

Annual Report 2022



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Harmony

Helping more people
make a start.

We are Australasia's largest 100% online consumer-direct lender, delivering faster, fairer loans through our smart technology, powered by our proprietary technology platform Stellare[®]. Our deep consumer data and automation leads to lower customer acquisition costs, lower losses, lower funding costs, fixed opex and higher shareholder returns.

Our purpose is to help and inspire people to achieve their goals through financial products that are friendly, fair, and simple to use.

Our values describe what is important to us in our organisation and our relationships to each other and our customers. They are our publicly stated reference points for how we operate: Empathy, Pioneering, Impact, Integrity, Consistency.

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HMY 2022 Highlights

Pro Forma Performance.

Pro forma Group loan book grew to a record NZ\$685 million.

\$685m

Group Loan Book

Pro forma Cash NPAT+ delivered thanks to attractive net lending margin and scalable platform.

\$1.5m

Cash NPAT

Personalised rates and efficient funding producing an industry leading pro forma net interest margin.

12.1%

Net Interest Margin

Our pro forma Australian loan book reached a new milestone of A\$287 million, 113% growth on prior year.

A\$287m

Australian Loan Book

Group pro forma arrears continue to perform ahead of expectation and are at historical lows.

0.45%

Group 90+ Arrears

Harmoney's strong pro forma Net Lending Margin of 8.4% includes all lending related costs, including losses (charge-offs), demonstrating strength of underlying profit drivers.

8.4%

Net Lending Margin

Achievements.

Profitable

Cash NPAT Profitable

70%

New originations from Australian customers

3 of the “Big-4”

Diverse funding with warehouses from 3 of the “Big-4” banks

ABS

Launched our inaugural asset-backed securitisation programme

4.7/5

Customers rate us! Google & Shopper Approved scores of 4.7/5 from more than 45,000 reviews

86%

Employee Engagement score

4th

AFR Most Innovative Companies for 2021

94%

Warehouse funded



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Board of Directors



Paul Lahiff
Independent Chairman

Paul is a highly seasoned executive following 40 years of experience in financial services, encompassing a broad portfolio of Directorships. Paul currently sits on the Board of ASX-listed AUB Holdings, as well as payments company Sezzle Inc. He is also a Director of Australian neo-bank, 86 400 Holdings, and NESS Super. Paul was previously the CEO and Managing Director of Mortgage Choice (2003 – 2009), during which time he led its successful listing on the Australian Stock Exchange. He was also a former Managing Director at Permanent Trustee, and before that at Heritage Building Society. Paul brings a recent track-record of Chairmanships where he gained extensive capital markets, regulatory and governance experience from his time at Cuscal Limited; New Payments Platform (NPP) Australia; Australian Retail Credit Association; and RFI Group.

Paul chairs Harmony's Nomination and Remuneration Committee, and is a member of the Audit and Risk Committee.



Tracey Jones
Independent Director

Tracey is a professional director and family office adviser. She currently has a portfolio of governance roles in the commercial, not for profit and charitable sectors. She has significant investment, commercial, and governance experience having previously held executive roles in one of New Zealand's largest family offices. She is a chartered accountant, a member of the Chartered Accountants of Australia & New Zealand, and a member of the New Zealand Institute of Directors.



John Quirk
Independent Director

John has over 40 years of experience in the technology sector across international and multinational information technology companies. He has held key leadership roles, including the position of Chief Executive Officer (Asia Pacific) of MI Services Group, an international management consulting organisation and information systems company. For the past 20 years, he has specialised in strategic advisory to high-growth technology companies like Harmony.

John also has an extensive governance background, and has been actively involved in strategic, mentoring and M&A activity. Currently, he is Chair of Portainer.io, Cumulo9, Aeroqual, and has recently been appointed to the New Zealand Government's 'Strong Public Media' Establishment Board. Previous roles have included Chair of Kordia Group, Clearpoint Group, SMX Limited, FrameCAD Group, merlot.aero, WhereScape Software, Farm-IQ Systems and Axon Computers. John is a Chartered Member of the Institute of Directors.

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Monique Cairns
Independent Director

Monique joins Harmony with over 20 years of experience in strategy, communications, marketing and sales, across financial institutions and a range of sectors. She has a diverse governance experience with extensive shareholder engagement. She is currently the Deputy Chair of New Zealand Home Loans (“NZHL”), and the Chair of NZHL’s People and Culture Committee. Monique is also a Director of DEC International, Unitec Institute of NZ, Manukau Institute of Technology, and a Trustee of the NZ Portrait Gallery.

Monique owns Caribou, a consulting provider in New Zealand, providing business strategy, brand marketing and communication advice to clients from diverse industry sectors, including Fintech and personal lending. Monique’s unique experience across governance and marketing will provide valuable insights for the Harmony Board. Prior to her governance roles, Monique was the Chief Marketing Officer at GE Capital New Zealand, and the Head of Retail Sales Development and Customer Experience at the Bank of New Zealand. She is a member of the Australian Institute of Company Directors and the NZ Institute of Directors.



Neil Roberts
**Founder, Chief
Strategy Officer &
Executive
Director**

Neil founded Harmony, was CEO over 6 years driving the capital path, building culture, systems and processes that are intrinsic to Harmony’s success. Prior to that Neil was Head of Sales and Business Development at FlexiGroup, leading a team of 80 with sales of \$200m driving a \$30m profit. Neil founded the Direct Division of a listed New Zealand retail company, PRG Group, that sold personal loans to consumers and raised retail debentures to fund loans. Launched in 2001 PRF Direct, achieved \$3.2b in personal loan applications and \$1.2b in written personal loans over five years. Ultimately heading the business, Neil was responsible for over 400 staff and a balance sheet of \$750m in assets with forecasted PBT of \$50m six years later and prior to being sold to GE Money in 2006.



David Stevens
**Chief Executive Officer
& Managing Director**

David is a highly experienced public company CEO specialising in consumer and commercial finance in Australia and New Zealand. Before commencing with Harmony as CEO in 2019, David had most recently led a start-up consumer finance company, to ultimately securing a major equity stake in the business by a large Australian Bank in 2018. Prior to this, David served as CEO and CFO of Humm (formerly “FlexiGroup”) (ASX: “FXL” now “HUM”). In David’s nine years with FlexiGroup, he led a team of over 1,000 employees in the strategic growth of the business, through organic growth and M&A. What was a small company when he started, to becoming CEO of an ASX200-listed business. David also led the \$300m+ acquisition of Fisher & Paykel Finance and spent considerable time in New Zealand in the course of his work in the local side of the business.



From the Chair.

Paul Lahiff.

Dear Shareholders,

We began our journey eight years ago, with a humble vision to provide loans to people through a simple and easy online process that offered competitive rates using personalised risk-based pricing. By removing intermediaries and focusing on a direct value-based relationship with our customers, we disrupted the personal lending market, dominated by long standing established players. A rapidly growing number of customers across both Australia and New Zealand now see us as their personal lender of choice.

Key to this growth has been Stellare®, our pioneering, highly automated lending platform, which incorporates machine learning technology to gain insights from every application, helping more than 124,000 borrowers start something new.

Our strong customer reviews show why these customers return to us for their subsequent borrowing needs, and our direct relationship with them means that subsequent lending involves near zero additional marketing investment – a key component of Harmony's unique business model.

This year has been a significant year for Harmony, achieving many milestones, including delivering Cash NPAT profitability, and setting up the momentum to carry us into FY23 and beyond.

Changes to the Board with the addition of new diverse backgrounds and expertise.

First I'd like to thank David Flacks for his many years of dedication to Harmony. David joined Harmony in May 2014 when it was a start-up about to launch, and has continued through significant growth and changes in the Company, including Harmony's initial public offering in 2020. We wish him well in his retirement from the Harmony Board and thank him for his support and counsel. His contribution to Harmony's success has been significant and enduring.

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Following David's retirement, we welcomed John Quirk and Monique Cairns to the Board in August 2022 as non-executive directors. John is an experienced director specialising in strategic advisory to technology companies, whilst Monique manages a portfolio of governance roles with business advisory acumen. Both directors are highly experienced in governance and in their fields of expertise, and I look forward to their contribution to the Board and welcome them to the team.

Lastly, I wish to thank my fellow Board members, David Stevens (our CEO) and the Harmony team for their support, hard work, and dedication, and our shareholders for their ongoing support of Harmony.

A handwritten signature in black ink, appearing to read 'Paul Lahiff', written in a cursive style.

**Paul Lahiff,
Chair**



From the CEO. David Stevens.

Harmoney achieves Cash NPAT profitability in FY22

Harmoney's 100% consumer-direct model is fundamental to our business. We have built our success over the past eight years on the strong foundations of this unique model, and our proven ability to deliver sustainable growth. So it is pleasing that we reached an important milestone of Cash NPAT profitability in FY22 (as per our guidance), and expect the advantages of scale – from which our model benefits – to continue this momentum into FY23 and beyond.

Funding diversity

Despite some concerns about the impact of rising interest rates, our overall pro forma funding rates reduced by 180bps compared to last year – a reflection of our quality loan portfolio and diverse sources of funding, which include 3 of the 4 major Australian Banks. Our strategic approach to funding is the direct result of careful management and successful planning. In 2019, we began transitioning to warehouse funding, and are now 94% funded by warehouse facilities, with that number continuing to climb every day. We have adopted a prudent approach to management of our cost of funds, with 73% of floating rate borrowings hedged at 30 June 2022. The personalised, risk based, interest rates offered on our Stellare® lending platform have enabled us to pass on targeted rate increases to customers, further mitigating the impact of rising interest rates.

100% direct model driving customer numbers

Today, demand for Harmoney is stronger than any time in its history, with our platform attracting over 12,000 new customer accounts per month, underpinning the effectiveness of our 100% consumer-direct model. In FY22, our statutory net interest margin of 11.7% and net lending margin (after losses) of 9.3% shows that there is an appetite among customers seeking a superior customer experience combined with competitive personalised interest rates. Our sole focus remains on building a direct relationship with our customers – whether they are new to Harmoney or returning customers looking to get started on their next big thing.

Looking ahead, Australia's loan book is expected to surpass the New Zealand book this calendar year. Today Australia represents 70% of new customer loan originations, with 113% total loan book growth compared to the prior year and now representing 46% of the group pro forma loan book of NZ\$685 million. This has been achieved whilst retaining strong credit disciplines, with credit losses and arrears at historic lows.

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A substantial market with greater opportunities ahead

With strong growth momentum continuing, we are extremely confident in the trajectory for FY23 and beyond. We see a substantial market and significant opportunities for us to continue our growth and expect to report continuing improvement in our Cash NPAT as we scale the business. With the Australian market at nine times larger than New Zealand, the strategy will be to continue growth in the Australian market.

On behalf of the Management Team, I would like to thank my fellow Harmony colleagues for their work and dedication. I'd also like to extend my thanks to shareholders for their ongoing support. We look forward to another exciting year with a focus on our strategy and the exciting opportunities ahead.



**David Stevens,
CEO and Managing Director**

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Review of Operations

Financial performance

The table below sets out the statutory financial performance for the year compared with current and prior year pro forma financial performance. Harmoney has previously provided the pro forma results to provide a more comparable view of the Group's operating performance, normalising for differences in accounting treatment between warehouse and peer-to-peer funded loans while the Group was transitioning to warehouse funding. As the Group loan book is 94% warehouse funded at year end, subsequent annual reports will not include pro forma information.

A reconciliation of the statutory consolidated statement of comprehensive income is set out on page 22.

	Statutory Year ended 30 June 2022 \$'000	Pro forma Year ended 30 June 2022 \$'000	Pro forma Year ended 30 June 2021 \$'000	Pro forma Change \$'000	Pro forma Change % %
Interest income	73,624	90,590	78,560	12,030	15%
Other income	4,121	483	505	(22)	(4%)
Total income	77,745	91,073	79,065	12,008	15%
Interest expense	19,408	21,365	27,410	(6,045)	(22%)
Incurred credit losses	11,354	20,866	18,626	2,240	12%
Net lending margin	46,983	48,842	33,029	15,813	48%
Movement in expected credit loss provision	16,023	7,930	(436)	8,366	N/A
Net lending margin after loss provision	30,960	40,912	33,465	7,447	22%
Marketing expenses	22,067	22,067	16,475	5,592	34%
Verification and servicing expenses	5,514	5,514	4,006	1,508	38%
Net operating margin	3,379	13,331	12,984	347	3%
Personnel expenses	10,450	10,450	9,241	1,209	13%
Share-based payment expenses	2,930	2,930	4,078	(1,148)	(28%)
Technology expenses	4,459	4,459	3,245	1,214	37%
General and administrative expenses	4,281	4,281	7,728	(3,447)	(45%)
Depreciation and amortisation expenses	1,438	1,438	1,046	392	37%
Total indirect expenses	23,558	23,558	25,338	(1,780)	(7%)
Loss before income tax	(20,179)	(10,227)	(12,354)	2,127	17%
Income tax benefit	-	2,864	3,459	(595)	(17%)
Loss after income tax	(20,179)	(7,363)	(8,895)	1,532	17%
<i>Non-cash and other normalisation adjustments</i>					
Movement in expected credit loss provision	16,023	7,930	(436)	8,366	N/A
Share-based payment expenses	2,930	2,930	4,078	(1,148)	(28%)
Depreciation and amortisation expenses	1,438	1,438	1,046	392	37%
Borrower establishment fee rebate	-	-	4,000	(4,000)	(100%)
IPO expenses	-	-	3,172	(3,172)	(100%)
Income tax impact of adjustments	-	(3,444)	(3,321)	(123)	(4%)
Cash NPAT	212	1,491	(356)	1,847	N/A

For the year ended 30 June 2022 the Group reported a statutory Cash NPAT of \$0.2m and pro forma Cash NPAT of \$1.5m which are both significant improvements on the FY21 Cash Net losses after tax. The improvement in performance is attributable to a significant increase in net lending margin¹ which outstripped the increase in spending on direct costs, while indirect costs remained stable. Direct costs increased to support new customer originations with a 34% increase in Group marketing costs resulting in a more than tripling of new customer originations in Australia.

¹ Net lending margin is interest income less interest expense and incurred credit losses.

Loan originations

	Statutory Year ended 30 June 2022	Pro forma Year ended 30 June 2022	Pro forma Year ended 30 June 2021	Pro forma Change	Pro forma Change %
Total originations (\$'000)	472,364	472,364	255,457	216,907	85%
New customer originations (\$'000)	302,831	302,831	136,381	166,450	122%
Existing customer originations (\$'000)	169,533	169,533	119,076	50,457	42%
Number of originations	26,642	26,642	18,164	8,478	47%
Average value of new customer originations (\$)	22,111	22,111	19,383	2,728	14%
Average value of existing customer incremental originations (\$)	13,095	13,095	11,977	1,118	9%

Loan originations for the year were \$472m, an increase of \$217m (85%) on the prior year. The increase was led by new customer originations of \$303m, up 122% as the Group's proprietary Stellare® marketing model continued attracting record numbers of new customers 100% direct online. Existing customers added \$170m in growth originations, up 42% on prior year. New customer origination growth is the best indicator of upcoming existing customer origination growth, as new customers later return for future needs, at minimal additional marketing cost due to the direct customer relationship.

