HUMM GROUP LIMITED

INTERIM REPORT

FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

humm Group Limited
ABN 75 122 574 583

This report is based on the condensed consolidated financial statements for the half-year ended 31 December 2022 which have been reviewed by Ernst & Young.

ABOUT THIS REPORT.

This Interim Financial Report ("Half-Year Report") of humm Group Limited ABN 75 122 574 583 (referred to hereafter as the "Group" or "**humm**group") has been prepared in accordance with Australian Accounting Standards and the *Corporations Act 2001* (Cth) and does not include all the notes of the type normally included in an annual financial report. **humm**group's most recent annual financial report is available at https://investors.humm-group.com/Investor-Centre/ as part of its 2022 Annual Report.

hummgroup has released information to the Australian Securities Exchange ("ASX") in compliance with the ASX Listing Rules. Announcements made by **humm**group under such rules are available at www.asx.com.au (**humm**group's ASX code is ASX:HUM).

The material in this Half-Year Report has been prepared by **humm**group and is current at the date of this report. It is general background information about **humm**group and its subsidiaries' activities, is given in summary form in terms of the requirements of AASB 134 Interim Financial Reporting and does not purport to be complete. It is not intended to be relied upon as advice to investors or potential investors and does not take into account the investment objectives, financial situation or needs of any particular investor. These should be considered with professional advice when deciding if an investment is appropriate.

This Half-Year Report was authorised for issue by **humm**group's Directors on **23 February 2023**. The Board of Directors has the power to amend and reissue the Half-Year Report.

hummgroup is a company limited by shares and incorporated and domiciled in Australia. Its registered office and principal place of business is:

Level 1
121 Harrington Street
The Rocks, Sydney NSW 2000

ABN 75 122 574 583

CONTENTS

INTERIM REPORT.

The Directors present their Interim Operating and Financial Review on the consolidated entity consisting of humm Group Limited ABN 75 122 574 583 and the entities it controlled at the end of, or during, the half-year ended 31 December 2022 ("1H23"), which is designed to provide shareholders with a clear and concise overview of **humm**group's operations and financial position of the Group.

DIRECTORS

The following persons were Directors of humm Group Limited ABN 75 122 574 583 during the half-year and up to the date of this report unless otherwise stated:

Andrew Abercrombie
Teresa Fleming
Stuart Grimshaw
Robert Hines (appointed 29 September 2022)
Anthony Thomson (appointed 29 September 2022)

COMPANY SECRETARIES

Christina Seppelt
Isobel Rogerson (resigned 23 August 2022)
Lisa-Anne Carey (appointed 27 September 2022)

PRINCIPAL ACTIVITIES

hummgroup is a diversified financial services group providing, directly and through a network of 89,000 retailers and brokers, an ecosystem, designed to help people buy everything, everywhere, and every day. These products include Point of Sale Payment Plans ("PosPP") products, asset finance, leasing, credit cards and other finance solutions. **humm**group operates in Australia ("AU"), New Zealand ("NZ"), Ireland and Canada, serving almost 2.6 million customers.

hummgroup renamed its Buy Now Pay Later ("BNPL") business to Point of Sale Payment Plans ("PosPP") to more accurately reflect its products and services. The market definition of BNPL is attributed to small ticket financing which represents less than 1.2% of total receivables of the Group.

Our principal activities continued to be:

- PosPP (a consolidation of **humm**® Australia, New Zealand, United Kingdom ("UK"), Ireland, **bundll**®, **humm**®pro and FlexiRent® Ireland). Strategic decisions have been taken to discontinue **humm**pro and PosPP products in New Zealand and to pause origination of new customers to **bundll** pending the replatforming of this product;
- Australia Cards (**humm**®90, Lombard and Once);
- New Zealand Cards (including Farmers Finance Card, Farmers Mastercard®, Q Card, Q Mastercard® and Flight Centre Mastercard®); and
- Commercial and Leasing (consisting of Australia and New Zealand Commercial lending and the legacy Consumer Leasing product).

PRESENTATION OF FINANCIAL INFORMATION

During the period we have changed the way the results are presented to reflect Normalised Cash Profit. We consider that the measure better reflects the underlying performance of the business and have retained our previous measure Cash Net Profit After Tax ("CNPAT") in the interim for transparency and consistency.

REVIEW OF OPERATIONS.

1. GROUP PERFORMANCE

For the half-year ended 31 December 2022, the Group reported a Normalised cash profit (after tax) of $38.5m, up 2% on the prior comparative period ("pcp").

Normalised cash profit (after tax) is calculated as statutory profit after tax adjusted for material infrequent items (such as legal provision, one-off transaction costs, restructure and redundancy costs) that were previously adjusted for in Cash net profit after tax ("Cash NPAT") and operating losses of suspended products. Also excluded from Normalised cash profit (after tax) is AASB9 provision movement, with actual credit losses remaining in the result.

The Directors believe that Normalised cash profit (which is a key metric used by the leadership to manage the business) is the best indicator of the on-going performance of the organisation and the most appropriate metric to understand the Group's performance. The Directors believe that Normalised cash profit is the most appropriate measure of maintainable earnings of the Group and therefore best reflects the core drivers and ongoing influences upon those earnings.

Cash earnings per share ("Cash EPS")[1] of 2.9 cents represents a 48.2% decrease from prior comparative period of 5.6 cents, reflecting the decrease in Cash NPAT.

Summary Financial Results

A$m	1H23	1H22	Change $m	Change %
Gross income	243.7	220.7	23.0	10%
Net operating income	154.3	169.4	(15.1)	(9%)
Credit impairment charge	(39.5)	(23.6)	(15.9)	67%
Marketing expense	(9.9)	(16.8)	6.9	(41%)
Operating expenses	(83.0)	(91.4)	8.4	(9%)
Tax expense	(5.2)	(9.8)	4.6	(47%)
Cash NPAT[2]	**16.7**	**27.8**	**(11.1)**	**(40%)**
Movement in AASB9 provision	4.4	(10.2)	14.6	LRG
Suspended products and related costs[3]	13.4	13.3	0.1	1%
Depreciation	4.0	7.0	(3.0)	(43%)
Normalised cash profit (after tax)	**38.5**	**37.9**	**0.6**	**2%**

1. Cash EPS is calculated using Cash NPAT divided by the weighted average number of shares.
2. Cash NPAT reflects the reported net profit after tax adjusted for material infrequent items and the amortisation of acquired intangibles.
3. Suspended products include the Cash NPAT of products previously announced as being wound down, such as **bundll**, **humm** NZ, **humm** UK and **humm**pro.

Normalised cash profit (after tax) to Statutory profit reconciliation

A$m (after tax)	1H23	1H22
Normalised cash profit (after tax)	**38.5**	**37.9**
Movement in AASB9 provision	(4.4)	10.2
Suspended products and related costs	(13.4)	(13.3)
Depreciation	(4.0)	(7.0)
Cash NPAT	**16.7**	**27.8**
Legal provision	(0.2)	(8.4)
Impairment of intangibles	(2.0)	(181.2)
Amortisation of acquired intangibles	(2.3)	(0.9)
Transaction costs	(0.3)	(3.5)
Redundancy	(1.6)	(0.5)
Other	(2.8)	(1.6)
Statutory profit/(loss)	**7.5**	**(168.3)**

KEY PERFORMANCE METRICS

Active Customers (m)

Half-year to 31 December

2022	2021	Change %
2.6	2.8	(7%)

Active customers decreased 7% on pcp, driven by closed products and legacy books in rundown, as well as the impact of pre-COVID customers reaching the end of their financial commitments with **humm**group.

