years in property investment and tax consulting, he co-founded the Flexirent business in 1991 and was Chief Executive Officer until 2003.

Special responsibilities: Member of the Nomination Committee and the Remuneration Committee.

R. John Skippen

Independent, Non-Executive, ACA

John was appointed a Director of FlexiGroup in November 2006. John has over 35 years' experience as a chartered accountant and has extensive experience in mergers and acquisitions, strategy, international expansion, property and taxation. John was previously the Finance Director and Chief Financial Officer of Harvey Norman Holdings Limited for 12 years.

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

Rajeev Dhawan

Independent, Non-Executive
BCom, ACA, MBA

Rajeev represented Colonial First State Private Equity managed funds ('CFSPE') on the Board of Flexirent Holdings Pty Limited from February 2003 to December 2004. Upon CFSPE's exit from Flexirent Holdings in December 2004, Rajeev continued in an advisory capacity to the Flexirent business.

Currently a partner of Equity Partners, Rajeev has 22 years' venture capital and private equity experience and has been a Director of a number of listed and unlisted portfolio companies.

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

Executive Team

With deep experience in sales, marketing, product, finance, technology, risk and human resources, our executives and broader leadership teams work with a common goal: To create more high quality relationships that deliver benefits to all our stakeholders.

Clockwise from left:

Symon Brewis-Weston
Chief Executive Officer

David Stevens
Managing Director NZ and
Group Chief Financial Officer

Peter Lirantzis
Chief Operations Officer

Jane Miskell
Group Head of HR

Matt Beaman
Group General Counsel
and Company Secretary

Rob May
Managing Director Certegy

Verity Gilpin
General Manager Sales




People and Community

FlexiGroup's purpose is to finance opportunities that connect buyers and sellers.

We want to create more opportunities for our customers to access goods and services that support their work and lifestyle. Our people bring this to life – and at FlexiGroup, we recognise how important our people are to the success of the business.

Performance and development

We are focused on building capability across our business areas that deal directly with our customers, as well as continuing our work in developing our leadership capability.

The SalesForce Effectiveness Program launched in 2016 is part of a broader development focus for our sales teams. The program rolled out nationally and impacts approximately 80 sales professionals. Blending theory with experiential learning, there is a heavy focus on relationship management and providing a best in class customer experience. The program continues to run into 2017.

For our contact centre the Learning Path program launched in 2016 has been designed to provide a structured, development focused, learning plan. The program aims to improve our customers' experience by enhancing our team's knowledge of key systems and processes as well as essential soft skills.

We have continued to invest in developing our leadership capability, with a structured 'Leadership Fundamentals' program launched in 2016. The program delivers modules across a range of leadership topics targeted at driving team performance and productivity. This program will continue in 2017.

Through our Performance Planning process each leader is trained and coached to deliver engaging conversations focused on both business results and behaviours. There is an expectation that both what we do and how we do it are equally important.

Engagement and wellbeing

FlexiGroup cares about the engagement and wellbeing of our employees. When our Sydney headquarters was recently relocated, a key priority in the design of the new space was creating an environment that supported collaboration, flexible working and also provided a shared area for employees to take a time out – all managed within a conservative budget. As a result, general engagement has lifted demonstrably and has enabled us to increase opportunities for employees to become involved in broader company information sharing sessions, leading to a greater sense of involvement and understanding of our strategic plans.

We continue to provide a range of benefits to our people, such as: the ability to work in flexible ways, the opportunity to purchase an additional week of annual leave, funding of social club activities and our FlexiBenefits program, which offers discounts across a broad range of retailers' products.

The Group is also committed to employee health and wellbeing. To provide support we have a number of policies and eLearning training modules in place to ensure we provide a safe work environment. We also provide our people access to an Employee Assistance Program, which includes benefits such as free professional and confidential counselling.

Community

We are passionate about providing our employees with opportunities that support the communities that we and our customers are a part of. We provide two volunteer days per year for our people to use to support charities or not-for-profit organisations. We encourage all of our team members to utilise these days, whether it's an organisation where they have a personal affiliation or one of our partner organisations from our 'i-care' program (our recently rebranded 'FlexiConnects' program).

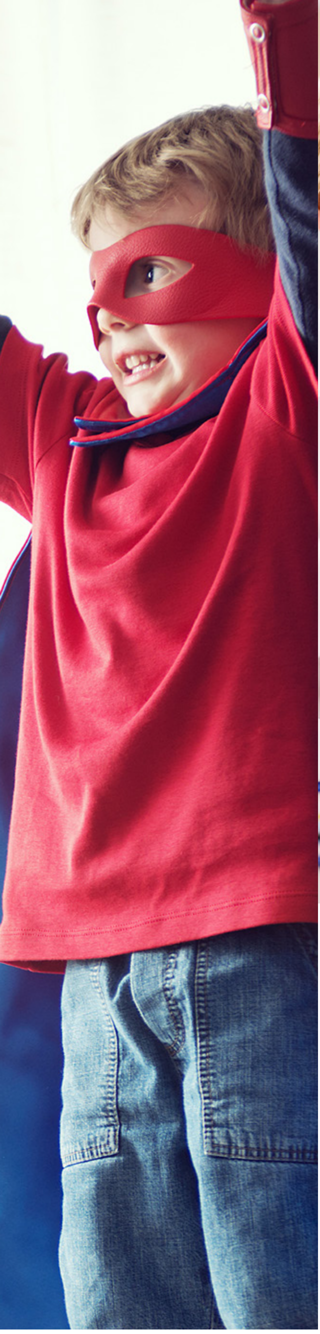
Our longstanding partnership with the Starlight Children's Foundation is an example of how we are involved with community initiatives – we provide call centre facilities and an employee who is dedicated to their day-to-day operational activities.

In addition to our daily support, we committed to hosting the Footy Show's September Starlight Telethon from our Sydney office. Following months of planning and preparation, over fifty of our employees volunteered their time to support the televised event.

FlexiGroup was proud to announce (in June) a partnership with the GWS GIANTS Care program which supports communities across Western Sydney by delivering Health, Harmony, Education and Employment initiatives.

As part of the program, the GIANTS players commit 4,200 hours to the community every year and are involved in a range of initiatives that are aimed at improving social cohesion, numeracy, literacy, health, environment, science, nutrition, youth employment and leadership.

FlexiGroup is 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. During the 2017 financial year, FlexiGroup employees will be provided with volunteering opportunities to support the program.





Corporate Directory

Directors
Andrew Abercrombie (Chairman)
Symon Brewis-Weston
Rajeev Dhawan
R John Skippen

Secretary
Matthew Beaman

Notice of Annual General Meeting
The Annual General Meeting of FlexiGroup Limited will be held at the Pullman Sydney Hyde Park, 36 College Street, Sydney NSW 2010 at 4pm on 22 November 2016.

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
Darling Park Tower 2
201 Sussex Street
Sydney NSW 2000
Australia

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

Bankers
Commonwealth Bank of Australia
Westpac Banking Corporation

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

Website
www.flexigroup.com.au