Loan origination by geography



Loan originations in Australia were \$267m, an increase of \$180m (207%) on the prior year. This provides a strong pipeline for future existing customer originations, which lag new originations, as those new customers later return, seeking to borrow for further needs. As the Australian portfolio grows and matures it is expected to trend towards the New Zealand origination mix where existing customer originations significantly exceed new customer originations. The early signs of this are already evidenced in these results where Australian existing customer growth was \$57m, an increase of \$34m (148%) on the prior year.

Loan originations in New Zealand were \$205m, an increase of \$36m on the prior year driven by a 27% increase in new customer originations and 17% increase in existing customer originations.

Portfolio

	Statutory Year ended 30 June 2022	Pro forma Year ended 30 June 2022	Pro forma Year ended 30 June 2021	Pro forma Change	Pro forma Change %
Loan book (period end) (\$'000) ¹	641,744	684,992	500,831	184,161	37%
Loan book (average) (\$'000) ¹	462,904	573,814	480,623	93,191	19%

¹ Pro forma includes warehouse and peer-to-peer funded loans

The statutory loan portfolio ended the year at \$642m, being 94% of the pro forma loan book. This increase represents a more than 100% increase in warehouse funded loans from the prior year, with the Group having successfully executed on its strategy to transition to warehouse funding. The pro forma loan portfolio grew to \$685m, an increase of \$184m, driven by marketing investment and resulting strong growth in Australia, with the Australian proportion of the total portfolio reaching 46%, up from 29% at 30 June 2021.

Portfolio by geography



Net lending margin

	Statutory Year ended 30 June 2022	Pro forma Year ended 30 June 2022	Pro forma Year ended 30 June 2021	Pro forma Change	Pro forma Change %
Average interest rate (%)	15.9%	15.8%	16.3%	(50bps)	N/A
Funding debt (period end) (\$'000)	623,231	666,419	482,192	184,227	38%
Funding debt (average) (\$'000)	429,338	540,163	473,376	66,787	14%
Warehouse funded % of book (period end) (\$'000)	100%	94%	61%	33%	N/A
Warehouse funded % of book (average) (\$'000)	100%	81%	44%	37%	N/A
Average funding rate (%)	4.5%	4.0%	5.8%	(180bps)	N/A
Net interest margin (%)	11.7%	12.1%	10.6%	150bps	N/A
Incurred credit loss (\$'000)	11,354	20,866	18,626	2,240	12%
Incurred credit loss to average gross loans (%)	2.5%	3.6%	3.9%	(30bps)	N/A
Net lending margin (%)	9.3%	8.4%	6.8%	160bps	N/A

Statutory interest income for the year was \$73.6m, a 96% increase on prior year statutory, driven by both overall loan portfolio growth and the average warehouse funded percentage growing from 44% in the prior year to 81% this year, reaching 94% by 30 June 2022. Pro forma interest income for the year was \$90.6m, an increase of \$12.0m, driven by loan portfolio growth.

The statutory average interest rate, which represents interest income as a percentage of the portfolio was 15.9%, down slightly on the prior year, with stronger growth in the Australian proportion of the portfolio, where interest rates (and funding costs) are lower. Harmony's personalised, risk-based pricing model provides targeted pricing flexibility in a dynamic interest rate environment. In response to rising interest rates this year, in April Harmony passed through a weighted average interest rate increase of more than 100bps on new lending, with no reduction in demand.

The statutory average funding rate, which represents interest expense as a percentage of the average funding debt was 4.5%, being the funding rate of warehouse funding through the year.

Statutory incurred credit loss, which represent actual losses on loans written off during the period, were \$11.4m. Incurred credit loss to average loan portfolio, which represents incurred credit loss as a percentage of the portfolio, was 2.5%. Arrears continued at historic lows, with Group 90+ day arrears of 45bps at 30 June 2022, down from 58bps at 30 June 2021.

Harmony achieved a statutory net lending margin of \$47m, a 90% increase on prior year statutory, fuelled by significant loan book growth. During the year Harmony added two new "Big-4" bank warehouse facilities and issued its inaugural asset backed securitisation.

Credit provisioning

	Statutory Year ended 30 June 2022	Pro forma Year ended 30 June 2022	Pro forma Year ended 30 June 2021	Pro forma Change	Pro forma Change %
Movement in expected credit loss provision (\$'000)	16,023	7,930	(436)	8,366	N/A
Provision rate (%)	4.9%	5.3%	5.6%	(30bps)	N/A

The Group's statutory expected credit loss (ECL) provision at 30 June 2022 was \$31.9m, representing 4.9% of the portfolio, consistent with the statutory provision rate of 4.9% at 30 June 2021.

While the provision rate is consistent, there has been a slight decrease in the underlying loss experienced offset by a slight increase in the overlay applied. The overlay applied by management adjusts for future macroeconomic factors not incorporated within the base provisioning model. The increase reflects the current levels of economic uncertainty as both Australia and New Zealand work through inflation and interest rate tensions.

Direct expense metrics

	Statutory Year ended 30 June 2022	Pro forma Year ended 30 June 2022	Pro forma Year ended 30 June 2021	Pro forma Change	Pro forma Change %
Marketing to origination ratio	4.7%	4.7%	6.4%	(1.7%)	N/A
Verification & servicing to origination ratio	1.2%	1.2%	1.4%	(0.2%)	N/A
Marketing to income	28.4%	24.2%	20.8%	3.4%	N/A
Verification & servicing to income	7.1%	6.1%	4.6%	1.5%	N/A

The Group's direct expenses are those that drive, or are driven by, the level of customer activity, being marketing and customer verification and servicing.

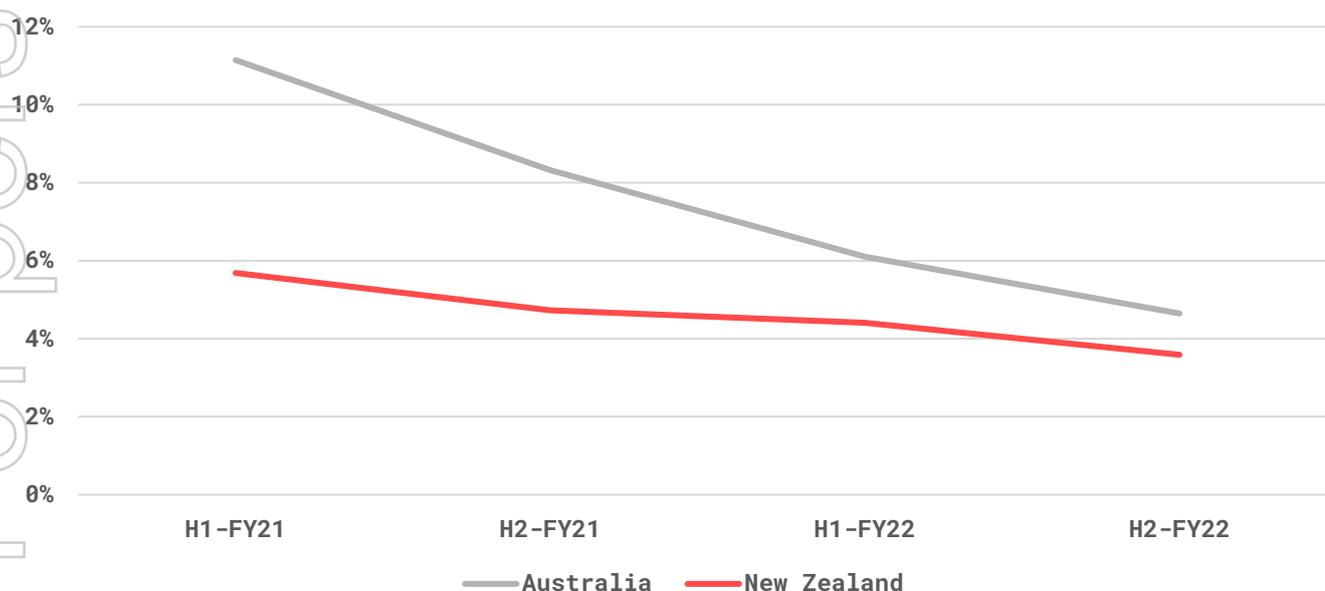
Marketing expenses increased to \$22m in the year from \$16.5m in the prior year. The 34% increase resulted in a 3 times increase in the statutory Australian loan book as the marketing cost to origination ratio continues to improve.

Customer verification and serving costs increased to \$5.5m in the year from \$4m in the prior year on increased originations.

A consequence of Harmony's direct to consumer model is that marketing expenses are recognised when incurred, rather than over the expected life of the loan, causing these costs to significantly lead the associated interest income. Accordingly, Harmony believes that for marketing expenditure the cost to origination ratio is a better measure of efficiency, comparing the expenditure in the period to the loans originated in the period.

For Harmony, the timing difference between marketing expenditure and the revenue that it generates is compounded with Harmony's ability to generate subsequent originations from existing customers for little or no additional marketing expense, due to the direct relationship with the customer. The chart below illustrates that in the longer established New Zealand portfolio, where originations from existing customers are a much higher proportion of total originations, the marketing expense to total originations ratio has been significantly lower, however the Australian ratio is clearly trending towards this.

Marketing to originations ratio



Indirect expense metrics

	Statutory Year ended 30 June 2022	Pro forma Year ended 30 June 2022	Pro forma Year ended 30 June 2021	Pro forma Change	Pro forma Change %
Personnel to income ratio	13.4%	11.5%	11.7%	(20bps)	N/A
Technology to income ratio	5.7%	4.9%	4.1%	80bps	N/A
General and administrative to income	5.5%	4.7%	6.2%	(150bps)	N/A

Personnel expenses (excluding share-based payments) increased to \$10.5m in the year from \$9.2m in the prior year on a full year of increased investment in engineering resources, following Harmony's initial public offering in FY21, to accelerate enhancements to Harmony's proprietary Stellare® technology platform, as well as increased costs to attract and retain talent in a constrained labour market.

Technology costs increased to \$4.5m in the year from \$3.2m in the prior year driven by costs associated with capability enhancements to the Group's proprietary Stellare® platform including further cloud infrastructure capacity.

Administrative expenses decreased to \$4.3m in the year from \$4.9m in the prior year, with the reduction primarily driven by lower costs associated with establishing new funding structures, with the Group now able to leverage investments made in this area in prior periods.

Statutory to pro forma reconciliation

The table below sets out the pro forma adjustments applied to the statutory consolidated income statement by line, for the year ended 30 June 2022 and the prior comparable period. The pro forma adjustments are consistent with those made in the Group's prospectus dated 30 October 2020 ('Prospectus') and are intended to provide a more meaningful view of the Group's operating performance, normalising for differences in statutory accounting treatment between warehouse and peer-to-peer funded loans.

	Year ended 30 June 2022			Year ended 30 June 2021		
	Statutory	Pro forma	Pro forma	Statutory	Pro forma	Pro forma
	\$'000	Adjustments \$'000	\$'000	\$'000	Adjustments \$'000	\$'000
Interest income ¹	73,624	16,966	90,590	37,643	40,917	78,560
Fee income ²	3,638	(3,638)	-	659	(659)	-
Other income ³	483	-	483	845	(340)	505
Total income	77,745	13,328	91,073	39,147	39,918	79,065
Interest expense ⁴	19,408	1,957	21,365	9,647	17,763	27,410
Impairment expense ⁵	27,377	1,419	28,796	13,072	5,118	18,190
Marketing expenses	22,067	-	22,067	16,475	-	16,475
Verification and servicing expenses	5,514	-	5,514	4,006	-	4,006
Personnel expenses ⁶	13,380	-	13,380	13,248	71	13,319
Technology expenses	4,459	-	4,459	3,245	-	3,245
Depreciation and amortisation expenses	1,438	-	1,438	1,046	-	1,046
General and administrative expenses	4,281	-	4,281	7,728	-	7,728
Loss before income tax	(20,179)	9,952	(10,227)	(29,320)	16,966	(12,354)
Income tax benefit ⁷	-	2,864	2,864	2,286	1,173	3,459
Loss after income tax	(20,179)	12,816	(7,363)	(27,034)	18,139	(8,895)

Notes:

- In the statutory income statement, loans funded via warehouse facilities are recorded on-balance sheet, while loans funded via the Group's peer-to-peer trusts are "derecognised" for accounting purposes. As the Group is transitioning to full warehouse funding, this creates income statement comparability issues between periods. As such a pro forma adjustment has been made to present the income statement consistently with recognition of peer-to-peer funded loans on-balance sheet, indifferent to funding sources. In the statutory income statement, for loans funded by the Group's peer-to-peer trusts, expected lifetime fee income is recognised on loan origination, in contrast with warehouse funding where interest income and interest expense are recognised over the life of the loan. The interest income adjustment recognises interest income earned during the period from peer-to-peer funded loans.
- For the reasons set out in note 1, the fee income adjustment removes fees earned from peer-to-peer funded loans with establishment fees being recognised in the pro forma income statement through interest income over the expected life of the loan and peer-to-peer lender fees being recognised in the pro forma as a deduction from interest expense. The fee income adjustment also reclassifies borrower dishonour and late fees to other income in the prior comparable period.
- In the prior comparable period only, the other income adjustment reclassifies borrower dishonour and late fees from fee income in the statutory income statement to other income in the pro forma income statement and, for consistency with the pro forma income statement presented in the Prospectus, removes non-recurring benefit of the Wage Subsidy Scheme in New Zealand and the JobKeeper wage subsidy in Australia.
- For the reasons set out in note 1, the interest expense adjustment recognises net interest paid to peer-to-peer lenders after deducting impairments and fees owed to the Group and, for consistency with the pro forma income statement presented in the Prospectus, for the prior comparable period only removes the interest expense relating to the corporate debt facility, which was repaid prior to the IPO.
- For the reasons set out in note 1, the impairment expenses adjustment recognises, for peer-to-peer funded loans, both actual incurred credit losses and the movement in expected credit loss provision during the period.
- For consistency with the pro forma income statement presented in the Prospectus, for the prior comparable period only, the personnel expenses have been adjusted to remove the net impact of the non-recurring benefit of the Wage Subsidy Scheme in New Zealand and the JobKeeper wage subsidy in Australia and salary reductions taken by employees.
- The income tax benefit adjustment represents the cumulative income tax expense on the pro forma adjustments at an effective income tax rate of 28%.

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Environmental, Social and Governance

**Underlying everything we do at
Harmony is a belief in technology's
ability to build better futures. It's the
inspiration behind our company's
purpose, and a constant reminder
of the broader influence of the
products we build, and of what we
can achieve together.**



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Harmoney was founded in 2014 with a conviction that things could be done better. The promise of technology and a growing ability to create direct relationships with customers online had the potential to usher in a brave new world of financial services that put people squarely in the middle.

To that end, we have focused on a simple but powerful concept – that access to the right financial services at the right time can be transformational. Not just for customers, but for their families, and their communities. By starting with personal loans and stripping away complexities customers faced with traditional personal lending, we've been able to do just that. All the while ensuring we continue to meet or exceed responsible lending and credit performance standards.

Since 2014, we've approved over 124,000 loans. These loans have helped people start (or complete) the things that are important to them, such as home renovations (\$411m), simplifying debt (\$773m), getting a car (\$162m), or an education (\$25m). We've helped customers get married (\$35m), get healthy (\$29m), or grow their business (\$78m).