Distribution Partners (k)

Half-year to 31 December

2022	2021	Change %
89	90	(1%)

Distribution partners decreased from 90k to 89k. Reduction driven by exit of **humm**pro, **humm** NZ and **bundll** products.

Transaction Volume ($b)

Half-year to 31 December

2022	2021	Change %
$2.0	$1.7	18%

New business volumes was up 18% on pcp. There has been continuing strong growth of 62% in Commercial AU, driven by the successful shift towards SME lending. A similar strategy in Commercial NZ has seen a 172% growth.

Growth across active PosPP products, Cards, Ireland and **humm** Australia, has been offset by lower volumes from business no longer being written in closed products. Cards AU and Cards NZ grew by 19% and 6% respectively over pcp.

30+ Days Arrears (%)

2022	2021	Change %
1.9	2.1	(10%)

30+ day arrears reduced by 10% due to improving credit quality across the portfolio with the reductions evident in the Australian Commercial and Leasing business and in PosPP, which has benefited from lower receivables balances following the planned exit from some of closed products.

Cost to Income Ratio[1] (%)

Half-year to 31 December

2022	2021	Change %
60%	64%	(6%)

Cost to income ratio decreased 6% from 1H22 due to lower marketing $6.9m and lower depreciation $6.0m which were partially offset by inflation based cost increases across the business. Costs associated with offshore operations increased compared to 1H22, with the benefit of cost savings from exited products to be fully realised in future periods.

The cost to income ratio in the current period was also adversely impacted by higher interest costs which resulted in lower net income.

1. Cost to income is calculated on a Cash NPAT basis. Cost comprises of marketing and operating expenses, while income comprises of gross income, less interest expense and direct cost of sales.

KEY FINANCIAL DRIVERS

Impairment Charge ($m)

Half-year to 31 December

	2022	2021	Change %
Net losses	34.4	40.7	(15%)
AASB9 provision	5.1	(17.1)	LRG
Credit impairment charge	**39.5**	**23.6**	**67%**

Credit impairment charge increased 67% to $39.5m driven by increased AASB9 provisioning required for the Commercial and Cards portfolios. The unwind of credit provisioning in the prior period related to the release of macro provisions that were recognised during COVID-19.

Net losses (debts written off less loss recoveries) were 15% lower than pcp.

The improved net loss position represents the strong credit quality of the underlying receivables balances across both the Commercial and Consumer businesses.

The Group continues to monitor arrears and losses closely and remains well provisioned for the future.

Gross Income ($m)

Half-year to 31 December

2022	2021	Change %
243.7	220.7	10%

Gross income has grown 10% predominately due to growth in Commercial of $29.0m in line with the increase in receivables of $823.3m.

Cards NZ and **humm** Australia income has been impacted by lower average receivables. Lower yield has also impacted PosPP and Cards AU with gross income also lower due to a $2.6m reduction in income from the run-off of legacy books.

Net Interest Income ($m)

Half-year to 31 December

	2022	2021	Change %
Interest income	193.0	169.8	14%
Interest expense	(73.7)	(37.6)	96%
Net interest income	**119.3**	**132.2**	**(10%)**
Average net receivables	3.5b	2.8b	25%
Gross yield	11.0%	12.0%	(8%)
Net yield	6.8%	9.3%	(27%)

Net interest income reduced by 10% driven primarily by the $36.1m increase in interest expense.

Gross yield reduced to 11% due to competitive pricing pressures in the consumer business. Management have undertaken pricing initiatives in the current period to improve gross yield across the business to respond to cost of fund increases. Gross yields are forecast to improve as the consumer sector returns to normalised conditions. Gross yield in the commercial book remained steady.

Net yield reduced to 6.8% due to the combination of gross yield compression and higher funding costs. Approximately 50% of the higher funding costs was driven by increased funding required for the growth in net receivables, with the remaining 50% relating to higher funding costs.

Higher funding costs were the result of a strategic initiative to optimise the usage of capital by substituting mezzanine funding into the warehouse facilities, thereby releasing capital back to the Company. The result of this optimisation is an increase in funding costs through an increased debt funding mix coupled with the cash rate increases that have occurred through this period.

Operating Expenses ($m)[1]

Half-year to 31 December

2022	2021	Change %
(92.9)	(111.3)	(17%)

Operating expenses reduced predominantly due to reduction in marketing spend on exited products which was partially offset by an increase in technology and insurance costs.

A $6.0m reduction in employment costs for AU and NZ was offset by increased offshore employment costs following investments and expansion in these markets.

Technology costs increased $2.2m due to increased costs from the transition of the PosPP technology platform.

1. Presented on a Cash NPAT basis.

Gross Receivables ($m)

Dec-22	Jun-22	Change %
3,787	2,979	27%

Receivables increased 27% from growth in Commercial of 73%, and customer loans in AU Cards of 2% offset by a decrease in NZ Cards of 4%.

Commercial and Leasing continued its positive momentum from FY22 by higher lending to SME businesses in Australia through broker channels.

PosPP receivables increased as a result of improved business development activity, which led to strong growth across existing core products.

Receivables in NZ Cards continued to recover in 1H23, however, higher customer paydowns of interest-bearing balances for AU and NZ Cards receivables, which was experienced across the broader cards market, resulted in lower interest income. This was in spite of volume growth.

Normalised Return on Equity Ratio (ROE) (%)[1]

Half-year to 31 December

2022	2021	Change %
12%	11%	9%

Normalised ROE, calculated as Normalised cash profit (after tax) was up 9% on the prior period. This resulted from the 2% increase in Normalised cash profit (after tax) on a higher average equity base (adjusted for the impact of impairments) in the pcp.

1. Normalised ROE is calculated as Normalised cash profit (after tax) in the year divided by average total equity.

FUNDING AND CAPITAL

hummgroup maintains a well-established, mature funding platform with a funding plan that supports the Group's growth strategy. **humm**group's funding strategy is focused on retaining committed, cost and capital efficient funding for all existing products and increasing **humm**group's debt capital markets presence across both Australia and New Zealand. The Group has strong banking relationships across all geographies in which it operates with wholesale debt facilities in place with Authorised Deposit-taking Institutions and large international banks and fund managers. **humm**group is also supported by numerous institutional investors through its asset-backed securities ("ABS") programs in both Australia and New Zealand.

At balance sheet date, the Group had $3,493.5m[1] of wholesale debt facilities, with $1,114.9m of facilities undrawn. The wholesale debt facilities include both public and private debt facilities which are secured against underlying pools of receivables, chattel loans and customer loans. All facilities provide for the ultimate repayment of outstanding debt through collections received in respect of the relevant receivables, chattel loans and customer loans. In some cases, the Group's wholesale debt facilities are structured to include a revolving period where funding can be drawn and receipts from customers can be used to fund originations of new receivables, chattel loans and customer loans, ahead of the repayment of outstanding debt. The facilities provide for repayment of outstanding debt in line with repayment of the underlying receivables and customer loans.

1. The total includes the growth capital facility currently drawn to $50.0m.

CORPORATE DEBT FACILITY

In December 2022, the Group retired its $110.0m syndicated revolving loan facility and replaced it with a new facility which provides for funding of up to $150.0m. The new facility can be applied to higher growth capital requirements stemming from a growing book of receivables, chattel loans and customer loans.

