

FLEXIGROUP LIMITED
ABN 75 122 574 583

Interim Report - 31 December 2009

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The interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the Annual Report for the year ended 30 June 2009 and any public announcements made by FlexiGroup Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Your directors present their report on the consolidated entity consisting of FlexiGroup Limited and the entities it controlled at the end of, or during, the half-year ended 31 December 2009.

Directors

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

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

Company Secretary

David Stevens

Review of Operations

The consolidated revenue of the Group for the half year to 31 December 2009 increased by 14.5% from \$87.4million to \$100.1 million.

The consolidated net profit after tax was \$35.6m for the six months to 31 December 2009 (2008: \$14.6m). This increase was predominantly due to the Group completing its work (as detailed in Note 2 of FlexiGroup's 30 June 2009 Annual Report) in order to re-set the tax cost base of certain assets in the Group, following the creation of the new tax consolidation Group at the time of the initial public offering on 11 December 2006. The amount credited to the tax expense in the profit and loss account as a result of the re-setting of the tax cost base is \$17m.

Dividends

During the half-year a final ordinary dividend for the year ended 30 June 2009 of 3 cents per fully paid share was paid on 15 October 2009. Total amount paid was \$7,175,061.

The Directors also declare an interim ordinary dividend of 3 cents per fully paid ordinary share. This dividend is anticipated to be paid on 15 April 2010.

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 4.

Rounding of amounts

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

Matters subsequent to the end of half-year

No subsequent events have occurred since the balance sheet date.

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



Margaret Jackson
Chairman

Sydney
22 February 2010

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Auditor's Independence Declaration

As lead auditor for the review of FlexiGroup Limited and its controlled entities for the half-year ended 31 December 2009, I declare that to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review, and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

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



Rob Spring
Partner
PricewaterhouseCoopers

Sydney
22 February 2010

FlexiGroup Limited
Consolidated income statement
For the half-year ended 31 December 2009

Notes	Half-year 2009 \$'000	Half-year 2008 \$'000
Revenue from continuing operations	100,066	87,358
Borrowing costs	(24,966)	(23,954)
Employee benefits expense	(23,289)	(17,994)
Impairment losses on loans and receivables	(12,253)	(12,740)
Administration expenses	(6,764)	(5,863)
Depreciation and amortisation expenses	(2,385)	(1,927)
Communications and MIS expenses	(2,076)	(1,668)
Marketing and travel expenses	(1,930)	(1,757)
Profit before income tax	26,403	21,455
Income tax benefit/(expense)	9,177	(6,834)
Profit for the half-year	35,580	14,621

Earnings per share for profit attributable to the ordinary equity holders of the company:

	Cents	Cents
Basic earnings per share	15.7	6.4
Diluted earnings per share	15.1	6.4

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

FlexiGroup Limited
Consolidated statement of comprehensive income
For the half-year ended 31 December 2009

	Half-year 2009 \$'000	Half-year 2008 \$'000
Profit for the half-year	35,580	14,621
Other comprehensive income		
Exchange differences on translation of foreign operations	<u>(202)</u>	<u>809</u>
Other comprehensive income for the half-year, net of tax	(202)	809
Total comprehensive income for the half-year	<u>35,378</u>	<u>15,430</u>

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

FlexiGroup Limited
Consolidated balance sheet
As at 31 December 2009

	31 December 2009	30 June 2009
	\$'000	\$'000
ASSETS		
Current assets		
Cash and cash equivalents	68,098	52,583
Receivables	219,518	219,946
Customer loans	143,939	97,036
Current tax receivable	8,401	-
Inventories	3,859	5,019
Total current assets	443,815	374,584
Non-current assets		
Receivables	169,744	184,559
Customer loans	67,279	59,406
Plant and equipment	4,510	4,192
Deferred tax assets	8,200	7,356
Goodwill	79,876	79,876
Other intangible assets	14,434	14,453
Total non-current assets	344,043	349,842
Total assets	787,858	724,426
LIABILITIES		
Current liabilities		
Payables	33,856	31,487
Borrowings	290,545	276,984
Current tax liability	-	4,376
Provisions	1,071	1,009
Total current liabilities	325,472	313,856
Non-current liabilities		
Borrowings	289,140	265,499
Deferred tax liabilities	23,859	25,470
Provisions	522	522
Total non-current liabilities	313,521	291,491
Total liabilities	638,993	605,347
Net assets	148,865	119,079
EQUITY		
Contributed equity	35,645	35,262
Reserves	(1,965)	(2,963)
Retained profits	115,185	86,780
Total equity	148,865	119,079