And our work at Harmoney is making the process of getting a loan fairer: innovations such as our credit scoring and pricing engine have opened up access to affordable personal loans to many people previously excluded from such products.

We also have programmes for customers who find themselves needing support when circumstances change, and a highly trained team to nurture and support them. Our customer feedback practices promote the customer voice within the company, and our complaints policy ensures customers know they have options and a place to turn to should they need it.

Our enviable Employee Engagement Score is the result of conscious and consistent focus on the needs of our employees. In particular, the responsiveness and flexibility needed to help people navigate the demands of the last couple of years. A record Employee

Engagement score this year is in large part thanks to the efforts and resources outlined in this report.

Likewise, employee diversity across gender and nationality are the result of a conscious effort to obtain benefits that only come from harnessing a broad range of different experiences, perspectives, and ideas. This commitment is also reflected in our latest Board appointments.

This report details Harmoney's commitment to the highest levels of ethical and responsible governance. These extend beyond our own extensive internal policy framework to compliance with the recommendations of the ASX Corporate Governance Council, and the adoption of a new Governance Framework.

Finally, due to our focus on providing a 100% online experience for customers, and supporting remote work flexibility for employees, the environmental impacts of our workplace environment have minimal material impact. However, we are conscious that every bit counts as we strive to achieve global emissions targets and seek to reduce negative impacts on our natural environment. We are playing our part and eager to continue this effort.

Harmoney is pleased to submit this, our first ESG summary. We are fully committed to sharing the Company's ESG efforts and approach in line with ESG principles and have appointed a member of the leadership team as Harmoney's ESG officer. Harmoney also welcomes the climate reporting standards in development by the External Reporting Board (XRB). We look forward to sharing our continued progress.

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Environment.

FOCUS AREAS	ACHIEVEMENT / PROGRESS SO FAR	ONGOING
Our impact on the environment	<ul style="list-style-type: none"> We understand the climate-related risks facing our planet and that all businesses have an impact on the environment. We are committed to playing our part in the transition to a low carbon future. As a 100% online consumer-direct personal lender we are proud that we have maintained limited direct environmental impact. We support remote working and flexibility, which reduces commutes and associated emissions, as well as make extensive use of video conferencing, reducing the need for business travel and the emissions associated with that. 	<ul style="list-style-type: none"> We are committed to exploring product developments that help and inspire our stakeholders to also adopt low and zero carbon alternatives.
Climate change	<ul style="list-style-type: none"> We have fully offset our measured carbon emissions through Ekos NZ for FY22 and are committed to reducing emissions in future years. This year no direct (Scope 1)¹ emissions were generated. Very low indirect emissions were generated with 22 CO₂e tonnes² total actual measured (Scope 2 & 3)³ emissions, and further 20 CO₂e tonnes (Scope 3) estimated emissions, for the year ended 30 June 2022. These were all fully offset through the purchase of certified carbon credits. The Harmony office has also received a 4 Green Star rating from the NZGBC (New Zealand Green Building Council) with sustainable features that lower environmental impact. 	<ul style="list-style-type: none"> We are committed to further enhancing our understanding of both upstream and downstream carbon emissions and working to reduce or eliminate these. Many of our key suppliers have already made environmental commitments: <ul style="list-style-type: none"> Google has been carbon neutral since 2007 and has made a commitment to operate on 24/7 carbon-free energy by 2030. Amazon Web Services has a goal of 100% renewable energy-powered operations by 2025. Salesforce has net zero residual emissions and has achieved 100% renewable energy offsets for their operations. They are aligned to a global trajectory of -50% emissions reductions by 2030, and to near-zero absolute emissions by 2040. Harmony will be complying with the XRB's Climate-related Disclosure Standards (once published), with the first year of reporting under the standards expected in FY24.
Waste management	<ul style="list-style-type: none"> The Harmony office has onsite recycling facilities (paper and cardboard) reducing overall landfill waste. 	<ul style="list-style-type: none"> Harmony will continue to generate ongoing awareness with our teams about utilising the recycling facilities in the building to ensure effective and responsible waste management.

¹Scope 1 emissions are direct greenhouse gas (GHG) emissions from sources owned or controlled by the entity.

²Carbon dioxide equivalent (CO₂e) is the universal unit of measurement to indicate the global warming potential of each of the seven GHGs, expressed in terms of the global warming potential of one unit of carbon dioxide for 100 years. It is used to evaluate releasing (or avoiding releasing) any GHGs against a common basis.

³Scope 2 emissions are indirect GHG emissions from consumption of purchased electricity, heat, or steam. Scope 3 emissions are other indirect GHG emissions not covered in scope 2.

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Social.

FOCUS AREAS	ACHIEVEMENT / PROGRESS SO FAR	ONGOING
Customer commitment	<ul style="list-style-type: none"> We aspire to enable consumers from all walks of life to access our financial services offerings in ways that simplify their use and lessen the anxiety of getting approved for credit. Harmoney achieves this by having a broad-based online application process that utilises modern technology to assess creditworthiness on the basis of reliably sourced financial data with machine learning developed scoring systems ensuring product suitability. In doing so Harmoney follows the law, regulatory guidance and its own internal policies and procedures to ensure to the best of its ability that customer information and financial wellbeing is secure. Harmoney has also successfully implemented ISO10002-2014 standards enabling Harmoney to continually improve how we handle customer feedback and complaints. 	<ul style="list-style-type: none"> Continuous process and product development to improve customer experience. Utilising Net Promoter Score to measure customer satisfaction and comments. We operate a Feedback & Complaints Committee who meet monthly to ensure there is regular review of the effectiveness of our processes for addressing customer feedback and complaints and promptly identify any emerging trends.
Innovation of products	<ul style="list-style-type: none"> Harmoney has a Product Governance Framework in place, adhering to the Design and Distribution Obligations guidance from ASIC in Australia and aligned to the FMA view of conduct ensuring suitable and targeted financial products and including support through periods of financial difficulty for customers. Harmoney has developed and adopted stringent measures to secure and protect financial and credit-related customer data through internal policies, regular system and application penetration testing by an external third party, and high levels of data encryption and security. Improving access to financial services across all consumer segments - applying technology with credibility and trustworthiness. Creation of a 100% online application makes finance accessible to those unable to access a branch network or meet face-to-face. 	<ul style="list-style-type: none"> Harmoney embraces a culture of developing products and product features to deliver good consumer outcomes for the market they were designed for, including support through periods of financial difficulty. Harmoney will continue to address and combat financial crime through the use of biometric identification processes, contributing information to the industry wide Shared Fraud Database and actively reporting any suspicious matters to AUSTRAC and FMA, while also engaging with other relevant governmental departments.

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FOCUS AREAS	ACHIEVEMENT / PROGRESS SO FAR	ONGOING
Employee benefits	<ul style="list-style-type: none"> We pride ourselves on being a high growth innovative fintech company with close to 90 full time employees across Australia and New Zealand. We have created a purpose-driven culture built around learning, development, knowledge sharing, empowerment, and encouraging collaboration and contribution. We regularly review our employee value proposition against market practice to attract and retain staff with the right skills and values. At Harmony, we balance reward and recognition as a way to build cohesion, belonging and respect within our teams, and to celebrate successes. While recognition awards are often light-hearted and fun, they play an important role in fostering our Harmony team culture. 	<ul style="list-style-type: none"> We conduct regular reviews of remuneration, rewards and benefits to ensure these remain fair and competitive.
Training	<ul style="list-style-type: none"> Harmony employees are provided with the time and support they need to pursue and grow their skill set. We use a complete performance management platform, development plans and an effective survey platform where individuals can discover areas of focus. An annual training budget encourages each employee to explore their potential and be certified in their field of expertise. 	<ul style="list-style-type: none"> We encourage our employees to host demo days, partake in public tech events and provide them with opportunities for growth including monthly lunch and learn events to build leadership skills, encourage teamwork and create a workplace of communication and collaboration.
Health and Safety	<ul style="list-style-type: none"> Since the 2020 COVID-19 lockdown we have adopted company-wide partial remote working in addition to flexible work arrangements. With consideration of wellbeing and attrition we created a retention strategy focusing on: <ul style="list-style-type: none"> Hiring the right people Creating an accessible work environment Easing employees' work-life balance Facilitating training programmes for employee growth Cultivating our Harmony team spirit Harmony also offers a comprehensive benefits programme, including for example wellness days, to support a productive workforce that can help customers have positive experiences. 	<ul style="list-style-type: none"> We conduct regular anonymous employee surveys to gather honest and up-to-date feedback on employee satisfaction levels. We have a clear purpose and vision with highly engaged employees (86%). This high score is reflective of employees' commitment and connection with Harmony and its purpose and values.
Modern Slavery	<ul style="list-style-type: none"> Harmony is aware that modern slavery can exist in all aspects of business. We are currently reviewing the Modern Slavery reporting framework and will be undertaking the necessary steps to develop Harmony's Modern Slavery Statement. Harmony is currently not required to report under Australia's <i>Modern Slavery Act 2018</i> but we expect to commence reporting in FY23. 	<ul style="list-style-type: none"> Harmony operates in accordance with an established Code of Conduct that is periodically reviewed and endorsed by the Board of Directors ("the Board"), to ensure the company maintains high ethical standards. Our Audit and Risk Committee also plays a key role in overseeing the company's exposure to social risks.

Governance.

FOCUS AREAS	ACHIEVEMENT / PROGRESS SO FAR	ONGOING
Governance framework	<ul style="list-style-type: none"> Since listing on the ASX in November 2020, Harmony has elected to comply with all of the ASX Corporate Governance Council's "Corporate Governance Principles and Recommendations (4th Edition)" (the ASX Recommendations). Harmony also publishes a Corporate Governance Statement on its website (at https://www.harmony.com.au/investor), which sets out the details of its practices with respect to the ASX Recommendations, which was last updated on 30 June 2022. 	<ul style="list-style-type: none"> Harmony's company policies are regularly reviewed by external providers (such as law firms, auditors, and AML specialists) and kept up to date.
Stakeholder engagement	<ul style="list-style-type: none"> Establishment of an Investor Centre on the Harmony website to provide information about our Board members, business results, governance information and other Harmony news. In addition to our customer communication channels, establishment of a dedicated shareholder email address to facilitate enquiries and the provision of feedback. A characteristic of our Product Governance Framework is the methodical qualitative surveying of consumers to identify market needs and demands to be incorporated into product offerings. Harmony has a Complaints and Internal Dispute Resolution Policy to ensure consistent handling of customer queries. 	<ul style="list-style-type: none"> In accordance with its policy, Harmony acknowledges feedback from all sources, and will respond to customer feedback and complaints in a timely manner. Harmony also has a Feedback and Complaints Committee which meets regularly, for identifying patterns in customer feedback, systemic issues, and areas for improvement. Material matters are reported to the Board.
Risk and opportunity	<ul style="list-style-type: none"> Harmony is committed to the development and implementation of a risk and compliance assurance testing program. Harmony conducts regular automated and manual audits, both internally and externally, and these will be further aligned and augmented under this program. A newly established Compliance Manager role has been recruited to develop the program. The Audit and Risk Committee reviews and approves Harmony's risk management system (including policy and framework) for identifying, assessing and managing financial and non-financial risk. A review of Harmony's risk management framework was undertaken by the Committee during FY22. The framework, inclusive of ESG risk, is reviewed quarterly. 	<ul style="list-style-type: none"> Harmony plans to revise its enterprise-wide risk framework and focus on 'risk to people' as a mechanism for better analysing not just ESG risk but risk as a whole. The redesign of the framework will accommodate improved visibility of risks and opportunities in ESG.

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FOCUS AREAS	ACHIEVEMENT / PROGRESS SO FAR	ONGOING
Ethics	<ul style="list-style-type: none">• Harmoney's corporate governance framework includes a Code of Conduct, Anti-Bribery & Corruption Policy, and Whistleblower Policy• Harmoney ensures that all applicable legal obligations are met through:<ul style="list-style-type: none">○ Regular review and reporting of our adherence to our licence obligations (Market Services Licence, Australian Credit Licence, and Australian Financial Services Licence)○ Review of our Responsible Lending Policy and procedures, with recent enhancements for CCCFA changes in December 2021 and February 2022○ Continuous improvement of our systems to recognise potentially vulnerable applicants○ Ongoing staff training across all relevant regulations○ Harmoney is a signatory to the Principles of Reciprocity and Data Exchange with RDEA (a subsidiary of the Australian Retail Credit Association).○ Harmoney is a member of the Financial Services Federation in New Zealand, the industry body for responsible non-bank lenders.	<ul style="list-style-type: none">• Harmoney has a Compliance Committee which meets regularly, and which receives reports from Harmoney's Feedback and Complaints Committee• Regular external legal advice is sought to ensure Harmoney's ongoing compliance with changes to applicable laws• Regular external assurance testing and audits are performed against various aspects of Harmoney's obligations (such as controls, and AML).

Directors' Report

The Directors present their report, together with the financial statements, on the consolidated entity consisting of Harmony Corp Limited and the entities it controlled at the end of, or during the year ended, 30 June 2022 ("the Group").

Directors

The Directors of Harmony Corp Limited at the date of this report are:

Paul Lahiff	Independent Chairman
Monique Cairns	Independent Director
Tracey Jones	Independent Director
John Quirk	Independent Director
Neil Roberts	Founder, Chief Strategy Officer and Executive Director
David Stevens	Chief Executive Officer and Managing Director

For details of Directors during the year refer to the Corporate Information section.

Principal activities

Harmony provides customers with unsecured personal loans that are competitively priced using risk-adjusted interest rates and accessed 100% online. The Group operates across New Zealand and Australia.

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the Group during the year ended 30 June 2022.

Dividends

There were no dividends paid, recommended, or declared during the current or previous financial year.

For and on behalf of the Directors



Paul Lahiff
Chairman

Auckland

30 August 2022

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Financial Report

Directors' Responsibility Statement

The Directors are pleased to present the consolidated financial statements of Harmony Corp Limited for the year ended 30 June 2022.

The Directors are responsible for ensuring that the consolidated financial statements give a true and fair view of the financial position of the Group as at 30 June 2022 and its financial performance and cash flows for the year ended on that date.

The Directors consider that the consolidated financial statements of the Group have been prepared using appropriate accounting policies consistently applied and supported by reasonable judgements and estimates and that all the relevant financial reporting and accounting standards have been followed.

The Directors believe that proper accounting records have been kept which enable, with reasonable accuracy, the determination of the financial position of the Group and facilitate compliance of the consolidated financial statements with the Financial Reporting Act 2013.

Harmony Corp Limited's Directors do not have the power to amend these consolidated financial statements after issue.

The Board of Directors of Harmony Corp Limited authorised the financial statements set out on pages 35-69 for issue on 30 August 2022.