EBITDA ($m)

Half-year to 31 December

	2022	2021	Change %
Statutory NPAT	7.5	(168.3)	LRG
Depreciation and amortisation	10.4	16.4	(37%)
Impairment of goodwill and other intangible assets	2.8	181.2	(98%)
Tax	1.1	5.2	(60%)
Movement in AASB9 provisions	5.1	(16.8)	LRG
Interest on corporate debt	2.2	2.1	5%
EBITDA excluding AASB9 provision movement[1]	**31.1**	**19.8**	**57%**
Material infrequent items incl. suspended products and related costs (pre-tax)	16.8	23.1	(27%)
Normalised EBITDA	**47.9**	**42.9**	**12%**

We include the measure as it is used by our bankers.

Earnings before interest, tax, depreciation and amortisation ("EBITDA") excluding AASB9 provision movements, a measure of performance used in corporate debt covenants, was $31.1m at 31 December 2022, an increase of 57% from pcp.

EBITDA has benefited from lower material infrequent items and suspended product costs in the current period, primarily from lower legal provisions and transaction costs.

Normalised EBITDA increased 12% to $47.9m due to the items noted above.

1. EBITDA used for covenant testing per corporate debt facility is to exclude the effects of all provisioning required under AASB9 and treat the right of use assets capitalised under AASB16 as operating leases.

Corporate Debt Gearing (%)

Dec-22	Jun-22	Change %
7.9%	0.0%	LRG

Corporate debt was drawn during 1H23 to fund higher working capital requirements associated with a growing book of receivables, chattel loans and customer loans. The Group continues to optimise its capital structure to maximise shareholder value and prudently manage liquidity by working to securitise a higher portion of assets across its wholesale debt facilities and make greater use of mezzanine debt investment.

Wholesale Debt and Corporate Borrowings ($m)

	Dec-22	Jun-22	Change %
Secured debt facilities	3,443.5	3,025.5	14%
Corporate debt facility	50.0	–	LRG

Wholesale debt increased 14% in line with an increase in Chattel Loans, Receivables and Customer Loans.

2. SEGMENT PERFORMANCE

The Directors consider the business from a product perspective and have identified four reportable segments:

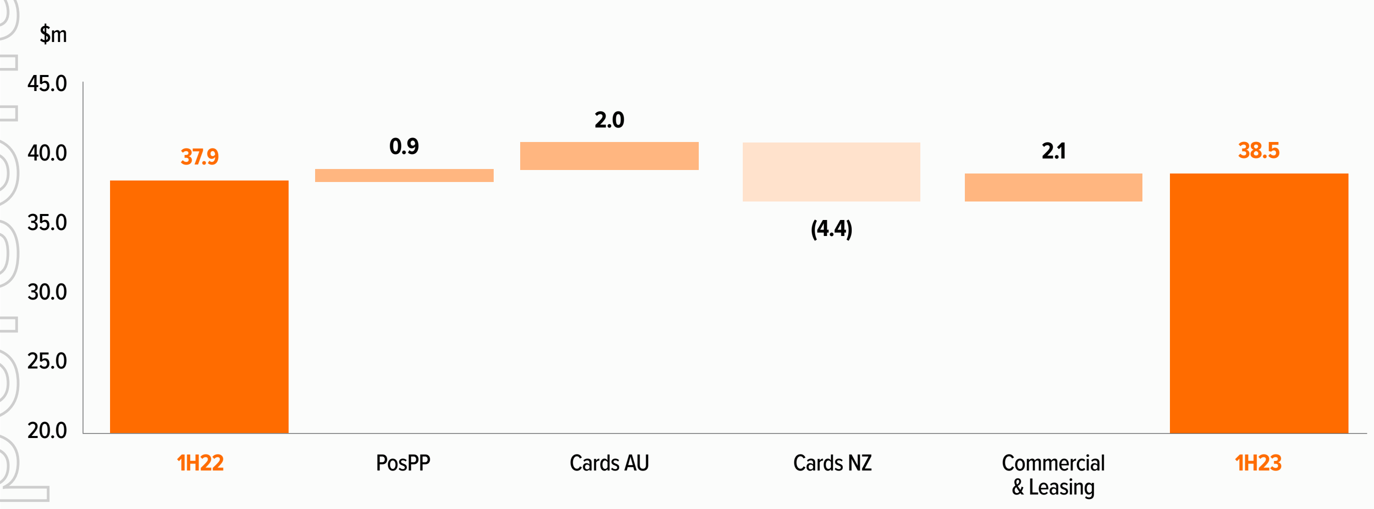
- PosPP (a consolidation of **humm** Australia, New Zealand, UK and Ireland, **bundll**, **humm**pro and FlexiRent Ireland). Strategic decisions have been taken to discontinue **humm**pro and PosPP products in New Zealand and to pause origination of new customers to **bundll** pending the replatforming of this product;
- Australia Cards (**humm**90, Lombard and Once);
- New Zealand Cards (including Farmers Finance Card, Farmers Mastercard, Q Card, Q Mastercard and Flight Centre Mastercard); and
- Commercial and Leasing (consisting of Australia and New Zealand Commercial lending and the legacy Consumer Leasing product).

hummgroup's Normalised cash profit (after tax) performance for its four operating segments is summarised in the table below.

Segment Summary

A$m	Dec-22	Dec-21	Change %
PosPP	4.0	3.1	29%
Australia Cards	2.7	0.7	LRG
New Zealand Cards	12.5	16.9	(26%)
Commercial and Leasing	19.3	17.2	12%
Normalised cash profit (after tax)	**38.5**	**37.9**	**2%**

Normalised cash profit (after tax) movement by reportable segment ($m)



SEGMENT ANALYSIS

PosPP

A$m	Dec-22	Dec-21	Change %
Gross income	61.5	61.6	0%
Net operating income	41.3	48.7	(15%)
Credit impairment charges	(13.8)	(16.6)	(17%)
Marketing expenses	(3.3)	(9.3)	(65%)
Operating expenses	(36.5)	(36.2)	1%
Cash NPAT	**(8.1)**	**(9.7)**	**(16%)**
Movement in AASB9 provision	(0.5)	(1.6)	(69%)
Suspended products and related costs	12.5	14.3	(13%)
Depreciation	0.1	0.1	0%
Normalised cash profit (after tax)	**4.0**	**3.1**	**29%**
Volume	604.6	651.2	(7%)
Closing customer loans	797.1	799.2	(0%)

Normalised cash profit (after tax) in PosPP of $4.0m in 1H23 represents a slight increase on the prior comparative period. This performance is attributable to:

- Net operating income was down 15% due to margin compression and higher cost of funds in **humm** Australia as we have passed on cost of fund increase more slowly to merchants.
- Volume was down 7% with the rundown of **humm** New Zealand, **bundll** and **humm**pro, partly offset by growth in **humm** Australia and Ireland.
- Marketing expenses were down 65% due to cost saving initiative and reduced spend following the rundown of business no longer marketing closed products.
- Operating expenses were up 1%, mainly due to investment in offshore businesses and system development (a decision to wind down promotions and activities in England was only made in November) partly offset by a $2.6m reduction in depreciation.
- Credit impairment charges were 17% lower due to improvement in credit performance for the half to December 2022.
- Net loss of suspended products was $1.8m lower in the current period as we exit these products.