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

FlexiGroup Limited
Consolidated statement of changes in equity
For the half-year ended 31 December 2009

Consolidated	Contributed Equity \$'000	Reserves \$'000	Retained Earnings \$'000	Total \$'000
Balance at 1 July 2008	34,272	(3,624)	67,997	98,645
Profit for the half-year	-	-	14,621	14,621
Other comprehensive income	-	809	-	809
Total comprehensive income for the half-year	-	809	14,621	15,430
Transactions with owners in their capacity as owners				
Share based payments	-	232	-	232
Contributions of equity, net of transaction costs	990	-	-	990
Dividends provided for or paid	-	-	(6,897)	(6,897)
Balance at 31 December 2008	35,262	(2,583)	75,721	108,400
Balance at 1 July 2009	35,262	(2,963)	86,780	119,079
Profit for the half-year	-	-	35,580	35,580
Other comprehensive income	-	(202)	-	(202)
Total comprehensive income for the half-year	-	(202)	35,580	35,378
Transactions with owners in their capacity as owners				
Share based payments	-	1,200	-	1,200
Contributions of equity, net of transaction costs	383	-	-	383
Dividends provided for or paid	-	-	(7,175)	(7,175)
Balance at 31 December 2009	35,645	(1,965)	115,185	148,865

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

FlexiGroup Limited
Consolidated cash flow statement
For the half-year ended 31 December 2009

	Half-year 2009 \$'000	Half-year 2008 \$'000
Cash flows from operating activities		
Lease rentals received	195,427	202,030
Customer loan repayments received	103,638	16,640
Bank interest received	1,792	3,075
Other portfolio income and rental asset disposal proceeds	43,884	32,224
Payment to suppliers and employees	(176,879)	(169,297)
Customer loans advanced	(148,536)	(57,736)
Borrowing costs	(24,966)	(23,661)
Net increase in borrowings	47,309	22,041
Loss reserve payments	(10,108)	(6,635)
Taxation paid	(6,053)	(6,414)
	25,508	12,267
Cash flows from investing activities		
Payments for purchase of software and plant and equipment	(2,816)	(3,454)
Payments for purchase of Certegy business	-	(18,360)
	(2,816)	(21,814)
Cash flows from financing activities		
Dividends paid	(7,175)	(6,897)
	(7,175)	(6,897)
Net increase/(decrease) in cash and cash equivalents	15,517	(16,444)
Cash and cash equivalents at the beginning of the period	52,583	59,426
Effects of exchange rate changes on cash and cash equivalents	(2)	352
	68,098	43,334

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

Note 1 Basis of preparation of half-year report

This general purpose financial report for the interim half-year reporting period ended 31 December 2009 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2009 and any public announcements made by FlexiGroup Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except as set out below:

Presentation of Financial Statements

The Group has applied the revised AASB 101 Presentation of Financial Statements with effect from 1 July 2009. The revised standard requires the separate presentation of a statement of comprehensive income and a statement of changes in equity. All non-owner changes in equity must now be presented in the statement of comprehensive income. As a consequence, the Group had to change the presentation of its financial statements. Comparative information has been re-presented so that it is also in conformity with the revised standard.

Segment reporting

The Group has applied AASB 8 Operating Segments from 1 July 2009. AASB 8 requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. This has required management to reconsider its basis for reporting segment information by considering the way in which the Group reports information internally to allocate resources and manage the business. After completing this analysis, the Group has determined that it continues to have only one operating segment.