For and on behalf of the Board



Paul Lahiff
Chairman

30 August 2022



Tracey Jones
Chair of the Audit and Risk Committee

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2022

	Notes	Year ended 30 June 2022 \$'000	Year ended 30 June 2021 \$'000
Interest income	5	73,624	37,643
Fee income	6	3,638	659
Other income	7	483	845
Total income		77,745	39,147
Interest expense	5	19,408	9,647
Impairment expense	8	27,377	13,072
Marketing expenses		22,067	16,475
Personnel expenses		13,380	13,248
Verification and servicing expenses		5,514	4,006
Technology expenses		4,459	3,245
General and administrative expenses		4,281	7,728
Depreciation and amortisation expenses	9	1,438	1,046
Loss before income tax		(20,179)	(29,320)
Income tax benefit	11	-	2,286
Loss for the year attributable to shareholders of Harmoney Corp Limited		(20,179)	(27,034)
<i>Other comprehensive income</i>			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of foreign operations		256	898
Gain on cash flow hedge reserve, net of tax	12	6,228	841
Other comprehensive income for the year, net of tax		6,484	1,739
Total comprehensive loss for the year attributable to shareholders of Harmoney Corp Limited		(13,695)	(25,295)
Earnings per share for loss attributable to the ordinary equity holders of the Company:		Cents	Cents
Basic earnings per share	13	(20)	(29)
Diluted earnings per share	13	(20)	(29)

THE ABOVE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME SHOULD BE READ IN CONJUNCTION WITH THE ACCOMPANYING NOTES.

Consolidated Statement of Financial Position

As at 30 June 2022

	Notes	30 June 2022 \$'000	30 June 2021 \$'000
Assets			
Cash and cash equivalents	14	62,747	76,464
Trade and other assets	15	1,839	1,894
Finance receivables	16	609,132	294,821
Property and equipment	17	389	642
Intangible assets	18	9,416	3,455
Deferred tax assets	11	9,134	11,490
Derivative financial instruments	12	8,669	-
Total assets		701,326	388,766
Liabilities			
Payables and accruals	19	6,846	7,324
Borrowings	20	623,231	291,541
Provisions	21	5,700	13,405
Lease liability	17	238	717
Derivative financial instruments	12	-	85
Total liabilities		636,015	313,072
Net assets		65,311	75,694
Share capital	22	131,559	131,399
Foreign currency translation reserve	23	820	564
Share-based payment reserve	23	3,368	216
Cash flow hedge reserve	12	6,143	(85)
Accumulated losses		(76,579)	(56,400)
Equity		65,311	75,694

THE ABOVE CONSOLIDATED STATEMENT OF FINANCIAL POSITION SHOULD BE READ IN CONJUNCTION WITH THE ACCOMPANYING NOTES.

Consolidated Statement of Changes in Equity

For the year ended 30 June 2022

	Notes	Share capital \$'000	Foreign currency translation reserve \$'000	Share-based payment reserve \$'000	Cash flow hedge reserve \$'000	Accumulated losses \$'000	Total \$'000
Balance at 30 June 2020		56,686	(334)	2,825	(926)	(29,366)	28,885
Loss for the year		-	-	-	-	(27,034)	(27,034)
Other comprehensive income, net of income tax		-	898	-	841	-	1,739
Total comprehensive income / (loss)		-	898	-	841	(27,034)	(25,295)
Recognition of share-based payments	23	-	-	4,553	-	-	4,553
Transfer to capital	23	7,162	-	(7,162)	-	-	-
Issue of share capital	22	67,551	-	-	-	-	67,551
Balance at 30 June 2021		131,399	564	216	(85)	(56,400)	75,694
Loss for the year		-	-	-	-	(20,179)	(20,179)
Other comprehensive income, net of income tax		-	256	-	6,228	-	6,484
Total comprehensive income / (loss)		-	256	-	6,228	(20,179)	(13,695)
Recognition of share-based payments	23	-	-	3,312	-	-	3,312
Transfer to share capital	23	160	-	(160)	-	-	-
Balance at 30 June 2022		131,559	820	3,368	6,143	(76,579)	65,311

THE ABOVE CONSOLIDATED STATEMENT OF CHANGES IN EQUITY SHOULD BE READ IN CONJUNCTION WITH THE ACCOMPANYING NOTES.

Consolidated Statement of Cash Flows

For the year ended 30 June 2022

	Notes	Year ended 30 June 2022 \$'000	Year ended 30 June 2021 \$'000
<i>Cash flows from operating activities</i>			
Interest received		73,829	38,231
Interest paid		(18,611)	(10,295)
Fee income (rebated) / received		(2,265)	5,338
Payments to suppliers and employees		(47,577)	(34,862)
Net cash generated by / (used in) operating activities		5,376	(1,588)
<i>Cash flows from investing activities</i>			
Net advances to customers		(342,414)	(180,044)
Payments for software intangibles and equipment		(6,744)	(3,694)
Net cash used in investing activities		(349,158)	(183,738)
<i>Cash flows from financing activities</i>			
Net proceeds from finance receivables borrowings		314,121	170,227
Net proceeds from / (repayment of) debt financing		16,569	(10,694)
Proceeds from share issue, net of transaction costs		-	67,550
Principal element of lease payments		(881)	(969)
Net cash generated by financing activities		329,809	226,114
Cash and cash equivalents at the beginning of the year		76,464	34,779
Net (decrease) / increase in cash and cash equivalents		(13,973)	40,788
Effects of exchange rate changes on cash and cash equivalents		256	897
Cash and cash equivalents at the end of the year	14	62,747	76,464

THE ABOVE CONSOLIDATED STATEMENT OF CASH FLOWS SHOULD BE READ IN CONJUNCTION WITH THE ACCOMPANYING NOTES.

Notes to the Consolidated Group Financial Statements

For the year ended 30 June 2022

1 Corporate information

Harmony Corp Limited (the Company) and its subsidiaries (collectively, the Group) are companies whose primary business is to originate, service and invest in loans. There has been no change in the principal activity of the Group during the year.

The results and position of each Group entity are expressed in New Zealand dollars, which is the functional currency of the Company and the presentation currency for the consolidated financial statements, unless otherwise stated. All amounts disclosed in the financial statements and notes have been rounded to the nearest thousand New Zealand dollars (\$'000) unless otherwise stated.

Harmony Corp Limited is a company incorporated in New Zealand and registered under the Companies Act 1993, whose shares are publicly traded on both the Australian Stock Exchange (ASX) and New Zealand Exchange (NZX) and is required to be treated as a reporting entity under the Financial Market Conducts Act 2013 and the Financial Reporting Act 2013 as it is a licensed peer-to-peer lender. The Company was incorporated on 1 May 2014.

2 Significant accounting policies

2.1 Basis of preparation

The consolidated financial statements of Harmony Corp Limited comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (GAAP). The Company is a for-profit entity for the purposes of complying with GAAP.

The Consolidated group financial statements have been prepared following the historical cost convention, except where otherwise identified. Financial assets are initially recognised at fair value and are subsequently measured at amortised cost using the effective interest rate method, less any expected credit loss allowance.

The Consolidated Statement of Financial Position has been prepared in order of liquidity, including the comparatives. All assets and liabilities are current unless otherwise stated in the notes. The disaggregation of amounts receivable and payable in the next twelve months and beyond is outlined in the accompanying notes to the financial statements and the contractual maturity profile of financial liabilities is outlined in note 27.

2.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The assets and liabilities of entities whose functional currency is not the New Zealand dollar are translated at the exchange rates ruling at balance date. Revenue and expense items are translated at the spot rate at the transaction date or a rate approximating that rate. Exchange differences are taken to the foreign currency translation reserve.

All intragroup assets and liabilities, equity, income, expenses, and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

2.3 Goods and services tax

Revenue, expenses, assets, and liabilities are recognised net of the amount of goods and services tax (GST) except:

- where the amount of GST incurred is not recovered from the taxation authority, the unrecoverable GST expense is included in the related expense item in the income statement.
- receivables and payables which are recognised inclusive of GST (the net amount of GST recoverable from or payable to the taxation authority is included as part of receivables or payables).
- 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.

2.4 Application of new and revised accounting standards

There are no new or revised accounting standards that are mandatory from 1 July 2021 that would have a material impact on the Group's financial statements.

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2022 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions. The *Interest Rate Benchmark Reform Phase 2 – Amendments to NZ IFRS 9, NZ IAS 39, NZ IFRS 7, NZ IFRS 4 and NZ IFRS 16* will have no impact as the Group does not have any IBOR-based contracts.

3 Significant accounting judgements, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities, income and expenses and actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

3.1 Expected credit loss provision

The Group has estimated the provision for expected credit losses (ECL) based on historically observed patterns of borrower behaviour adjusted for current and future economic outcomes. These are discussed in detail in note 16 and have a significant impact on these financial statements.

The Group measures the allowance for ECL using an expected credit loss impairment model as required by NZ IFRS 9 *Financial Instruments* (NZ IFRS 9). The Group's accounting policy for the recognition and measurement of the allowance for ECL is described in note 16.

3.2 Treatment of development costs incurred in the year

The Group has incurred and will continue to incur significant costs on software development projects. The Directors believe that the costs fall within the definition of research and development within NZ IAS 38 *Intangible Assets*. Judgement has been applied in assessing these costs against the recognition and measurement criteria in that standard. The costs have been recorded as Intangible Assets on the balance sheet where the Group believes that they have met all the requirements of the recognition criteria outlined in the accounting policy (note 18) and expensed where they have not been met.

4 Segment reporting

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

4.1 Description of segments

The CODM considers the business from a geographical operating perspective and has identified two reportable segments: New Zealand and Australia.

The CODM assesses the business on a Cash NPAT basis. Cash NPAT is a non-GAAP measure and consists of profit/(loss) after income tax, adjusted for determined non-cash and abnormal items. It is intended as a supplementary measure of operating performance for readers to understand the cash generating ability of the Group. Cash NPAT does not have a standard meaning prescribed by GAAP and therefore may not be compared to information presented by other entities.

Intersegment revenue is not considered by the CODM and is accordingly excluded from segment reporting. Operating expenses are attributed to New Zealand unless they are direct incremental costs of the Australian operation.

4.2 Major customers

There are no customers who account for more than 10% of the Group's revenue.

The following tables present income and loss information for the Group's operating segments.

Segmented income statement for the year ended 30 June 2022 \$'000

	New Zealand	Australia	Group
Interest income	46,401	27,223	73,624
Fee income	3,247	391	3,638
Other income	483	-	483
Total income	50,131	27,614	77,745
Interest expense	13,375	6,033	19,408
Incurring credit losses	5,834	5,520	11,354
Movement in expected credit loss provision	1,561	14,462	16,023
Marketing expenses	8,270	13,797	22,067
Verification and servicing expenses	3,497	2,017	5,514
Personnel expenses (excl. share-based payments)	10,203	247	10,450
Share-based payments expenses	2,930	-	2,930
Technology expenses	4,459	-	4,459
General and administrative expenses	2,759	1,522	4,281
Depreciation and amortisation expenses	1,348	90	1,438
Loss before income tax	(4,105)	(16,074)	(20,179)
Income tax benefit	-	-	-
Loss for the year attributable to shareholders of Harmoney Corp Limited	(4,105)	(16,074)	(20,179)
<i>Non-cash and other normalisation adjustments</i>			
Movement in expected credit loss provision	1,561	14,462	16,023
Share-based payments expenses	2,930	-	2,930
Depreciation and amortisation expenses	1,348	90	1,438
Cash NPAT	1,734	(1,522)	212

Segmented income statement for the year ended 30 June 2021 \$'000

	New Zealand	Australia	Group
Interest income	29,542	8,101	37,643
Fee income	(1,079)	1,738	659
Other income	715	130	845
Total income	29,178	9,969	39,147
Interest expense	6,573	3,074	9,647
Incurred credit losses	3,974	813	4,787
Movement in expected credit loss provision	5,939	2,346	8,285
Marketing expenses	8,671	7,804	16,475
Verification and servicing expenses	2,937	1,069	4,006
Personnel expenses (excl. share-based payments)	8,987	183	9,170
Share-based payments expenses	4,037	41	4,078
Technology expenses	3,240	5	3,245
General and administrative expenses	6,818	910	7,728
Depreciation and amortisation expenses	914	132	1,046
Loss before income tax	(22,912)	(6,408)	(29,320)
Income tax benefit	1,028	1,258	2,286
Loss for the year attributable to shareholders of Harmoney Corp Limited	(21,884)	(5,150)	(27,034)
<i>Non-cash and other normalisation adjustments</i>			
Movement in expected credit loss provision	5,939	2,346	8,285
Share-based payments expenses	4,037	41	4,078
Depreciation and amortisation expenses	914	132	1,046
Borrower establishment fee rebate	4,000	-	4,000
IPO related expenses	3,172	-	3,172
Income tax impact of adjustments	(5,067)	(755)	(5,822)
Cash NPAT	(8,889)	(3,386)	(12,275)

The following tables present a disaggregation of the Group's fee income in operating segments.

Segment fee income statement for the year ended 30 June 2022 \$'000

	New Zealand	Australia	Group
Distributing services	2,561	391	2,952
Protect fees	686	-	686
Total fee income	3,247	391	3,638

Segment fee income statement for the year ended 30 June 2021 \$'000

	New Zealand	Australia	Group
Distributing services	1,082	982	2,064
Establishment services	921	752	1,673
Borrower establishment fee rebate	(4,000)	-	(4,000)
Protect fees	893	-	893
Other fees	25	4	29
Total fee income	(1,079)	1,738	659

5 Interest

5.1 Interest income

	Year ended 30 June 2022 \$'000	Year ended 30 June 2021 \$'000
Interest income	73,624	37,643

5.2 Interest expense

	Year ended 30 June 2022 \$'000	Year ended 30 June 2021 \$'000
<i>Interest Expense</i>		
Interest on receivables funding	18,682	8,960
Interest on corporate debt	716	624
Interest on lease liability	10	63
Total interest expense	19,488	9,647

Interest income includes interest and loan origination fees. Interest income and interest expense are recognised in the Income Statement for all financial assets and liabilities measured at amortised cost using the effective interest method. The effective interest method allocates interest income or interest expense over the life of the contract, or when appropriate a shorter period, using the effective interest rate. The effective interest rate is the discount rate at which the present value of the future cash flows equals the net carrying amount of the financial asset or liability. Origination fees are required to be amortised over the expected life of the finance receivable in accordance with NZ IFRS 9 *Financial Instruments*. The deferred amount is recognised as a reduction to the finance receivable (note 16).

6 Fee income

	Year ended 30 June 2022 \$'000	Year ended 30 June 2021 \$'000
<i>Borrower fee income</i>		
Establishment services	-	1,673
Borrower establishment fee rebate	-	(4,000)
Protect fees	686	893
Other fees	-	29
Total borrower fee income	686	(1,405)
<i>Lender fee income</i>		
Distributing services	2,952	2,064
Total fee income	3,638	659

Establishment services

Establishment fees were a brokerage fee charged to borrowers on peer-to-peer loans for arranging the loan. The performance obligation of arranging the loan is fulfilled at the point in time the loan is matched. Given only one material performance obligation the transaction price is allocated to the single performance obligation. The Borrower establishment fee rebate relates to movements in the provision for rebate and the basis for the rebate is disclosed in note 21.

Distributing services

Distributing services refer to Harmony facilitating the matching of credit worthy borrowers with peer-to-peer lenders within criteria chosen by the lender. The fees charged for this service are recognised at the point matching is complete and to the extent that it is highly probable that a significant reversal will not occur. Given only one material performance obligation the transaction price is allocated to the single performance obligation.

Payment for distributing services is made by the lender via a combination of fees payable at the point of matching with a borrower when borrower repayments are received and on a monthly invoice cycle where fees are calculated based on lender portfolio performance.