Australia Cards

A$m	Dec-22	Dec-21	Change %
Gross income	38.7	37.9	2%
Net operating income	23.7	24.5	(3%)
Credit impairment (charges)/benefit	(6.2)	3.0	LRG
Marketing expenses	(1.9)	(2.4)	(21%)
Operating expenses	(14.1)	(18.7)	(25%)
Cash NPAT	**1.2**	**4.7**	**(74%)**
Movement in AASB9 provision	0.4	(6.4)	LRG
Depreciation	1.1	2.4	(54%)
Normalised cash profit (after tax)	**2.7**	**0.7**	**LRG**
Volume	266.0	223.9	19%
Closing customer loans	437.8	428.0	2%

Normalised cash profit (after tax) in Australia Cards of $2.7m in 1H23 represents an increase of $2.0m on the prior comparative period. This performance is attributable to:

- Gross income was up 2% primarily due to higher account fees and higher receivables which was partly offset by lower interest income with lower revolve rates.
- Reduction of 3% in net operating income was caused by increased cost of funds, partly offset by higher gross income.
- Volume increased by 19% with increased spending as customer behaviours normalised post-COVID.
- Operating and marketing expenses decreased reflecting operational efficiencies including lower depreciation (following prior period impairments), and right-shoring operations.
- Credit impairment charges comprise net losses and movements in AASB9 provisions. $9.0m in AASB9 provisions were released in the pcp with a $0.6m increase in the current period. Net losses of $5.6m for the current period were $0.4m lower than pcp, demonstrating the strong quality of the receivables portfolio.

New Zealand Cards

A$m	Dec-22	Dec-21	Change %
Gross income	57.4	64.1	(10%)
Net operating income	41.1	50.8	(19%)
Credit impairment charges	(10.9)	(4.2)	LRG
Marketing expenses	(4.4)	(4.9)	(10%)
Operating expenses	(13.8)	(18.3)	(25%)
Cash NPAT	**9.0**	**17.5**	**(49%)**
Movement in AASB9 provision	1.7	(4.1)	LRG
Depreciation	1.8	3.5	(49%)
Normalised cash profit (after tax)	**12.5**	**16.9**	**(26%)**
Volume	381.1	359.2	6%
Closing customer loans	606.6	628.9	(4%)

Normalised cash profit (after tax) in New Zealand Cards of $12.5m in 1H23 represents a 26% decrease on the prior comparative period. This performance is attributable to:

- Reduction of gross income mainly due to reduced interest-bearing customer receivables and revolve rates as accelerated repayment rates occurred consistent with the market, partly offset by interest rate increases across the portfolio.
- Operating and marketing expenses decreased reflecting lower marketing spend and lower costs from operational efficiencies including lower depreciation and right-shoring operations.
- Volume increased by 6% with increased spending as customer behaviour normalised post-COVID.
- Credit impairment charges comprise net losses and movements in AASB9 provisions. $5.7m in AASB9 provisions were released in the pcp with a $2.3m increase in the current period. Net losses of $8.6m for the current period were $1.3m lower than pcp, demonstrating the strong quality of the receivables portfolio.

Commercial and Leasing

A$m	Dec-22	Dec-21	Change %
Gross income	86.1	57.1	51%
Net operating income	48.2	45.4	6%
Credit impairment charge	(8.6)	(5.8)	48%
Marketing expenses	(0.3)	(0.3)	0%
Operating expenses	(18.6)	(18.1)	3%
Cash NPAT	**14.6**	**15.3**	**(5%)**
Movement in AASB9 provision	2.8	1.9	47%
Suspended products and related costs	0.9	(1.0)	LRG
Depreciation	1.0	1.0	0%
Normalised cash profit (after tax)	**19.3**	**17.2**	**12%**
Volume	744.8	432.8	72%
Closing chattel loans and receivables	1,945.8	1,122.5	73%

Normalised cash profit (after tax) in Commercial and Leasing of $19.3m in 1H23 represents a 12% increase or $2.1m on the prior comparative period. This performance is attributable to:

- Gross income increase of 51% reflecting strong volume growth and momentum leading to a 73% increase in receivables. Net operating income grew 6% reflecting the increased cost of funds during the period which was passed onto customers at a slower rate than market movements.
- Volume was $744.8m in the half-year up 72% on the prior comparative half driven by strong new origination growth in the Commercial business in Australia and New Zealand.
- Operating expenses increased 3% reflecting scalable nature of the business operating model.
- Credit impairment charges were $2.8m higher or 48% higher than the prior period due to the 73% growth in customer loan balances; reflecting the strong credit profile of the portfolio.

DIRECTORS' REPORT.

Dividends on Ordinary Shares

	31 Dec 2022		31 Dec 2021	
A$m	Cents	$m	Cents	$m
2022 final dividend paid on 7 October 2022	1.4	6.9	–	–
Total dividends paid during the half-year	**1.4**	**6.9**	**–**	**–**

REVIEW OF OPERATIONS

We have provided on pages 2-12 above, Review of Operations, an update on the key performance measures and financial position of the Group for the period ended 31 December 2022.

MATTERS SUBSEQUENT TO END OF THE HALF-YEAR

Dividends are determined after period-end and contained within the announcement of the results for the period. Dividends determined are not recorded as a liability at the end of the period to which they relate. Subsequent to the half-year, on 23 February 2023, the Group determined an interim ordinary dividend of 1.0 cents per share totalling $5.0m, which will be paid on 11 April 2023.

Apart from the matters above as at the date of this report the directors are not aware of any other matter or circumstance that has arisen since 31 December 2022 that has significantly affected, or may significantly affect:

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

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

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

ENVIRONMENTAL REGULATION

The Group's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 14.

ROUNDING OF AMOUNTS

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

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

Andrew Abercrombie
Chairperson
Sydney

23 February 2022

Building a better working world

Ernst & Young
200 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
ey.com/au

Auditor's Independence Declaration to the Directors of humm group limited

As lead auditor for the review of the half-year financial report of humm group limited for the half-year ended 31 December 2022, I declare to the best of my knowledge and belief, there have been:

a) No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

b) No contraventions of any applicable code of professional conduct in relation to the review.

c) No non-audit services provided that contravene any applicable code of professional conduct in relation to the review.

This declaration is in respect of humm group limited and the entities it controlled during the financial period.

Ernst & Young

Richard Balfour
Partner

23 February 2023

GROUP CONSOLIDATED FINANCIAL STATEMENTS.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the half-year ended 31 December 2022

A$m	Notes	31 Dec 22	31 Dec 21
Interest income		193.0	169.8
Fee and other income	3	50.7	50.9
Gross income		**243.7**	**220.7**
Cost of origination		(15.7)	(13.7)
Interest expense		(73.7)	(37.6)
Net operating income		**154.3**	**169.4**
Credit impairment charges	4	(39.5)	(23.6)
Marketing expenses		(9.9)	(16.8)
Employment expenses		(44.3)	(45.7)
Operating and other expenses	4	(37.8)	(48.8)
Depreciation and amortisation expenses		(10.4)	(16.4)
Impairment of goodwill and other intangible assets	4	(2.8)	(181.2)
Profit/(loss) before income tax		**9.6**	**(163.1)**
Income tax expense		(2.1)	(5.2)
Profit/(loss) for the half-year attributable to shareholders of humm Group Limited		**7.5**	**(168.3)**
Other comprehensive income			
Items that may be reclassified to profit and loss			
Exchange differences on translation of foreign operations		7.2	2.3
Changes in the fair value of cash flow hedges, net of tax		2.6	17.1
Items that will not be reclassified to profit and loss			
Net loss on equity instruments at fair value through other comprehensive income		(0.1)	(0.2)
Other comprehensive income for the half-year, net of tax		**9.7**	**19.2**
Total comprehensive income/(expense) for the half-year attributable to shareholders of humm Group Limited		**17.2**	**(149.1)**