Note 2 Critical accounting estimates

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below.

i. Estimation of unguaranteed residuals on leases

The Group estimates the value of unguaranteed lease residuals based on its prior experience for similar contracts.

ii. Allowance for losses

The Group estimates losses incurred on its loans and lease receivables in accordance with the policy set out in note 1 of FlexiGroup's 30 June 2009 Annual Report.

iii. Resetting of the Group's tax cost base

As a result of the creation of a new tax consolidation Group on 11 December 2006 following the acquisition of Flexirent Holdings Pty Limited by FlexiGroup Subco Pty Limited, the Group was required to reset for taxation purposes the tax cost base of each of its assets. In order to complete this task, the Group obtained a formal valuation of each asset, as well as tax advice on the process for resetting the tax cost base. A private ruling was also sought from the Australian Taxation Office before resetting its tax cost base. The amount credited to the tax expense in the profit and loss account for the current period as a result of the re-setting of the tax cost base was \$17 million. This amount represents a reasonable estimate and is not expected to be materially different from the final outcome.

iv. Assessment of impairment of goodwill and investment in subsidiaries

Under the accounting standards, the Group is required to perform an annual assessment as to whether there has been any impairment of its goodwill. In addition, the Group is required to perform an impairment assessment of other assets in the event it identifies an indicator of impairment. Based on the Group's assessment during the period, no impairment arises.

Note 3 Segment information

The Group has considered the following items in determining that it continues to have one operating segment at the current reporting date:

- The Group continues to be managed on the basis of key measures of Group operating results and not by individual locations or products
- The core business activities of the Group are centrally managed
- The Group's products and services are produced and distributed through similar channels and share common economic characteristics

The Group will continue to reconsider its assessment of these factors to determine if any additional disclosures are required under the accounting standards and interpretive guidance.

Note 4 Dividends

	Half-year ended 2009	Half-year ended 2008
	\$'000	\$'000
Ordinary shares		
Dividends provided for or paid during the half-year	7,175	6,897

Note 5 Equity securities issued

	2009		2008	
	No. of Shares ('000)	\$'000	No. of Shares ('000)	\$'000
Balance at the beginning of the half-year	227,948	35,262	224,948	34,272
Issue of ordinary shares during the half-year				
13 October 2008 - Issue of shares as part consideration for Certegy acquisition	-	-	3,000	990
15 September 2009 – Issue of shares to employees	273	383	-	-
Balance at end of half-year	228,221	35,645	227,948	35,262
Movement in treasury shares during the half-year				
Balance at the beginning of the half-year	10,948	3,564	520	519
Issues of deferred shares:				
2 December 2008	-	-	1,440	331
23 December 2008	-	-	7,500	1,725
Balance at end of half-year	10,948	3,564	9,460	2,575

Note 6 Contingencies

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

Note 7 Events occurring after balance sheet date

No significant events have occurred since the balance sheet date.

In the directors' opinion:

- a) the financial statements and notes set out on pages 5 to 12 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 31 December 2009 and of its performance for the half-year ended on that date; and
- b) there are reasonable grounds to believe that FlexiGroup Limited will be able to pay its debts as and when they become due and payable.

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



Margaret Jackson
Chairman

Sydney
22 February 2010

INDEPENDENT AUDITOR'S REVIEW REPORT

to the members of FlexiGroup Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial statements of FlexiGroup Limited, which comprises the balance sheet as at 31 December 2009, and the income statement, the statement of comprehensive income, statement of changes in equity and cash flow statement for the half-year ended on that date, other selected explanatory notes and the directors' declaration for the FlexiGroup Limited Group (the consolidated entity). The consolidated entity comprises both FlexiGroup Limited (the company) and the entities it controlled during that half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of FlexiGroup Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

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

Independence

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

Conclusion

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

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and of its performance for the half-year ended on that date; and

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



PricewaterhouseCoopers



Rob Spring
Partner

Sydney
22 February 2010