Certain fees charged at the point of matching lenders with borrowers are rebateable if the lender does not achieve the required return on their investment. This is typically due to the borrower loan closing earlier than stated on their contract due to early repayment or default. At the point the performance obligation of matching the lender with a borrower is satisfied, the Group estimates and records as revenue the amount of variable consideration to the extent that it is highly probable that a significant reversal in the cumulative revenue recognised will not occur. The Group's estimate of rebateable amounts are booked as distributing services rebate provision (note 21).

7 Other income

	Year ended 30 June 2022 \$'000	Year ended 30 June 2021 \$'000
Grant income	483	476
Wage subsidy	-	369
Total other income	483	845

Grant income

Grants from the New Zealand Government are recognised at their fair value where there is reasonable assurance that the grant will be received, and the Group will comply with all attached conditions. Harmony received grants related to the R&D Loss Tax Credit as funded by Inland Revenue.

Wage subsidy

The Group did not receive any wage subsidies in the current reporting period. During the 2021 financial year, the Group received \$239,006 of wage subsidies funded by the Ministry of Social Development for New Zealand operations. The subsidy was part of the New Zealand Government's COVID-19 response plan. The Group also received \$23,813 of JobKeeper subsidies and \$106,361 of Cash flow boost grant funded by the Australian Tax Office in the 2021 financial year. These are recognised as wage subsidies in the prior period above. The subsidy and grant were predicated on certain criteria which were considered in the Group's application.

8 Impairment expense

	Year ended 30 June 2022 \$'000	Year ended 30 June 2021 \$'000
Change in expected credit loss provision	16,023	8,285
Incurred credit loss	11,457	4,853
Change in protect claims provision	(103)	(66)
Impairment expense	27,377	13,072

Change in expected credit loss provision

The expense is recognised when there is a movement in the provision due to the composition of the finance receivables (note 16). For example, due to the growth in the finance receivable and change in macroeconomic conditions.

Incurred credit loss

Financial assets are written off when there is no reasonable expectation of recovery, such as the borrower failing to engage in a repayment plan with the Group. The Group categorises a finance receivable as incurred credit loss when the borrower fails to make contractual payments more than 120 days past due. Where finance receivables have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

9 Depreciation and amortisation

	Year ended 30 June 2022 \$'000	Year ended 30 June 2021 \$'000
<i>Depreciation charge on right-of-use assets</i>		
Buildings	691	779
Equipment	9	8
<i>Depreciation charge on property and equipment</i>		
Furniture and fixtures	8	9
IT equipment	39	23
<i>Amortisation charge</i>		
Software development	691	227
Total depreciation and amortisation expense	1,438	1,046
<i>Amounts recognised in the consolidated statement of comprehensive income relating to leases</i>		
Interest expense (included in interest expense)	10	63
Expense relating to short-term leases	3	4
<i>Cash outflows relating to leases</i>		
Cash outflow for leases in the year	891	1,032

10 Research and development

	Year ended 30 June 2022 \$'000	Year ended 30 June 2021 \$'000
Research and development costs capitalised	6,652	3,682
Research and development costs expensed	738	544
Total research and development	7,390	4,226

Research and development costs capitalised are discussed in note 18. Expenditure on research activities is recognised as an expense in the period in which it is incurred.

11 Income taxes

11.1 Income tax recognised in profit or loss

The income tax benefit for the year can be reconciled to the accounting loss as follows:

	Year ended 30 June 2022 \$'000	Year ended 30 June 2021 \$'000
<i>Current tax</i>		
In respect of the current year	82	27
<i>Deferred tax</i>		
In respect of the current year	(82)	(2,313)
Total income tax benefit	-	(2,286)

	Year ended 30 June 2022 \$'000	Year ended 30 June 2021 \$'000
Loss before income tax	(20,179)	(29,320)
Income tax benefit calculated	(6,080)	(8,333)
Effect of expenses that are not deductible	(1,223)	(8,227)
Research and Development Tax Credits	483	476
Movement in temporary differences	-	263
Prior period adjustment	(924)	-
Income tax benefit not recognised	7,859	13,503
Other	(115)	32
Total income tax benefit	-	(2,286)

The tax rate used for the reconciliation above is the corporate tax rate of 28% payable by corporate entities in New Zealand and 30% for those in Australia, on taxable profits under tax law in their respective jurisdictions.

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit/(loss) before tax' as reported in the consolidated statement of comprehensive income because of items of income or expense that are taxable or deductible in other periods and items that are never taxable or deductible. The Group's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

The current tax for this reporting period relates to foreign tax credits utilised. No cash income tax was paid by the Group.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that there is convincing other evidence that taxable profits will be available against which those deductible temporary differences can be utilised.

11.2 Deferred tax balances

The following is the analysis of deferred tax assets/(liabilities) presented in the consolidated statement of financial position:

	30 June 2022	30 June 2021
	\$'000	\$'000
<i>Deferred tax assets</i>		
Expected credit loss (ECL) provision	9,296	4,404
Accruals and other	1,727	938
Share-based payments	407	-
Losses	286	6,800
Deferred R&D expenses	-	2,283
Deferred tax assets	11,716	14,425
<i>Deferred tax liabilities</i>		
Derivatives	(2,527)	-
Distributing services	(49)	(2,870)
Plant & equipment and intangibles	(6)	(65)
Deferred tax liabilities	(2,582)	(2,935)
Net deferred tax assets	9,134	11,490

The recognised tax losses are subject to meeting the requirements of the applicable tax legislation. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset recognised to be utilised. The Group has further tax losses of \$19.8m at 30 June 2022 (June 2021: \$11.9m) which have not been recognised and are available to offset future taxable profits.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

11.3 Amounts recognised directly in equity

	30 June 2022	30 June 2021
	\$'000	\$'000
Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss or other comprehensive income but directly debited or credited to equity:		
Share-based payments	-	371

11.4 Amounts recognised in other comprehensive income

	30 June 2022	30 June 2021
	\$'000	\$'000
Aggregate current and deferred tax arising in the reporting period relating to components of other comprehensive income:		
Cash flow hedge reserve	2,527	-

12 Cash flow hedge

Cash flow hedge reserve

The Group borrows funds (note 20) in order to purchase finance receivables (note 16). The interest rate payable on the borrowings is floating while the interest receivable is fixed at the point the funds are lent. The interest rate risk is managed and mitigated through the use of interest rate swaps, which exchange floating interest payments with fixed interest payments. The swaps are entered into to match the maturity profile of estimated repayments of the Group's borrowings. These are accounted for at trade date.

The cash flow hedge reserve is used to recognise the effective portion of gains or losses on derivatives (interest rate swaps) that are designated and qualify as cash flow hedges.

At inception of the hedge relationship, the Group documents the economic relationship between hedging instruments and hedged items including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items. The Group documents its risk management objective and strategy for undertaking its hedge transactions.

The valuations for New Zealand were based on market rates at 30 June 2022 of 2.39% for the 1-month BKBM and 4.00% for the 5-year swap rate (2021: 0.26% and 5-year swap rate 1.35%) and for Australia 1.14% for the 1-month BBSW and 3.67% for the 5-year swap rate (2021: 0.01% and 5-year swap rate 0.92%).

13 Earnings per share

	30 June 2022 \$'000	30 June 2021 \$'000
Loss after tax for the year attributable to the owners of the Group	(20,179)	(27,034)
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	101,049,485	93,358,795
Weighted average number of ordinary shares used in calculating diluted earnings per share	101,049,485	93,358,795
	Cents	Cents
Basic earnings per share	(20)	(29)
Diluted earnings per share	(20)	(29)

Options

Performance rights (zero strike price options) under the Group's share-based compensation plan as detailed in note 23 are considered to be potentially ordinary shares. They have been included in the determination of diluted earnings per share to the extent to which they are dilutive. The calculation of diluted earnings per share does not include 3,386,095 options (2021: 4,224,000) granted on 15 June 2021 because they are antidilutive for the year ended 30 June 2022. These options could potentially dilute basic earnings per share in the future.

Convertible notes

Convertible notes issued, as detailed in note 20, are considered to be potentially ordinary shares. They have been included in the determination of diluted earnings per share to the extent to which they are dilutive. The calculation of diluted earnings per share does not include 2,500,000 note options granted during the year because they are antidilutive for the year ended 30 June 2022. These options could potentially dilute basic earnings per share in the future.

14 Cash and cash equivalents

Cash and cash equivalents at the end of the reporting period as shown in the consolidated statement of cash flows can be reconciled to the related items in the consolidated statement of financial position as follows:

	30 June 2022 \$'000	30 June 2021 \$'000
Cash on hand and demand deposits	34,586	44,343
Restricted cash	28,241	32,121
Total cash and cash equivalents	62,747	76,464

No adjustment has been made for counterparty credit risk in cash and cash equivalents as the risk of impairment is not expected to be material.

Short-term demand deposits are presented as cash equivalents if they have a maturity of three months or less from the date of acquisition and are repayable with 24 hours' notice with no loss of interest.

Restricted cash is held by the Warehouse Trusts (note 25). These funds may only be used for purposes defined in the trust documents, and are therefore not available for general use by the Group.

Reconciliation of loss for the year to net cash generated by operating activities

	Year ended 30 June 2022 \$'000	Year ended 30 June 2021 \$'000
Loss for the year	(20,179)	(27,034)
<i>Non-cash adjustments:</i>		
Impairment expense	27,377	13,072
Share-based payments	3,312	4,925
Depreciation and amortisation	1,438	1,046
Change in deferred establishment fee	1,680	1,471
Borrowing establishment fees	145	(497)
Other movements	3	2
<i>Change in operating assets and liabilities:</i>		
Decrease in trade and other assets	55	3,329
Increase in deferred tax assets	(171)	(2,316)
(Decrease)/Increase in payables and accruals	(267)	4,783
(Decrease)/Increase in provisions	(7,605)	640
Increase in accrued interest	(412)	(1,009)
Net cash generated by / (used in) operating activities	5,376	(1,588)

Non-cash transactions

During the current year, the Group did not enter into any non-cash investing and financing activities (2021: Nil).

Changes in liabilities arising from financing activities

	Borrowings \$'000	Lease liability \$'000	Total \$'000
Balance at 1 July 2020	(132,630)	(1,684)	(134,314)
Operating cash flows	985	-	985
Financing cash flows	(159,533)	1,030	(158,503)
Non-cash adjustments	(363)	(63)	(426)
Balance at 30 June 2021	(291,541)	(717)	(292,258)
Operating cash flows	536	-	536
Financing cash flows	(330,334)	891	(329,443)
Non-cash adjustments	(1,892)	(10)	(1,902)
New leases	-	(402)	(402)
Balance at 30 June 2022	(623,231)	(238)	(623,469)

15 Trade and other assets

	30 June 2022 \$'000	30 June 2021 \$'000
Trade receivables	49	1,059
Prepayments	972	654
GST receivable	695	87
Current tax assets	123	94
Total trade and other assets	1,839	1,894

No adjustment has been made for counterparty credit risk in the financial assets above as all counterparties are considered to be of good credit standing and the risk of impairment is expected to be not material.

16 Finance receivables

	30 June 2022 \$'000	30 June 2021 \$'000
Finance receivables	641,744	310,513
Accrued interest	3,317	2,051
Deferred establishment fees	(4,048)	(2,368)
Expected credit loss (ECL) provision	(31,881)	(15,375)
Total finance receivables	609,132	294,821

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's main exposure to credit risk arises from finance receivables. The finance receivable credit risk management framework comprises underwriting and risk policies; anti-money laundering (AML) and counter-terrorism financing (CTF) protocols; collection and recovery policies; a proprietary credit scorecard; a risk-based pricing model; and fraud detection services.

ECL provision

The Group measures the allowance for expected credit losses (ECL) using an expected credit loss impairment model as required by NZ IFRS 9 *Financial Instruments* (NZ IFRS 9).

Under the ECL model, the Group applies a three-stage approach to measuring the ECL based on credit migration between the stages. The ECL model is based on loan performance history calculated separately for New Zealand and Australia. As the product is unsecured personal loans there is no further segmentation. Management then applies a further adjustment to incorporate future macroeconomic factors using forward looking inputs.

Stage 1: 12 month ECL - No significant increase in credit risk

Finance receivables in this category have not had a significant increase in credit risk since initial recognition. ECL resulting from default events that are possible within the next 12 months ('12-month ECL') are recognised for financial instruments that remain in stage 1.

Stage 2: Lifetime ECL - Significantly increased credit risk

An assessment of whether credit risk has increased significantly since initial recognition is performed at the end of each reporting period by considering the change in the risk of default occurring over the remaining life of the finance receivable. Unless identified at an earlier stage, all financial assets are deemed to have suffered a significant increase in credit risk when 30 days past due but less than 90 days past due, or where a payment deferral has been granted following a successful hardship application. A lifetime ECL provision is recorded for stage 2 receivables.

Stage 3: Lifetime ECL - Credit-impaired

The Group determines that a financial instrument is credit-impaired and in stage 3 by considering relevant objective evidence, primarily whether contractual payments of either principal or interest are past due for more than 90 days. If such unlikelihood to pay is not identified at an earlier stage, it is deemed to occur when an exposure is 90 days past due.

Movement between stages

The Group determines that loans may move in both directions through the stages of the impairment model. Loans previously in Stage 2 may move back to Stage 1 if it is no longer considered that there has been a significant increase in credit risk. Similarly, loans in Stage 3 may move back to Stage 1 or Stage 2 if they are no longer assessed to be nonperforming.

Forward-looking economic inputs (FLI)

The Group has a process for incorporating forward-looking economic scenarios and determining the probability weightings assigned to each scenario in determining the overall ECL. The economic overlay is a forward-looking provision in addition to the standard modelled provision.

The Group has identified a number of key indicators that are considered in modelling the overlay, the most significant of which are gross domestic product, unemployment rate, employment and hours worked, public demand, household consumption, income and savings rate, investment and inflation which are obtained from publicly available data (range of market economists and official data sources). These indicators are assessed semi-annually and judgement is applied in determining the probability weighting assigned across the four economic scenarios detailed below (Base Case, Worst Case, Poor Case and Best Case). The Group's Assets and Liabilities Committee provides ultimate approval for FLI inputs and the resulting overlay applied.

Base scenario: This scenario considers Reserve Bank and Fitch Global forecasts. This scenario assumes that there is little to no impact to households with respect to increasing cost of living or increased net interest expense from mortgage rate increases in the medium term.

Poor scenario: This scenario contemplates the degree of impact to borrowers of adverse macroeconomic conditions such as rising inflation, constrained supply chains, rising mortgage interest rates and the consequent impacts to household cost of living pressures.

Best scenario: This scenario is included to account for the potential impact of more favourable macroeconomic conditions for specific segments, such as those households that have benefitted from constrained consumption resulting in increased savings rates as a cushion for increased cost of living pressures; and

Worst scenario: This scenario contemplates the potentially severe impact of remote, extremely adverse macroeconomic conditions.