Earnings per share for profit/(loss) attributable to the ordinary equity holders of the humm Group Limited:	Cents	Cents
Basic earnings per share	**1.1**	(34.0)
Diluted earnings per share	**1.1**	(34.0)

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 31 December 2022

A$m	Notes	31 Dec 22	30 Jun 22
Assets			
Cash and cash equivalents	5	248.6	281.0
Receivables	6	290.3	219.8
Customer loans	6	1,789.3	1,729.6
Chattel loans	6	1,651.2	1,277.9
Inventories		2.4	2.1
Current tax receivable		5.3	5.4
Equity investment		0.1	0.3
Plant and equipment		3.5	3.9
Right-of-use assets		11.6	12.8
Goodwill and other intangible assets	7	131.7	130.2
Derivative financial instruments		69.6	66.0
Deferred tax assets		35.2	37.7
Total assets		**4,238.8**	**3,766.7**
Liabilities			
Trade and other payables		47.0	51.8
Contract liabilities		14.6	11.5
Lease liabilities		15.1	16.0
Borrowings	12	3,493.5	3,025.5
Provisions		31.3	32.7
Deferred tax liabilities		–	1.5
Total liabilities		**3,601.5**	**3,139.0**
Net assets		**637.3**	**627.7**
Equity			
Contributed equity	9	510.2	507.6
Reserves		55.2	45.6
Retained earnings		71.9	74.5
Total equity		**637.3**	**627.7**

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the half-year ended 31 December 2022

2022

A$m	Contributed equity	Reserves	Retained earnings	Total
Balance at the beginning of the half-year	**507.6**	**45.6**	**74.5**	**627.7**
Profit for the half-year	–	–	7.5	7.5
Other comprehensive income	–	9.7	–	9.7
Total comprehensive income for the half-year	**–**	**9.7**	**7.5**	**17.2**
Transfer of treasury shares	0.1	(0.1)	–	–
Dividend reinvestment plan	2.5	–	(2.5)	–
Dividends provided for or paid during the half-year	–	–	(7.6)	(7.6)
Balance at the end of the half-year	**510.2**	**55.2**	**71.9**	**637.3**

2021

A$m	Contributed equity	Reserves	Retained earnings	Total
Balance at the beginning of the half-year	**507.6**	**(7.4)**	**258.9**	**759.1**
Loss for the half-year	–	–	(168.3)	(168.3)
Other comprehensive income	–	19.2	–	19.2
Total comprehensive (expenses)/income for the half-year	**–**	**19.2**	**(168.3)**	**(149.1)**
Purchase of treasury shares	–	(0.3)	–	(0.3)
Share-based payment expense (net of tax)	–	0.7	–	0.7
Balance at the end of the half-year	**507.6**	**12.2**	**90.6**	**610.4**

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS
for the half-year ended 31 December 2022

A$m	31 Dec 22	31 Dec 21 (Restated)[1]
Cash flows from operating activities		
Interest income received from customers	197.1	171.8
Fee and other income received from customers less cost of origination	35.7	37.2
Payment to suppliers and employees	(109.1)	(100.7)
Borrowing costs	(70.0)	(38.7)
Income taxes paid	(2.2)	(15.6)
Cash inflow from operating activities before movement in customer loans, receivables and chattel loans	**51.5**	**54.0**
Net loss	(34.4)	(40.7)
Net movement in:		
Customer loans	(59.7)	(8.5)
Chattel loans	(338.9)	(345.0)
Receivables	(105.0)	118.7
Cash outflow from movement in customer loans, receivables and chattel loans	**(538.0)**	**(275.5)**
Net cash outflow from operating activities	**(486.5)**	**(221.5)**
Cash flows from investing activities		
Payment for purchase of plant and equipment software	(8.6)	(10.1)
Net cash outflow from investing activities	**(8.6)**	**(10.1)**
Cash flows from financing activities		
Dividends paid	(7.6)	–
Purchase of treasury shares	–	(0.3)
Cash payments relating to lease liability	(1.4)	(1.2)
Drawdown of corporate borrowings	50.0	–
Net movement in:		
Non-recourse borrowings	418.0	286.6
Net cash inflow from financing activities	**459.0**	**285.1**
Net (decrease)/increase in cash and cash equivalents	**(36.1)**	**53.5**
Cash and cash equivalents at the beginning of the period	281.0	218.2
Effects of exchange rate changes on cash and cash equivalents	3.7	0.4
Cash equivalents at the end of the period	**248.6**	**272.1**

1. Comparative information has been restated to align the presentation with the current period in respect of the reclassification from net loss to Chattel Loans.

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS.

NOTE 1. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The condensed interim consolidated financial statements for the half-year ended 31 December 2022 have been prepared in accordance with AASB 134 I*nterim Financial Reporting and the Corporations Act 2001*.

The condensed interim consolidated financial statements do not include all the information and disclosures required in the annual financial statements. As a result, they should be read in conjunction with the annual consolidated financial statements for the year ended 30 June 2022 and any public announcements made in the period by humm Group Limited ("the Group") in accordance with the continuous disclosure requirements of the *Corporations Act 2001* and the *ASX Listing Rules*.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period and the change in accounting policy as a result of the IFRS Interpretation Committee's ("IFRS IC") agenda decision on SaaS arrangements.

(i) Standards and Interpretations issued by AASB effective in half-year:

There are no standards, amendments to standards or interpretations that are effective for the period beginning 1 July 2022 that have material effect on the financial statements of the Group.

Standards and Interpretations issued by AASB but not yet adopted:

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2022, have not been early adopted in preparing these financial statements. None of these are expected to have a material effect on the financial statements of the Group.

These amendments had no impact on the interim financial statements of the Group.

(ii) Use of judgement, estimates and assumptions

The preparation of condensed consolidated interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual consolidated financial statements for the year ended 30 June 2022.

Despite many countries have entered the endemic stage of the COVID-19 outbreak, there are ongoing risks associated with the global economy including geopolitical tension, natural disasters, increasing interest rates and rising cost of living. This evolving uncertainty could result in the sharp change in consumer behaviour, disrupted supply chains, challenging labour market conditions and increased market volatility. The estimation and judgement applied in the preparation of consolidated interim financial statements, where relevant, is disclosed in the notes to the consolidated interim financial statements.

NOTE 2. SEGMENT INFORMATION

Description of segments

Management has determined the operating segments based on the reports reviewed by the Directors that are used to make strategic decisions. In addition to statutory profit after tax, the Directors assess the business on a Normalised cash profit (after tax) basis. Normalised cash profit (after tax) is calculated as statutory profit after tax adjusted for material infrequent items, operating losses of suspended products, depreciation, amortisation of acquired intangible assets, and AASB9 provision movement with actual credit losses remaining in the result. The Directors consider that this measure better reflects the underlying performance of the business.

hummgroup renamed its Buy Now Pay Later ("BNPL") business to Point of Sale Payment Plans ("PosPP") to more accurately reflect its products and services. The market definition of BNPL is attributed to small ticket financing which represents less than 1.2% of total receivables of the Group.

The Directors consider the business from a product perspective and have identified four reportable segments:

- PosPP (a consolidation of **humm** Australia, New Zealand, Canada, Ireland FlexiFi and FlexiRent Ireland, **bundll** and legacy **humm**pro);
- New Zealand Cards (including Farmers, Q Card, Flight Centre Mastercard);
- Australia Cards (**humm**90, legacy Lombard and Once); and
- Commercial and Leasing (consisting of Australia and New Zealand Commercial Lending and the legacy consumer leasing product).

The Group operates in Australia, New Zealand, Ireland and Canada. The operating segments are identified according to the nature of the products and services provided, with New Zealand Cards disclosed separately (based on its product offering) and Ireland included within Point of Sale Payment Plans ("PosPP").

UK retreat

On 17 November 2022, the Group announced that Humm Group Limited (UK) would implement a strategic retreat from the UK. UK's FCA authorised status and consumer credit permissions will be retained. It will continue to service existing customers and retail partners in the UK but business development activities will be focused on Northern Ireland for the foreseeable future.

The segment information provided to the Directors for the reportable segments for the half-year ended 31 December 2022 is as below:

Half-year ended 31 December 2022

A$m	PosPP	AU Cards	NZ Cards	Commercial & Leasing	Total
Interest income	42.4	28.6	48.2	73.8	193.0
Fee and other income	19.1	10.1	9.2	12.3	50.7
Gross income	**61.5**	**38.7**	**57.4**	**86.1**	**243.7**
Cost of origination	(6.6)	(5.5)	(3.6)	–	(15.7)
Interest expense	(13.6)	(9.5)	(12.7)	(37.9)	(73.7)
Net operating income	**41.3**	**23.7**	**41.1**	**48.2**	**154.3**
Credit impairment charge	(13.8)	(6.2)	(10.9)	(8.6)	(39.5)
Marketing expenses	(3.3)	(1.9)	(4.4)	(0.3)	(9.9)
Employment expenses	(21.1)	(6.4)	(6.5)	(10.3)	(44.3)
Operating and other expenses	(17.3)	(6.8)	(6.1)	(7.6)	(37.8)
Depreciation and amortisation expenses	(1.8)	(1.5)	(5.7)	(1.4)	(10.4)
Impairment of goodwill and other intangibles	(0.6)	–	(2.2)	–	(2.8)
Statutory (loss)/profit before income tax	**(16.6)**	**0.9**	**5.3**	**20.0**	**9.6**
Income tax benefits/(expenses)	4.7	–	(1.1)	(5.7)	(2.1)
Statutory (loss)/profit for the period	**(11.9)**	**0.9**	**4.2**	**14.3**	**7.5**
Total segment receivables at 31 December 2022	**797.1**	**437.8**	**606.6**	**1,945.8**	**3,787.3**
AASB9 provision, unamortised direct transaction costs, contract liabilities and other debtors					(56.5)
Total receivables, chattel loans and customer loans per the Statement of Financial Position					**3,730.8**

Half-year ended 31 December 2021

A$m	PosPP	AU Cards	NZ Cards	Commercial & Leasing	Total
Interest income	44.5	29.6	53.4	42.3	169.8
Fee and other income	17.1	8.3	10.7	14.8	50.9
Gross income	**61.6**	**37.9**	**64.1**	**57.1**	**220.7**
Cost of origination	(4.9)	(5.2)	(3.6)	–	(13.7)
Interest expense	(8.0)	(8.2)	(9.7)	(11.7)	(37.6)
Net operating income	**48.7**	**24.5**	**50.8**	**45.4**	**169.4**
Credit impairment charge	(16.6)	3.0	(4.2)	(5.8)	(23.6)
Marketing expenses	(9.3)	(2.4)	(4.9)	(0.2)	(16.8)
Employment expenses	(18.3)	(8.9)	(9.1)	(9.4)	(45.7)
Operating and other expenses	(15.9)	(7.6)	(6.8)	(18.5)	(48.8)
Depreciation and amortisation expenses	(4.4)	(3.4)	(6.0)	(2.6)	(16.4)
Impairment of goodwill and other intangibles	(63.9)	(31.5)	(85.8)	–	(181.2)
Statutory (loss)/profit before income tax	**(79.7)**	**(26.3)**	**(66.0)**	**8.9**	**(163.1)**
Income tax benefits/(expenses)	4.3	(1.5)	(5.0)	(3.0)	(5.2)
Statutory (loss)/profit for the year	**(75.4)**	**(27.8)**	**(71.0)**	**5.9**	**(168.3)**
Total segment receivables at 31 December 2021	**799.2**	**428.0**	**628.9**	**1,122.5**	**2,978.6**
AASB9 provision, unamortised direct transaction costs, contract liabilities and other debtors					(58.6)
Total receivables, chattel loans and customer loans per the Statement of Financial Position					**2,920.0**

NOTE 3. FEE AND OTHER INCOME

A$m	Half-year ended 31 Dec 22	Half-year ended 31 Dec 21
Account servicing fees	25.3	24.1
Transaction processing fees	11.8	12.0
Leasing related income	8.4	12.8
Other income	5.2	2.0
Total fee and other income	**50.7**	**50.9**

NOTE 4. EXPENSES

A$m	Half-year ended 31 Dec 22	Half-year ended 31 Dec 21
Other operating expenses		
Customer remediation programme	0.8	0.6
Information technology and communication	16.2	14.0
Other occupancy, equipment and related costs	4.5	3.4
Legal provision[1]	0.3	12.0
Outsourced operations costs	3.3	2.4
Professional, consulting and other service provider costs	6.4	6.9
Other	6.3	9.5
Total other operating expenses	**37.8**	**48.8**
Impairment of intangibles		
Impairment of goodwill	–	135.4
Impairment of other intangible assets	2.8	45.8
Total impairment of goodwill and other intangibles	**2.8**	**181.2**
Credit impairment charges		
Net loss	34.4	40.7
Movement in AASB9[2]	5.1	(17.1)
Total credit impairment charges	**39.5**	**23.6**

1. On 19 July 2022, a statement of claim was filed against FlexiRent Capital Pty Ltd by SMBC Leasing & Finance Inc. in the Federal Court of Australia. The claimant alleged that FlexiRent breached the warranty and indemnity clauses contained in the Master Receivables and Acquisition Servicing Agreement, misleading and deceptive conduct, as well as negligent misrepresentation. Court hearing date is not yet known. The potential outcome and total costs associated with this matter remain uncertain as substantive court hearing dates have yet to be set.
2. Movement in AASB9 in statement in the comprehensive income versus movement in ECL movement in note 6 will be the FX movements.

NOTE 5. CASH AND CASH EQUIVALENTS

A$m	31 Dec 22	30 Jun 22
Unrestricted	102.8	112.7
Restricted[1]	145.8	168.3
Cash and cash equivalents at bank and on hand	**248.6**	**281.0**

1. Represents amounts held as part of the Group's wholesale debt facilities which are not available to the Group. The restricted cash balances are distributed to various parties (including members of the Group) at a future date and are not available to the Group for any other purpose.