The table below presents the gross exposure and related ECL allowance for finance receivables:

30 June 2022	Stage 1	Stage 2 ¹	Stage 3	Total
Expected loss rate	3.71%	60.04%	99.68%	4.94%
	\$'000	\$'000	\$'000	\$'000
Gross carrying amount	632,316	10,395	2,173	644,884
Expected credit loss provision	(23,474)	(6,241)	(2,166)	(31,881)
Net carrying amount	608,842	4,154	7	613,003

30 June 2021	Stage 1	Stage 2 ¹	Stage 3	Total
Expected loss rate	4.18%	17.32%	70.50%	4.92%
	\$'000	\$'000	\$'000	\$'000
Gross carrying amount	299,200	11,819	1,156	312,175
Expected credit loss provision	(12,513)	(2,047)	(815)	(15,375)
Net carrying amount	286,687	9,772	341	296,800

¹ Expected loss rate was lower in 2021 as 74% of Stage 2 finance receivables were in hardship, compared to 25% in 2022. The change in the mix in Stage 2 impacts the ECL rate, as loans in arrears have a much higher loss expectation than the lifetime loss on a loan that has been in hardship but is not in arrears.

Movements in the expected credit loss provision are as follows:

	30 June 2022 \$'000	30 June 2021 \$'000
Opening balance	15,375	7,075
Additional provision recognised due to:		
Increase/(Decrease) in economic overlay	2,224	(831)
Increase in gross finance receivables	25,739	13,984
Finance receivables written off during the period as uncollectible	(11,457)	(4,853)
Total provision	31,881	15,375

The reconciliation of the provision for ECL and finance receivables by stage are presented below. The key line items in the reconciliation are:

- The “transfers between stages” lines represent transfers between Stage 1, Stage 2 and Stage 3 prior to remeasurement of the provision for ECL.
- The “business activity during the year” line represents new accounts originated during the year net of those that were derecognised due to final repayments during the year.
- The “net remeasurement of provision for ECL” line represents the impact on the provision for ECL due to changes in credit quality during the year (including transfers between stages) and changes due to forward-looking economic scenarios.
- “Incurred credit loss” represent a reduction in the provision for ECL as a result of derecognition of exposures where there is no reasonable expectation of full recovery.

	Performing Stage 1 \$'000	Performing Stage 2 \$'000	Non Performing Stage 3 \$'000	Total \$'000
Total provisions for ECL on loans as at 30 June 2020	4,993	1,358	724	7,075
Transfers to Stage 1	3,142	(2,460)	(682)	-
Transfers to Stage 2	(689)	892	(203)	-
Transfers to Stage 3	-	(3,601)	3,601	-
Business activity during the year	9,685	(158)	-	9,527
Net remeasurements of provision for ECL	(4,553)	6,475	1,685	3,607
Incurred credit loss	(82)	(460)	(4,311)	(4,853)
Exchange rate and other adjustments	17	1	1	19
Total provisions for ECL on loans as at 30 June 2021	12,513	2,047	815	15,375
Transfers to Stage 1	4,542	(3,642)	(900)	-
Transfers to Stage 2	(2,708)	3,104	(396)	-
Transfers to Stage 3	-	(7,706)	7,706	-
Business activity during the year	13,056	(226)	(111)	12,719
Net remeasurements of provision for ECL	(4,074)	13,516	3,002	12,444
Incurred credit loss	(209)	(949)	(7,994)	(9,152)
Exchange rate and other adjustments	354	97	44	495
Total provisions for ECL on loans as at 30 June 2022	23,474	6,241	2,166	31,881

	Stage 1 12-month ECL \$'000	Stage 2 Lifetime ECL \$'000	Stage 3 Lifetime ECL \$'000	Total \$'000
Gross carrying amount as at 30 June 2020	122,345	12,965	775	136,085
<i>Movements with P&L impact</i>				
Transfers from Stage 1 to Stage 2	(12,334)	12,334	-	-
Transfers from Stage 1 to Stage 3	-	-	-	-
Transfers from Stage 2 to Stage 1	5,509	(5,509)	-	-
Transfers from Stage 2 to Stage 3	-	(4,770)	4,770	-
Transfers from Stage 3 to Stage 1	670	-	(670)	-
Transfers from Stage 3 to Stage 2	-	179	(179)	-
Net of new financial assets and repayments during the year	184,067	(2,546)	147	181,668
FX movements	445	3	-	448
Incurring credit loss	(1,502)	(837)	(3,687)	(6,026)
Gross carrying amount as at 30 June 2021	299,200	11,819	1,156	312,175
<i>Movements with P&L impact</i>				
Transfers from Stage 1 to Stage 2	(28,270)	28,270	-	-
Transfers from Stage 1 to Stage 3	-	-	-	-
Transfers from Stage 2 to Stage 1	8,025	(8,025)	-	-
Transfers from Stage 2 to Stage 3	-	(11,400)	11,400	-
Transfers from Stage 3 to Stage 1	968	-	(968)	-
Transfers from Stage 3 to Stage 2	-	410	(410)	-
Net of new financial assets and repayments during the year	349,073	(9,221)	(168)	339,684
FX movements	7,920	164	44	8,128
Incurring credit loss	(4,600)	(1,622)	(8,881)	(15,103)
Gross carrying amount as at 30 June 2022	632,316	10,395	2,173	644,884

17 Property and equipment

	30 June 2022 \$'000	30 June 2021 \$'000
Right of use asset	235	534
Furniture and fixtures	60	62
IT equipment	94	46
Total property and equipment	389	642

Property and equipment are recognised at historic cost less depreciation. Depreciation is calculated on a diminishing balance method using the following rates:

Furniture and fixtures	13-67%
IT equipment	40-50%

	30 June 2022	30 June 2021
	\$'000	\$'000
Furniture and fixtures & IT equipment		
Cost	509	416
Depreciation	(355)	(308)
Net book amount	154	108
Opening net book amount	108	129
Additions	93	287
Depreciation	(47)	(308)
Closing net book amount	154	108

Leases

The consolidated statement of financial position shows the following amounts relating to leases:

	30 June 2022	30 June 2021
	\$'000	\$'000
Right of use asset		
Buildings	229	519
Equipment	6	15
Total right of use asset	235	534

	30 June 2022	30 June 2021
	\$'000	\$'000
Lease liabilities		
Current lease liabilities	238	710
Non-current lease liabilities	-	7
Total lease liability	238	717

The lease payments are discounted using the incremental borrowing rate, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security, and conditions.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the amount of the initial measurement of lease liability and any lease payments made at or before the commencement date less any lease incentives received.

Right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Payments associated with short-term leases and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

The Group has entered into a new Agreement to Lease of Premises in June 2022 for its Auckland office for a lease term of six years. The new lease has not been recognised in the financial statements as the commencement date of the lease is after reporting date. The undiscounted estimated lease liability at commencement will be \$5,014,944 with a right-of-use asset of the same amount.

18 Intangible assets

The intangible assets held consist of internally developed software. The carrying amount of the Group's software is:

	30 June 2022	30 June 2021
	\$'000	\$'000
Cost - completed	6,142	3,300
Cost - work in progress	4,266	1,246
Total cost	10,408	4,546
Accumulated amortisation	(992)	(1,091)
Net book amount	9,416	3,455
Opening net book amount	3,455	-
Additions - internal development	6,652	3,682
Amortisation charge	(691)	(227)
Closing net book amount	9,416	3,455

The Group has incurred and will continue to incur significant costs on software development projects.

Internally developed software is capitalised using an internal framework, which was established in March 2017.

An internally-generated intangible asset arising from development is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial, and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

For capitalised development costs which are considered work in progress, amortisation of the asset begins when the development is complete, and the asset is available for use.

The Group amortises development with a limited useful life using straight-line method over 5 years.

19 Payables and accruals

	30 June 2022 \$'000	30 June 2021 \$'000
Accruals	3,691	4,839
Employee benefits accrual	1,780	1,531
Trade and other payables	1,375	954
Total payables and accruals	6,846	7,324

Employee benefits accrual

	30 June 2022 \$'000	30 June 2021 \$'000
Current employee incentives		
Employee incentive accrual	847	767
Annual leave accrual	865	693
Long service leave accrual	47	63
Total current employee incentives	1,759	1,523
Non-current employee incentives		
Long service leave accrual	21	8
Total employee benefits accrual	1,780	1,531

20 Borrowings

	30 June 2022 \$'000	30 June 2021 \$'000
Receivables funding	606,976	291,541
Corporate debt	9,627	-
Convertible notes	6,628	-
Total borrowings	623,231	291,541

Receivables funding

Receivables funding relates to borrowings specific to the Warehouse Trusts (note 25) and are secured by their assets. The maturity profile of the receivables funding borrowings is aligned with the receivables held in the relevant Warehouse Trusts, and therefore considered current. As detailed in note 27, the borrowings have a contractual maturity which may be more than 12 months from the reporting date. The contractual maturity date refers to the date until which the Warehouse Trusts may continue to purchase further receivables using principal payments of the finance receivables and further drawdowns of the facility. After that date, unless the agreement terms are extended, the borrowings are required to be paid down as customers make repayments on the finance receivables.

Corporate debt facility

Corporate debt and convertible notes relate to a A\$20m facility entered into in December 2021 which expires in December 2024. The facility is structured as 60% debt notes and 40% convertible notes.

As at 30 June 2022, A\$15m of the facility was drawn down including A\$6m of convertible notes. The maximum number of shares that would be issued on conversion of the drawn down convertible notes would be 2,500,000.

The facility is guaranteed by way of a performance and payment guarantee by Harmony Corp Limited and each of its Subsidiary Companies (note 25).

Under the terms of the corporate debt and warehouse facilities, the Group is required to comply with financial and non-financial covenants.

Warehouse financing arrangements

Unrestricted access was available at reporting date to the warehouse facilities as detailed below:

Warehouse facilities	30 June 2022 \$'000	30 June 2021 \$'000
Total facilities	978,547	543,214
Drawn at reporting date	655,387	338,371
Undrawn at reporting date	323,160	204,843

The undrawn amount of the warehouse facilities relates to amounts that are available for drawdown from funders but does not include restricted cash that has already been drawn but has not yet been utilised for funding purposes. Refer to note 14 for further information.

21 Provisions

	30 June 2022 \$'000	30 June 2021 \$'000
Distributing services rebate provision	1,023	6,405
Borrower establishment fee rebate provision	4,677	7,000
Total provisions	5,700	13,405
Carrying amount at start of the year	13,405	12,832
Charged/(credited) to profit or loss		
- additional provisions recognised	-	6,667
- unused amounts reversed	(2,857)	-
Amounts used during the year	(4,848)	(6,094)
Carrying amount at end of the year	5,700	13,405

Distributing services rebate provision

The distributing services rebate provision represents an estimate of distributing services revenue which may be rebated as at reporting date. The estimate has been made on the basis of historical trends across the existing loan portfolio and may vary. These amounts have not been discounted for the purposes of measuring the provision because the effect is not material.

Borrower establishment fee rebate provision

The borrower establishment fee rebate relates to the compensation agreed with The New Zealand Commerce Commission in settlement of the legal proceedings in 2021. The reduction in the provision relates to the repayments made by the Group.

22 Share capital

	30 June 2022		30 June 2021	
	Number of shares	Share capital \$'000	Number of shares	Share capital \$'000
Fully paid ordinary shares	101,018,964	131,559	100,912,724	131,399
Total issued capital	101,018,964	131,559	100,912,724	131,399

	Ordinary shares
As at 30 June 2021	100,912,724
Shares issued under share-based payment arrangements	106,240
As at 30 June 2022	101,018,964

Shares issued under share-based payment arrangements

106,240 shares were issued in settlement of the options on 1 December 2021. The options were net settled on a cashless basis based on the exercise price of each option. See note 23 for details.

Ordinary shares

Ordinary shares carry a right to one vote per share, to an equal share in dividends, and to a pro-rata share of net assets on wind up.

23 Reserves

23.1 Foreign currency translation reserve

Exchange differences relating to the translation of the results and net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency (i.e. NZD) are recognised directly in other comprehensive income and accumulated in the foreign currency translation reserve.

23.2 Share-based payments reserve

	30 June 2022 \$'000	30 June 2021 \$'000
Opening balance	216	2,825
Arising on equity settled benefits	3,312	4,925
Deferred tax on share-based payments	-	(372)
Transferred to share capital	(160)	(7,162)
Closing balance	3,368	216

In relation to equity-settled share-based payment transactions, the Group recognised an expense of \$2.9m (2021: \$4.1m) within the consolidated income statement for the year ended 30 June 2022.

Share-based compensation plan

The Group receives services from employees and Directors as consideration for equity instruments (zero strike price options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense over the relevant vesting period. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions;
- excluding the impact of any service and non-market performance vesting conditions; and
- including the impact of any non-vesting conditions.

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions and service conditions. It recognises the impact of the revision to original estimates, if any, in the income statements, with a corresponding adjustment to equity. When the options are exercised, the company issues new shares, or purchases shares from the market.

Set out below are summaries of options granted by the Group.

	Year ended 30 June 2022		Year ended 30 June 2021	
	Average exercise price per share option	Number of options	Average exercise price per share option	Number of options
As at the start of the year		8,900,000		65,524,733
Granted during the year	\$ nil	200,000	\$ nil	8,900,000
Share consolidation		-		(27,044,121)
Exercised during the year	\$ nil	(106,240)	\$0.02	(38,436,338)
Forfeited during the year	\$ nil	(620,802)	\$ nil	(44,274)
As at 30 June		8,372,958		8,900,000

The weighted average share price at the date of exercise of options exercised during the year the year ended 30 June 2022 was \$1.91 (2021: \$2.64). No options expired during the periods covered by the table above.

The following table provides details of the options granted by the Group as remuneration to employees and Directors.

30 June 2022				Number of share options				
Grant date	Exercise price	Grant date fair value	Opening balance 01/07/2021	Granted	Exercised	Forfeited	Closing balance 30/06/2022	Vested & exercisable
Post IPO Scheme								
15 Jun 2021	\$ nil	\$ 1.51	8,900,000	-	106,240	620,802	8,172,958	-
1 Dec 2021	\$ nil	\$ 1.85	-	200,000	-	-	200,000	-
Total			8,900,000	200,000	106,240	620,802	8,372,958	-

On 29 October 2020, all Series A, B and C classes of shares were converted to ordinary shares and a 4:1 share consolidation occurred for no consideration.

30 June 2021				Number of share options					
Grant date	Exercise price	Grant date fair value	Opening balance 01/07/2020	Granted	Share consolidation	Exercised	Forfeited	Closing balance 30/06/2021	Vested & exercisable
Post IPO Scheme									
15 Jun 2021	\$ nil	\$ 1.51	-	8,900,000	-	-	-	8,900,000	-
Scheme 2									
28 Feb 2020	\$ nil	\$ 0.11	36,103,102	-	(27,044,121)	9,014,707	44,274	-	-
Scheme 1									
1 Apr 2020	\$ nil	\$ 0.26	1,634,692	-	-	1,634,692	-	-	-
24 Feb 2020	\$ nil	\$ 0.26	750,000	-	-	750,000	-	-	-
21 May 2018	\$ 0.16	\$ 0.09	2,000,000	-	-	2,000,000	-	-	-
21 Aug 2017	\$ nil	\$ 0.17	8,860,423	-	-	8,860,423	-	-	-
21 Aug 2017	\$ 0.10	\$ 0.11	2,384,000	-	-	2,384,000	-	-	-
21 Aug 2017	\$ 0.17	\$ 0.09	1,792,516	-	-	1,792,516	-	-	-
Other options									
1 Mar 2014	\$ nil	\$ 0.00	12,000,000	-	-	12,000,000	-	-	-
Total			65,524,733	8,900,000	(27,044,121)	38,436,338	44,274	8,900,000	-

Current schemes at 30 June 2022

Post IPO Scheme

The Post IPO Scheme was approved by the Board on 27 April 2021. The plan is designed to provide long-term incentives for senior managers to attract, motivate and retain talent while also aligning interests of management and shareholders with regards to Company performance. The Board may determine which persons will be eligible to participate in the plan from time to time and will invite them to participate.

The amount of performance rights that will vest depends on the achievement of applicable performance hurdles over the relevant period and continued employment. The performance hurdles are designed to align participants' objectives with the fundamental values of the Company and reward achievements which will deliver significant long-term value to the shareholders of the Company. The hurdles relate to revenue and loan book growth as well as strategic initiatives. The rights expire 5 years from grant date.

Options are granted under the plan for no consideration and carry no dividends or voting rights.

Completed schemes at 30 June 2021

Scheme 2

On 28 February 2020 share options were granted under a performance rights based share-based compensation plan. The allocation of rights provided participants with an opportunity to be rewarded for company performance and aligned employee interests with the interests of shareholders. The fair value at grant date was determined using a Monte Carlo simulation model that took into account the exercise price, the term of the option, the share price at grant date, the vesting hurdles, the expected price volatility of the underlying share, the expected dividend yield, and the risk-free interest rate for the term of the option.

Scheme 1

The scheme 1 share option plan was designed to provide long-term incentives for Directors and senior management to deliver long-term shareholder returns. Under the plan, participants were granted options which vested when certain performance standards were met.

Options were granted in August 2017, May 2018, February 2020 and April 2020 with their fair value determined using a Black-Scholes option pricing model which took into account the exercise price, the term of the option, the share price at grant date, expected price volatility of the underlying share and the risk-free interest rate for the term of the option. For options granted in August 2017 the share price on grant date was based on a discounted cash flow valuation. For subsequent options granted the share price on grant date was based on comparable arm's length transactions.

Other options

These options were granted in March 2014. As they carried a nil exercise price their value on grant date was determined as equivalent to the Company's share price at grant date, which was calculated as a single share of the midpoint of the Company's net assets and its capital.

24 Related party transactions

Balances and transactions between the Company, its subsidiaries, and controlled entities which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note.

Key management personnel (KMP) are defined as those persons having authority and responsibility for planning, directing, and controlling the activities of the Group, directly or indirectly, and include the Executive Directors, Independent Directors and the Chief Financial Officer.

The aggregate compensation made to KMP of the Group is set out below:

	30 June 2022 \$'000	30 June 2021 \$'000
Short-term employee benefits	3,107	2,276
Share-based payments	2,148	1,698
Total remuneration of key management personnel	5,255	3,974

25 Controlled entities

Details of the Group's material subsidiaries and controlled entities at the end of the reporting period are as follows.

	Date of incorporation	Place of incorporation and operation	Proportion of ownership interest and voting power held by the Group	
			2022	2021
Subsidiary Companies				
Harmony Limited	15-May-14	New Zealand	100%	100%
Harmony Services Limited	16-May-14	New Zealand	100%	100%
Harmony Investor Trustee Limited	9-Jul-14	New Zealand	100%	100%
Harmony Australia Pty Ltd	20-Feb-15	Australia	100%	100%
Harmony Services Australia Pty Ltd	22-Sep-15	Australia	100%	100%
Harmony Nominee Limited	28-Nov-17	New Zealand	100%	100%
Harmony Warehouse Limited	14-Mar-18	New Zealand	100%	100%
Warehouse Trusts				
Harmony Warehouse No.1 Trust*	3-Dec-18	New Zealand	n/a	n/a
Harmony Australia Warehouse No.1 Trust	4-Dec-19	Australia	100%	100%
Harmony Collections Trust	22-Jan-20	Australia	100%	100%
Harmony Warehouse No.2 Trust*	22-Dec-20	New Zealand	n/a	n/a
Harmony Collections Trust*	22-Dec-20	New Zealand	n/a	n/a
Harmony ABS Trust 2021-1PP	29-Sep-21	Australia	100%	n/a
Harmony Australia Warehouse No.2 Trust	23-Nov-21	Australia	100%	n/a
Harmony Warehouse No.3 Trust*	3-Jun-22	New Zealand	n/a	n/a

* Controlled Entities: Management have determined that Harmony Warehouse No.1 Trust, Harmony Warehouse No.2 Trust, Harmony Collections Trust, and Harmony Warehouse No.3 Trust are controlled entities. Harmony Group subsidiaries have been appointed Manager, Servicer, and residual income beneficiary in each entity. Under NZ IFRS 10 *Consolidated Financial Statements*, an investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. As the Group controls the financing and operating activities of the Trusts and is the residual income beneficiary, the controlled entities are controlled by the Group and are required to be consolidated into the Group financial statements.

26 Financial assets and liabilities

The total carrying amount of the Group's financial assets and liabilities by category are detailed below:

	30 June 2022 \$'000	30 June 2021 \$'000
Financial assets at amortised cost		
Cash and cash equivalents	62,747	76,464
Trade and other receivables	49	1,059
Finance receivables	609,132	294,821
	671,928	372,344
Financial liabilities at amortised cost		
Payables and accruals	4,889	5,403
Borrowings	623,231	291,541
Lease liability	238	717
	628,358	297,661
Financial assets at fair value		
Derivative financial instruments	8,669	-
	8,669	-
Financial liabilities at fair value		
Derivative financial instruments	-	85
	-	85

NZ IFRS 9 requires financial assets to be classified based on two criteria:

- a) the business model within which financial assets are managed; and
- b) their contractual cash flow characteristics (whether the cash flows represent solely payment of principal and interest (SPPI)).

There are three resulting classifications of financial assets under NZ IFRS 9:

- a) Amortised cost: financial assets with contractual cash flows that comprise SPPI, and which are held in a business model whose objective is to collect their contractual cash flows, are measured at amortised cost;
- b) Fair value through other comprehensive income (FVTOCI): financial assets with contractual cash flows that comprise SPPI, and which are held in a business model whose objective is to both collect their contractual cash flows and to sell, are measured at FVTOCI; and
- c) Fair value through profit or loss (FVTPL): financial assets with contractual cash flows that do not represent SPPI, or which are held under a different business model are measured at FVTPL. Financial assets can also be designated at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Other than derivative financial instruments, which are held at fair value, all other financial assets and liabilities are held at amortised cost. For these instruments, the fair values are not materially different to their carrying amounts since the interest receivable/payable is either close to current market rates or the instruments are short-term in nature.

The following table presents the Group's financial assets and financial liabilities measured and recognised at fair value on a recurring basis:

30 June 2022 \$'000	Level 1	Level 2	Level 3
Financial assets			
Derivative financial instruments			
Hedging derivatives - interest rate swaps	-	8,669	-
30 June 2021 \$'000			
Financial liabilities			
Derivative financial instruments			
Hedging derivatives - interest rate swaps	-	85	-

There have been no transfers between levels in the year (2021: Nil).

The Group's policy is to recognise transfers into and out of fair value hierarchy levels as at the end of the reporting period.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and equity securities) is based on quoted market prices at the end of the reporting period.

The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Fair value

The interest rate swaps are initially recognised at fair value through profit and loss on the date the derivative contract is entered into and are subsequently measured at their fair value at each reporting date. All significant inputs required to measure their fair value are observable, therefore the swaps are level 2 in the fair value hierarchy.

The fair value of the interest rate swaps is determined from valuations prepared by independent advisors. These are calculated using a discounted cash flow model using forward interest rates extracted from observable yield curves. Discount rates include an adjustment for counterparty credit risk.

27 Financial risk management

Financial risk management objectives

The Group's activities expose it to a variety of financial risks, primarily market risk (including interest rate risk and foreign currency risk), credit risk and liquidity risk. The Group's risk management program focuses on understanding drivers of financial risk and seeks to minimise potential adverse effects on the financial performance of the Group.

The Group uses derivative financial instruments (interest rate swaps) to hedge interest rate risk. Derivatives are exclusively used for hedging purposes i.e. not as trading or other speculative instruments.

The Board have overall responsibility for the establishment and oversight of the risk management framework. The Board is responsible for developing and monitoring risk management policies. Risk management procedures are established by the Board and carried out by management to identify and analyse the risks faced by the Group and to set controls and monitor risks.

Market risk

Market risk is the risk that changes in market prices such as interest rates will affect the Group's income or the value of holdings in its financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Interest rate risk

Interest rate risk is the risk of changes in interest rates negatively impacting the Group's financial performance. The Group's main interest rate risk arises from cash at bank, term deposits and borrowings. Cash at bank, term deposits and borrowings obtained at variable rates expose the Group to interest rate risk. Cash at bank and term deposits obtained at fixed rates expose the Group to fair value interest rate risk.

The Group originates loans to customers that have fixed interest rates that are repaid over a relatively short period.

As at the reporting date, the Group had the following financial assets and liabilities exposed to variable interest rate risk.

	30 June 2022 \$'000	30 June 2021 \$'000
Financial assets		
Cash on hand and demand deposits	34,506	44,343
Restricted cash	28,241	32,121
Total financial assets	62,747	76,464
Financial liabilities		
Borrowings	(606,976)	(291,541)

Receivables funding are variable rate borrowings where the rates are reset monthly to current market rates. Interest rate risk is managed on these borrowings by entering interest rate swaps, whereby the Group pays fixed rate and receives floating rate. The contracts require settlement monthly of net interest receivable or payable. The settlement dates coincide with the dates on which interest is payable on the underlying borrowings.

The gain or loss from remeasuring the hedging instruments at fair value is recognised in other comprehensive income and deferred in equity in the cash flow hedge reserve, to the extent that the hedge is effective. It is reclassified into the Income Statement when the hedged item effects it. In the year ended 30 June 2022, no amount was reclassified into profit or loss (2021: Nil) due to hedge ineffectiveness.

The Group's policy is to hedge a portion of the variability in future cash flows attributable to the interest rate risk on floating rate borrowings using interest rate swaps. As at 30 June 2022, the notional value of swaps was 73% (2021: 33%) of floating rate borrowings.

The effects of the interest rate swaps on the Group's financial position and performance are as follows:

	30 June 2022	30 June 2021
	\$'000	\$'000
Carrying amount held in derivative financial instruments	8,669	(85)
Notional amount	444,299	95,629
Hedge ratio	1:1	1:1
Change in fair value of outstanding hedging instruments during the year	8,754	841
Change in fair value of outstanding hedged item used to determine hedge effectiveness	8,754	841

The interest rate sensitivity analysis below has been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the end of the reporting period and assumes that the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. A 100 basis point increase or decrease is used which represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 100 basis points (2021: 50 bps) higher/lower and all other variables were held constant, the Group's profit for the year ended 30 June 2022 would decrease/increase by \$1.6m (2021: \$1m). This is attributable to the Group's exposure to interest rates on its variable rate borrowings.

Other components of equity change as a result of an increase/decrease in the fair value of the cash flow hedges through other comprehensive income. If interest rates had been 100 basis points (2021: 50 bps) higher/lower and all other variables were held constant, the Group's equity for the year ended 30 June 2022 would increase/decrease by \$5.4m (2021: \$0.5m). This is attributable to the Group's exposure to interest rates on its interest rate swaps.

Foreign exchange risk

Foreign currency risk arises on financial instruments that are denominated in a currency other than the functional currency in which they are measured. The Group's main foreign exchange risk arises from inter-company receivables and payables which do not form part of a net investment in a foreign operation.

The Group has not hedged any foreign exchange risk during the year.

The Group has the following exposure to Australian dollars, expressed in New Zealand dollars. The Group's exposure to foreign currency changes for all other currencies is not material.

	AUD exposure	
	30 June 2022	30 June 2021
	\$'000	\$'000
Financial instruments		
Foreign currency payable	2,474	3,075
Foreign currency receivable	(2,686)	(5,788)
Net exposure	(212)	(2,713)

The following table demonstrates the sensitivity to a 5% increase or decrease in the Australian dollar exchange rate, which represents management's assessment of the reasonably possible change in this exchange rate. The impact on the Group's loss before tax is due to changes in the fair value of monetary assets and liabilities.

	Impact on post-tax profit	
	Year ended	Year ended
	30 June 2022	30 June 2021
	\$'000	\$'000
NZD/AUD +5%	11	136
NZD/AUD -5%	(11)	(136)

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group has a diversified funding model and currently comprises of a mix of 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. Details of unused available loan facilities are set out in note 20.

The Group manages operational liquidity risk by maintaining cash reserves and available borrowing facilities and by continuously monitoring actual and forecast cash flows. The Group seeks to have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions.

The finance receivable borrowings are required to be repaid from the finance receivable repayments. If these repayments are not sufficient to repay borrowings Harmony is not required to make repayments from funds outside the Warehouse Trusts.

Remaining contractual maturities

The following tables detail the Group's remaining contractual maturities for its financial instrument liabilities. The tables are based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

Contractual maturities of financial liabilities at 30 June 2022	Less than 1 year \$'000	1 to 2 years \$'000	More than 2 years \$'000	Total \$'000
Non-derivatives				
<i>Non-interest bearing</i>				
Payables and accruals	4,889	-	-	4,889
<i>Interest bearing</i>				
Borrowings	249,776	385,788	-	635,564
Lease liability	240	-	-	240
Total non-derivatives	254,905	385,788	-	640,693
Derivatives				
Interest rate swaps - (inflow)	(3,875)	(3,236)	(1,965)	(9,076)
Total derivatives	(3,875)	(3,236)	(1,965)	(9,076)
Contractual maturities of financial liabilities at 30 June 2021	Less than 1 year \$'000	1 to 2 years \$'000	More than 2 years \$'000	Total \$'000
Non-derivatives				
<i>Non-interest bearing</i>				
Payables and accruals	5,403	-	-	5,403
<i>Interest bearing</i>				
Borrowings	141,229	155,591	-	296,820
Lease liability	722	9	-	731
Total non-derivatives	147,354	155,600	-	302,954
Derivatives				
Interest rate swaps - outflow/(inflow)	225	(71)	(70)	84
Total derivatives	225	(71)	(70)	84

Capital risk management

The Group's objectives when managing capital are to safeguard the ability to continue as a going concern and to maintain an optimal capital structure to facilitate growth in the business while reducing the cost of capital. The Group's capital structure comprises equity raised by the issue of ordinary shares and external borrowings. There is significant capacity to fund finance receivables growth with warehouse facility headroom of \$323m (June 2021: \$205m) as shown in note 20.

28 Total fees paid to PricewaterhouseCoopers

	Year ended 30 June 2022 \$'000	Year ended 30 June 2021 \$'000
<i>Fees paid for audit and assurance services</i>		
Statutory annual audit fees	385	351
Statutory half-year review	98	113
Other non-audit assurance services	109	95
Agreed-upon procedures	155	-
Total audit and assurance services fees	747	559
<i>Fees paid for other services</i>		
Investigating Accountant assurance services *	-	426
Tax related services paid in respect of the ASX IPO*	-	283
Tax related services paid in respect of warehouse facilities	3	102
Preparation of tax returns and other services	89	57
Total other services fees	92	868
Total fees paid to PricewaterhouseCoopers	839	1,427

* The portion of these fees related to the issue of new shares is included within equity transaction costs.

29 Contingent liabilities and commitments

There are no contingent liabilities and capital commitments as at 30 June 2022 (2021: Nil).