NOTE 6. RECEIVABLES, CHATTEL LOANS AND CUSTOMER LOANS

The table below presents the gross exposure and related Expected Credit Loss ("ECL") allowance for each class of asset and off-balance sheet item subject to impairment requirements of AASB9:

	As at 31 Dec 2022			As at 30 Jun 2022		
A$m	Gross[1]	ECL Allowance	Net[2]	Gross[1]	ECL Allowance	Net[2]
Finance lease receivables	277.0	(6.1)	270.9	219.8	(4.3)	215.5
Customer loans	1,852.4	(63.1)	1,789.3	1,788.3	(58.7)	1,729.6
Chattel loans	1,688.7	(37.5)	1,651.2	1,313.4	(35.5)	1,277.9
Total receivables excluding other debtors	**3,818.1**	**(106.7)**	**3,711.4**	**3,321.5**	**(98.5)**	**3,223.0**
Undrawn exposure on customer loans	–	(8.2)	(8.2)	–	(10.1)	(10.1)
Total	**3,818.1**	**(114.9)**	**3,703.2**	**3,321.5**	**(108.6)**	**3,212.9**

1. Gross exposure represents the carrying value of assets subject to AASB9's impairment requirements.
2. Receivables, chattel loans and customer loans excludes other debtors of $19.4m (30 June 2022: $4.3m) and as a result does not reconcile to the face of the balance sheet.

The table below presents the movement in the Group's total impairment provisions on receivables, chattel loans and customer loans as at 30 June 2022 and 31 December 2022:

A$m	Dec-22	Jun-22
Balance at beginning of period	**108.6**	**128.0**
Net change in provision	43.1	34.3
Amounts written off, previously provided for	(38.0)	(52.5)
FX movements	1.2	(1.2)
Total	**114.9**	**108.6**
Total provision on:		
Finance lease receivables	6.1	4.3
Customer loans	71.3	68.8
Chattel loans	37.5	35.5
Total	**114.9**	**108.6**

During the period, ECL provision increased by $6.3m driven by strong volume growth partially offset by continued credit quality improvements related to the commercial businesses, as well as enhanced recovery rates in the consumer businesses. Macro economic overlays and product overlays were increased in light of the uncertainty driven by interest rate rises, geopolitical tensions and higher inflation in key economies.

NOTE 7. GOODWILL AND OTHER INTANGIBLE ASSETS

A$m	Goodwill	IT Development & Software	Merchant & Customer Relationships	Brand Name	Total
Balance at 1 July 2022	**84.8**	**28.1**	**13.4**	**3.9**	**130.2**
Additions	–	8.6	–	–	**8.6**
Impairment	–	(2.8)	–	–	**(2.8)**
Amortisation	–	(5.0)	(3.2)	–	**(8.2)**
Effect of movements in exchange rates	3.0	0.4	0.4	0.1	**3.9**
Balance at 31 December 2022	**87.8**	**29.3**	**10.6**	**4.0**	**131.7**

Goodwill and intangible assets that have an indefinite useful life are tested for impairment annually and whenever there are indicators of potential impairment. During the period, central banks globally have begun to rapidly increase the cash rates in response to elevated levels of inflation. The rising rate cycle is expected to continue to impact on the margin and the cashflow of the Group despite having a well hedged portfolio. Management determined that an indicator of impairment existed.

Goodwill is considered to be impaired if the carrying amount of the relevant CGU exceeds its recoverable amount. The Group estimated the recoverable amount of each CGU to which goodwill is allocated using a value in use assessment, based on a 3 year management forecast of cashflows and discount rates, extrapolated into the future over the useful life of the CGUs. The key assumptions used in determining value in use at the impairment testing date are:

Assumption	How determined
Forecast revenues and expenses	Forecast revenues and expenses for FY24 and FY25 beyond the financial year forecast period have been extrapolated using growth rates appropriate for industries and jurisdiction such that the long-term terminal growth rate is 1.0% (2022: 1.0%).
Long-term growth rate	The above long-term growth rate for each of the CGUs does not exceed the long-term average growth rate for the sector/industry in which the CGU operates.
Cost of Equity Capital	The discount rate applied to the cash flows of each CGU is based on the risk free rate for 10-year Commonwealth Government bonds, adjusted for a risk premium to reflect both the increased risk of investing in equities and the risk of the specific Group operating company. In making this adjustment, inputs required are the equity markets risk premium (that is the required increased return required over and above a risk free rate by an investor who is investing in the market as a whole) and the risk adjustment, beta, applied to reflect the risk of the specific Group operating company relative to the market as a whole, giving rise to the CGU-specific Cost of Equity Capital. Geared cash flows are used to calculate recoverable amounts for all CGUs. The pre-tax discount rates used for impairment testing is 13.5% (2022: 13.5%).

Management have considered and assessed reasonably possible changes of key assumptions and have not identified any reasonable instances that could cause the carrying amounts to exceed the respective recoverable amounts.

During the 2022 financial year, the Group reassessed the useful life of merchant and customer relationships after observing changes in customer behaviour and determined that it is appropriate to lower the useful life assumptions from 27 and 15 years respectively to 9 years. In addition, it has become apparent that a diminishing balance method of amortisation is more appropriate than the straight-line method. An amortisation of $3.2m was recognised during the period as a result.

Furthermore, $2.8m of software costs were impaired during the half-year due to the termination of the strategic partnership with Air New Zealand and the change of strategic priority.

NOTE 8. DIVIDENDS

A$m	Half-year ended 31 Dec 22	Half-year ended 31 Dec 21
Ordinary shares		
Dividends provided for or paid during the half-year		
Settled by cash	4.4	–
Settled by shares	2.5	–
Total final dividends paid	**6.9**	**–**
Preference shares		
Dividends provided for or paid during the half-year	3.2	–

On 23 February 2023, the Group declared an interim dividend of 1.0 cent per share for the half-year end 31 December 2022.

NOTE 9. CONTRIBUTED EQUITY

(a) Movement in ordinary share capital

	Number of shares	$m
1 July 2022	494,921,301	454.0
Transfer from share-based payment reserve	94,417	0.1
Dividend reinvestment plan	5,125,099	2.5
31 December 2022	**500,140,817**	**456.6**

(b) Movement in subordinated perpetual notes

	Number of shares	$m
1 July 2022	49,129,075	53.6
31 December 2022	**49,129,075**	**53.6**

(c) Movement in treasury shares

	Number of shares	$m
1 July 2022	347,017	0.5
Vesting of shares during the period	(94,417)	(0.1)
31 December 2022	**252,600**	**0.4**

NOTE 10. RELATED PARTY TRANSACTIONS

No significant related party transaction during the half-year ended 31 December 2022.

NOTE 11. CONTINGENCIES

Forum Finance:

Liquidators have been appointed by Federal Court for Forum Finance on 9 July 2021. While the investigation focused on the period from 1 July 2018 to 30 June 2021 post the shut-down of the managed services business of the Group, there could be potential exposure which cannot be reliably measured.

On 19 July 2022, a statement of claim was filed against FlexiRent Capital Pty Ltd by SMBC Leasing & Finance Inc. in the Federal Court of Australia. The claimant alleges that FlexiRent breached the warranty and indemnity clauses contained in the Master Receivables and Acquisition Servicing Agreement, engaged in misleading and deceptive conduct, as well as negligent misrepresentation. The potential outcome and total costs associated with this matter remain uncertain as substantive court hearing dates have yet to be set.

As at 31 December 2022, the Group set aside a provision of $15.8m towards the exposure.

Other than the matters outlined above, the Group does not have any further material contingent liabilities.

NOTE 12. BORROWINGS

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised costs.

In December 2022, the Group retired its $110.0m syndicated revolving loan facility and entered a new debt growth facility. The facility provides for funding of up to $150.0m with $75.0m initial commitment, followed by three more tranches of $25.0m each, which can be applied as growth capital for the Commercial business. $15.0m of the facility limit can be used for general working capital purposes of the Group.