30 Events after the reporting period

Monique Cairns and John Quirk were appointed as Directors of Harmony Corp Limited on 1 August 2022. David Flacks resigned as a Director of the Company on the same day.

There were no other material events subsequent to year end.

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Independent Auditor's Report



Independent auditor's report

To the shareholders of Harmoney Corp Limited.

Our opinion

In our opinion, the accompanying consolidated financial statements of Harmoney Corp Limited (the Company), including its subsidiaries (the Group), present fairly, in all material respects, the financial position of the Group as at 30 June 2022, its financial performance and its cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS).

What we have audited

The Group's consolidated financial statements comprise:

- the Consolidated Statement of Financial Position as at 30 June 2022;
- 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; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs NZ) and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* 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 Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* (PES 1) issued by the New Zealand Auditing and Assurance Standards Board and *International Code of Ethics for Professional Accountants (including International Independence Standards)* issues by the International Ethics Standards Board for Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our firm carries out other services for the Group in the areas of other assurance services in relation to the Group's regulatory requirements in New Zealand and Australia and non-assurance services in relation to preparation of tax returns, regulatory financial requirements and funding arrangements. The provision of these other services has not impaired our independence as auditor of the Group.

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Liability limited by a scheme approved under Professional Standards Legislation.



Our audit approach

Overview



Overall Group materiality: \$5.2 million, which represents approximately 0.75% of total assets.

We chose total assets as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users, and is a generally accepted benchmark.

We utilised a 0.75% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds.

We have determined that there are three key audit matters:

- Expected credit loss provisions on finance receivables (note 16, \$31.9m)
- Deferred tax assets (note 11, \$9.1m)
- Interest income (note 5, \$73.6m)

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are 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 consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out above. These, together with qualitative considerations, helped us to determine the scope of our audit, the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the consolidated financial statements as a whole.

Audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.



Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements 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.

Key audit matter	How our audit addressed the key audit matter
<p>Expected credit loss provisions on finance receivables (note 16, \$31.9m)</p> <p>This was a key audit matter because the determination of the provision was driven by subjective judgements made by the Group in predicting expected credit losses (ECL).</p> <p>The majority of the customer loan balances were low value and therefore the provision was modelled and calculated on a collective basis. Key elements in determining ECL include:</p> <ul style="list-style-type: none"> Judgements applied in setting the assumptions used in the ECL models, including the application of expected loss rates applied to each underlying portfolio segment. Judgements applied in model changes, to reflect emerging trends or particular situations which are not otherwise captured. Judgements applied in incorporating forward-looking impacts, which use macroeconomic forecasts for a range of scenarios that are weighted to consider the potential economic outcomes that may impact ECL. Judgements applied in determining exposures that have had a significant increase in credit risk, which is assessed by the Group based on the delinquency or hardship status of an account. 	<p>We have performed the following procedures, amongst others:</p> <ul style="list-style-type: none"> Together with PwC credit modelling experts: <ul style="list-style-type: none"> Examined and assessed the ECL model developed by the Group in considering key judgements and assumptions supporting ECL. Assessed the appropriateness of modelled outcomes by comparing its outcomes, and underlying expected losses, to actual losses. Assessed the appropriateness of forward-looking information incorporated into the impairment calculations by assessing macroeconomic assumptions and probability weightings applied. Re-performed the calculations for ECL as at 30 June 2022 using the Group's data, methodology and assumptions, and our adjusted forward looking information. Assessed the integrity of data used as inputs into the models, including delinquency data, by tracing a sample of inputs used in the models to underlying audit evidence. Assessed the reasonableness of the Group's disclosures in the financial report in light of the requirements of NZ IFRS.

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Key audit matter

How our audit addressed the key audit matter

Deferred tax assets (note 11, \$9.1m)

The Group was subject to taxation in each location in which it operated.

The assessment of the amounts expected to be paid in the future to tax authorities was considered by the Group in respect of recognising deferred tax assets (DTAs), including those related to tax losses, at 30 June 2022.

This was a key audit matter due to the extent of judgement involved by the Group in forecasting taxable profits.

Our procedures included evaluating the tax analysis performed by the Group, which set out the basis for judgements made in respect of DTAs by:

- Considering the appropriateness of forecasting methods used by management to calculate future taxable profits.
- Assessing certain judgements and, where relevant, comparing them to available internal and external data on a sample basis.
- Assessing management's forecasting accuracy over time by comparing previous forecasts to actual outcomes.
- Agreeing relevant input data to supporting records on a sample basis.
- Assessed the reasonableness of the Group's disclosures in the financial report in light of the requirements of NZ IFRS.

Interest income (note 5, \$73.6m)

The Group's main stream of revenue is interest income from providing loans to customers.

The recognition of interest income over time requires the Group to apply judgement and determine an effective interest rate to be applied in accordance with NZ IFRS.

This was a key audit matter because of the significance of interest income in the context of the performance of the Group, and the judgement involved in determining an effective interest rate.

We performed the following procedures, amongst others:

- Re-performed the automated calculation for 100% of interest income from loans to customers.
- Assessed the Group's methodology for recognising revenue in light of the requirements of NZ IFRS.
- Assessed that the effective interest rate applied was determined in line with the methodology used by the Group and assessed its consistency with internal information.
- Inspected and compared contract data contained in the product system to a sample of contracts, including interest rates and loan period.

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Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, 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 consolidated financial statements

The Directors are responsible, on behalf of the Company, for the preparation and fair presentation of the consolidated financial statements in accordance with NZ IFRS and IFRS, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability 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 consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements, as a whole, are 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 ISAs NZ and ISAs 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 these consolidated financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the External Reporting Board's website at:

<https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-1/>

This description forms part of our auditor's report.



Who we report to

This report is made solely to the Company's shareholders, as a body. Our audit work has been undertaken so that we might state those matters which we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders, as a body, for our audit work, for this report or for the opinions we have formed.

The engagement partner on the audit resulting in this independent auditor's report is Rob Spring.

For and on behalf of:

A handwritten signature in black ink that reads 'Stuart Cooper'.

Chartered Accountants
30 August 2022

Sydney

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Shareholder Information

The shareholder information set out below was applicable as at 31 July 2022.

Distribution of equitable securities

Analysis of number of equitable holders by size of holding.

	Number of holders	Ordinary shares	Options over ordinary shares	
		% of total shares issued	Number of holders	% of total shares issued
1 to 1,000	136	0.06	0	0
1,001 to 5,000	273	0.81	0	0
5,001 to 10,000	164	1.28	0	0
10,001 to 100,000	273	7.77	0	0
100,001 and over	62	90.08	0	0
Total	908	100	0	0

There were 94 holders of less than a marketable parcel of ordinary shares.

Equity security holders

The names of the twenty largest security holders of quoted equity securities are listed below:

Number of holders	% of total shares issued
Neil Roberts	18.46
Heartland Group Holdings Limited	10.15
Lookman Family Trust	8.98
Lisa Capital Pty Ltd	8.64
Trade Me Limited	7.54
Citicorp Nominees Pty Limited	5.39
National Nominees Limited	4.80
Alternative Credit Investments Plc	3.89
HSBC Custody Nominees (Australia) Limited	3.73
Brad Hagstrom, Renai Hagstrom and Guy Hagstrom	2.13
David Stevens	1.95
Tap Capital Pty Ltd	1.34
Monde Five Limited	1.09
UBS Nominees Pty Ltd	1.02
Andrew Cathie	1.00
Duncan Gross	0.99
New Zealand Depository Nominee	0.96
Mono Lake Trustee Limited	0.90
David Flacks	0.81
FNZ Custodians Limited	0.60
Total	84.37

Unquoted equity securities

	Number on issue	Equity securities on conversion	Number of holders
Performance rights	8,372,958	8,372,958	16
Convertible notes	8,000,000	3,333,333	3

Substantial holders

Substantial holders in the Company are set out below:

Name of holder	Number held (as notified)	Number held (actual)	% of total shares issued (as notified)	% of total shares issued (actual)	Date of last notice
Neil Roberts	18,611,152	18,647,752	18.42	18.46	23-Nov-20
Heartland Group Holdings Limited	10,197,693	10,257,870	10.15	10.15	7-Jul-21
Lookman Family Trust	9,069,618	9,069,618	8.98	8.98	19-Nov-20
Lisa Capital Pty Ltd	8,730,461	8,730,461	8.64	8.64	1-Sep-21
Trade Me Limited	7,620,959	7,620,959	7.54	7.54	19-Nov-20

Voting rights

The voting rights attached to ordinary shares are set out below:

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.

There are no other classes of equity securities.

Securities subject to voluntary escrow

Class	Expiry date ¹	Number of shares
Fully paid ordinary shares	4:15pm on the trading day after Harmony releases its full-year results to ASX and NZX for the financial year ending 30 June 2022.	16,433,293
Total		16,433,293

1. The expiry date is the day that the escrowed shares can be released.

Corporate Information

For the year ended 30 June 2022

Directors

The following persons held office as Directors of the Company and the Company's subsidiaries during the year ended 30 June 2022.

Harmoney Corp Limited

David Flacks (Resigned 1 August 2022)

Tracey Jones

Paul Lahiff

Neil Roberts

David Stevens

Harmoney Australia Pty Ltd

Brad Hagstrom

David Nesbitt

David Stevens (Appointed 13 January 2022)

Ben Taylor (Resigned 13 September 2021)

Simon Ward

Harmoney Services Australia Pty Ltd

Brad Hagstrom

David Nesbitt

David Stevens (Appointed 13 January 2022)

Ben Taylor (Resigned 13 September 2021)

Simon Ward

Harmoney Investor Trustee Limited

Brad Hagstrom

Neil Roberts

Simon Ward

Harmoney Limited

Brad Hagstrom

Neil Roberts

Simon Ward

Harmoney Services Limited

Brad Hagstrom

Neil Roberts

David Stevens (Appointed 13 January 2022)

Simon Ward

Harmoney Nominee Limited

Brad Hagstrom
Neil Roberts
David Stevens (Appointed 13 January 2022)
Simon Ward

Harmoney Warehouse Limited

Brad Hagstrom
Neil Roberts
David Stevens (Appointed 13 January 2022)
Simon Ward

Directors' shareholding

Directors are not compelled to hold shares in the Company, but informally it is encouraged (provided the Trading Policy is complied with) as aligning the interests of non-executive directors with those of shareholders.

Directors' attendances

The following table shows the Board and Committee meetings held and the Directors' attendances during the financial year ended 30 June 2022.

	Board		Audit and Risk Committee		Nomination and Remuneration Committee	
	Attended	Held	Attended	Held	Attended	Held ¹
David Flacks	13	13	5	5	2	2
Tracey Jones	13	13	5	5	2	2
Paul Lahiff	13	13	5	5	2	2
Neil Roberts	11	13	N/A	N/A	N/A	N/A
David Stevens	13	13	5	5	2	2

¹ Nomination and Remuneration Committee discussions were also held at Director-only sessions of Board meetings.

Directors' interests

The following are particulars of general disclosures of interest by Directors of Harmoney Corp Limited holding office at 30 June 2022, pursuant to section 140(2) of the Companies Act 1993. Where applicable, the disclosures also include directorships of subsidiaries of the relevant companies.

David Flacks

AFT Pharmaceuticals Ltd	Chair
Asteron Life Ltd	Chair
Collaborative Advanced Genetic Technologies Ltd	Director
Flacks & Wong Ltd	Director
Harmoney Share Sale Company Ltd	Director
Project Janszoon Trust Company	Director
The Todd Corporation Ltd	Director
Todd Offshore Ltd	Director
Vero Insurance New Zealand Ltd	Chair
Vero Liability Insurance Ltd	Chair
Zero Invasive Predators Ltd	Director

Brad Hagstrom

Hagstrom Family Trust	Trustee
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Tracey Jones

Cove Road Soapworks Ltd	Director
Harmoney Share Sale Company Ltd	Director
Jones Family Office Partners Ltd	Director
Kepa Investments Ltd	Director
N'Godwi Trust	Trustee
Nikko Asset Management NZ Ltd	Chair
Petal Foundation	Trustee and Chair
Punakaiki Fund	Director
RC Custodian Ltd	Director
Sandat Consulting Ltd	Director
Tutanekai Investments Ltd	Director

Paul Lahiff

86 400 Holdings Ltd	Chair
86 400 Ltd	Director
86 400 Technology Pty Ltd	Director
AUB Group Limited	Director
Lahiff Consulting Australia Pty Ltd	Director
NESS Super Pty Ltd	Chair
P&R Lahiff Pty Ltd	Director
RSW Lane Cove Pty Ltd	Director
Sezzle Inc.	Director

David Nesbitt

Neslan Pty Ltd	Director
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Neil Roberts

Harmony Share Sale Company Ltd	Director
Minc Ltd	Director
Neil Roberts Business Trust	Trustee
Neil Roberts Trustee Company Ltd	Director
Roberts Family Trust	Trustee

David Stevens

Harmony Share Sale Company Ltd	Director
Liquid Asset Enterprises Pty Ltd	Director

Simon Ward

Monde Five Ltd	Director
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Indemnities and insurance

Pursuant to section 162 of the Companies Act 1993 and the Constitution, Harmony Corp Limited has entered into insurance for the directors of the Group to indemnify them, against liabilities which they may incur in the performance of their duties as directors of any company within the Group.

Remuneration and other benefits received by Directors during the year

	Directors' fees \$ ¹
Paul Lahiff	185,640
David Flacks	111,167
Tracey Jones	90,000

1. Harmony does not offer share options, or any benefits on retirement, to non-executive directors.

Employee remuneration

Remuneration	Number of employees
100,000-110,000	4
110,000-120,000	5
120,000-130,000	4
130,000-140,000	8
140,000-150,000	5
150,000-160,000	3
160,000-170,000	3
170,000-180,000	1
180,000-190,000	2
190,000-200,000	1
210,000-220,000	1
220,000-230,000	1
290,000-300,000	1
320,000-330,000	1
360,000-370,000	2
390,000-400,000	2
460,000-470,000	1
480,000-490,000	1
570,000-580,000	1
970,000-980,000	1
1,880,000-1,890,000	1
2,400,000-2,410,000	1

Donations

The Group donated \$3,750 during the year ended 30 June 2022 (2021: \$Nil). \$Nil donations were made to political parties (2021: \$Nil).

Directory

Registered Office

Harmony Corp Limited
Ground Floor, 79 Carlton Gore Road
Newmarket, Auckland 1023, New Zealand

Auditor

PricewaterhouseCoopers
One International Towers,
Watermans Quay
Barangaroo
NSW 2000
Australia

Share Register

Link Market Services Limited
ACN 083 214 537
Capital Markets Manager,
Link Market Services,
Level 21, 10 Eagle Street,
Brisbane,
QLD 4000,
Australia

Stock Exchange Listing

Harmony Corp Limited shares are listed in the Australian Securities Exchange (ASX) and New Zealand's Exchange (NZX). Harmony Corp Limited was admitted to the official list of the ASX and NZX on 19 November 2020 (ASX and NZX issuer code HMY).

Notice of Annual General Meeting

The Annual General Meeting of Harmony Corp Limited will be held on 16 November 2022.

Corporate Governance Statement

www.harmony.com.au/investor

Harmony Websites

www.harmony.co.nz | www.harmony.com.au

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