During the period, the Group increased its secured debt facilities by 13.8% to support the continued growth of the Commercial businesses in Australia and New Zealand. Multiple new mezzanine funding tranches were also introduced to improve the capital efficiency.

In the Consumer businesses, the Group executed a $210.0m public ABS term securitisation in Australia, refinanced NZ$70.0m of maturity notes under the public NZ Cards master trust program and extended the availabilities under the Irish PosPP and NZ Cards warehouse facilities.

Interest is charged at wholesale funding costs benchmark interest rate (BBSW or equivalent) plus margin.

A$m	Dec-22	Jun-22
Secured loans	3,443.5	3,025.5
Corporate	50.0	–
Total borrowings	**3,493.5**	**3,025.5**

NOTE 13. FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

Financial instruments measured at fair value are categorised under a three-level hierarchy as outlined below:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Group has assessed its financial instruments recorded at fair value and are categorised as per below under fair value hierarchy.

The table below summarises the carrying amount and fair value of financial assets and financial liabilities held at amortised cost. The methodology and assumptions used in determining fair values are as follows:

Cash and cash equivalents

The carrying amount of cash and cash equivalents is an approximation of fair value as they are short-term in nature or are receivable on demand.

Receivables, chattel loans and customer loans

The fair value of receivables, chattel loans and customer loans are estimated by discounting the future contractual cash flows at the current market interest rate that is available to the customers. The nominal value (including unamortised initial direct transaction costs) less estimated credit adjustments of lease receivables and customer loans approximate their fair values.

Payables

The carrying amount of payables is an approximation of fair values as they are short term in nature.

Borrowings and derivative financial instruments

The fair value of borrowings is calculated using discounted the future contractual cash flows at the current market interest rate that is considered applicable by management.

Equity investments through OCI

The fair value of equity investments is based on quoted market price as at 31 December 2022.

Set out below is a comparison of the carrying amounts and fair values of financial assets and liabilities as at 31 December 2022 and 30 June 2022:

A$m	Carrying amount 31 Dec 22	Fair value 31 Dec 22	Carrying amount 30 Jun 22	Fair value 30 Jun 22	Level of Fair Value Hierarchy
Financial assets					
Cash and cash equivalents	248.6	248.6	281.0	281.0	1
Receivables	290.3	274.8	219.8	217.8	3
Customer loans	1,789.3	1,760.9	1,729.6	1,729.6	3
Chattel loans	1,651.2	1,562.9	1,277.9	1,266.2	3
Equity investment	0.1	0.1	0.3	0.3	2
Derivative financial instruments	69.6	69.6	66.0	66.0	2
Financial liabilities					
Trade and other payables	47.0	47.0	51.8	51.8	1
Lease liabilities	15.1	15.1	16.0	16.0	2
Borrowings					
Floating interest rate	3,493.5	3,464.1	3,025.1	3,009.2	2
Fixed interest rate	–	–	0.4	0.4	2
Total borrowings	**3,493.5**	**3,464.1**	**3,025.5**	**3,009.6**	

Valuation technique

The following table shows the valuation techniques used in measuring fair values for financial instruments in the Consolidated statement of financial position.

	Valuation technique
Receivables, chattel loans and customer loans	The fair values of lease receivables, customer loans and chattel loans are estimated by discounting the future contractual cash flows at the current market interest rate that is available to the customers. The nominal value (including unamortised initial direct transaction costs) less estimated credit adjustments of receivables, chattel loans and customer loans are assumed to approximate their fair values.
Borrowings	The fair value of borrowings is calculated using discounted the future contractual cash flows at the current market interest rate that is considered applicable by management.
Derivative financial instruments	**Swap models:** The fair value is calculated as the present value of the estimated future cash flows. Estimates of future floating-rate cash flows are based on quoted swap rates, futures prices and interbank borrowing rates. Estimated cash flows are discounted using a yield curve constructed from similar sources and which reflects the relevant benchmark interbank rate used by market participants for this purpose when pricing interest rate swaps. The fair value estimate is subject to a credit risk adjustment that reflects the credit risk of the Group and of the counterparty; this is calculated based on credit spreads derived from current credit default swap or bond prices.
Equity investments	The fair value of equity investments is based on quoted closing market price and data or valuation techniques. If there is a quoted price in an active market, the fair value of equity instrument is measured at quoted market price at the reporting date.

NOTE 14. SECURITISATION AND SPECIAL PURPOSE VEHICLES

The Group sells receivables, chattel loans and customer loans to securitisation vehicles through its asset-backed securitisation programs and other special purpose vehicles. The securitisation and special purpose vehicles are consolidated as the Group is exposed or has rights to variable returns and has the ability to affect returns through its power over the securitisation vehicles. The Group may serve as a sponsor, servicer, manager, liquidity provider, subscriber of notes and/or holder of residual interest and capital units with respect to these securitisation and special purpose vehicles.

The table below presents assets securitised and the underlying borrowings as a result of the securitisations.

A$m	31 Dec 22	30 Jun 22
Receivables	278.2	212.9
Customer loans	1,611.4	1,687.5
Chattel loans	1,766.3	1,237.9
Cash held by securitisation vehicles	145.9	168.3
	3,801.8	3,306.6
Borrowings related to receivables, chattel loans and customer loans	**3,443.5**	3,025.5

NOTE 15. EVENTS OCCURRING AFTER BALANCE SHEET DATE

Dividends are determined after period-end and contained within the announcement of the results for the period. Interim dividends are determined in February and paid in April/May. Dividends determined are not recorded as a liability at the end of the period to which they relate. On 23 February 2023, the Group determined an interim ordinary dividend of 1.0 cent per share totalling $5.0m, which will be paid on 11 April 2023.

DIRECTORS' DECLARATION.

In accordance with a resolution of Directors of humm Group Limited, we state that:

In the opinion of the Directors:

a. the financial statements and notes of the Group are in accordance with the *Corporations Act 2001*, including:

   (i) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and

   (ii) giving a true and fair view of the Group's financial position as at 31 December 2022 and of its performance for the half-year ended on that date; and

b. there are reasonable grounds to believe that humm Group Limited ABN 75 122 574 583 will be able to pay its debts as and when they become due and payable.

On behalf of the Board of humm Group Limited ABN 75 122 574 583.

Andrew Abercrombie
Chairperson
Sydney

23 February 2023

Building a better working world

Ernst & Young
200 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
ey.com/au

Independent auditor's review report to the members of humm group limited

Report on the half-year financial report

Conclusion

We have reviewed the accompanying half-year financial report of humm group limited and its subsidiaries (collectively the Group), which comprises the condensed statement of financial position as at 31 December 2022, the condensed statement of comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of accounting policies and other explanatory information, and the directors' declaration.

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

a. Giving a true and fair view of the consolidated financial position of the Group as at 31 December 2022 and of its consolidated financial performance for the half-year ended on that date; and

b. Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year financial report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Directors' responsibilities for the half-year financial report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's responsibilities for the review of the half-year financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2022 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

Ernst & Young

Ernst & Young

R.Balfour

Richard Balfour
Partner
Sydney

23 February 2023

LOCATIONS

AUSTRALIA

1/121 Harrington Street
The Rocks
Sydney NSW 2000

NEW ZEALAND

111 Carlton Gore Road
Newmarket
Auckland 1023

IRELAND

4/No.5 Custom House Plaza
Harbourmaster Place
Dublin 1

humm Group Limited
ABN 75 122 574 583