ANNUAL REPORT 2020

Front cover: Harmoney Christmas Party 2019.

Harmoney®

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FROM THE CHAIR

This year, Harmoney marked five years in business, an important milestone for any startup and a fitting moment to take stock of our achievements so far and our vision for the future.

From the outset, Harmoney has been a disruptor of interest rates and traditional lending models and we believe that we have played a significant role in helping drive down interest rates on consumer credit products.

Despite the challenges of a global pandemic, 2020 saw substantial growth in lending and revenue, as well as significant new investment into the business. We successfully completed our series C capital raise, and raised corporate debt capital. This enabled us to accelerate our transition to on-balance sheet lending and continue our expansion into the Australian market, where lending has more than doubled compared with FY19.

With our increased capacity to fund loans on-balance sheet, we closed retail investment opportunities from 1 April 2020. While from a personal perspective, it was disappointing that we could not continue with the retail investment model upon which Harmoney was founded, the shift to on-balance sheet lending simplifies our business model, providing new opportunities to innovate, scale and improve the borrowing experience for consumers.

In November 2019 we welcomed David Stevens as CEO. David is a highly experienced CEO and CFO in the non-bank consumer and commercial finance sectors on both sides of the Tasman. His appointment allowed our founder and former CEO Neil Roberts to transition into the role of Chief Product Officer, where he can lead the continued innovation, strategy and product development that is integral to Harmoney's success.

We also welcomed two new directors from our investor partners: Andrew Yeadon from Trade Me and Udhav Goenka from our series C shareholder, Kirwood Capital. These directors bring valuable experience and additional perspectives in investment, technology and finance to our board.

Our fifth birthday celebrations sparked an opportunity to reflect upon our journey so far, and affirm our commitment to our values and our company manifesto. We believe that responsible lending plays a crucial role in helping people embrace life's opportunities. While our business has grown significantly since its inception, we continue to help our customers achieve their goals through financial products that are friendly, fair and simple to use.

From the outset, Harmoney has been a disruptor of interest rates and traditional lending models and we believe that we have played a significant role in helping drive down interest rates on consumer credit products. One of our core values is 'pioneering' and with this spirit of innovation, we have used data intelligence gathered over our five years in business to reduce lending risk, grow our lending book, reduce the cost of borrowing for consumers and inform our highly successful marketing campaigns.

The board wishes to acknowledge David, the senior management team and all our staff for the proactive and agile manner in which the business responded to the challenges of the COVID-19 crisis. The lean and nimble structure of the business enabled us to quickly adapt our lending model and processes to a rapidly changing economic landscape, continue to help consumers reach their goals with conservative risk-based lending and increase investor funding lines at a time of considerable uncertainty.

On behalf of the Harmoney board, I thank our senior leadership team and all our staff for their hard work and dedication in 2020. Our business has come a long way over the last five years and it is pleasing that so many of our foundation team are still with us today, a testament to the purpose-driven culture and opportunities at Harmoney.

We are excited to build upon our momentum in Australia and consolidate our impressive growth in New Zealand. The board is confident that Harmoney is well placed to continue its path of significant growth into FY21 and beyond, while remaining true to our purpose and vision to help create brighter futures.

David Flacks
CHAIR

FROM THE CEO

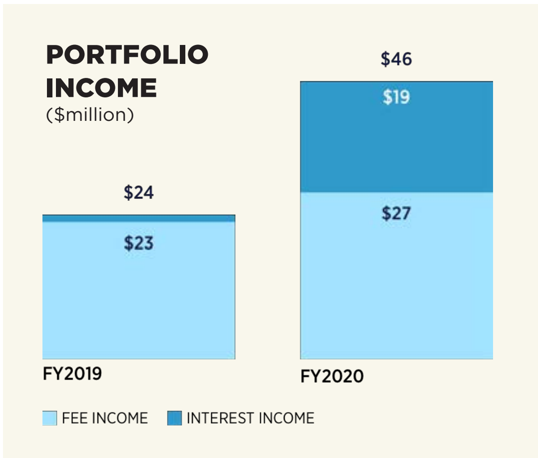
Harmoney experienced significant growth and development over this financial period, despite the headwinds experienced from March to June 2020 as a result of the COVID-19 pandemic.

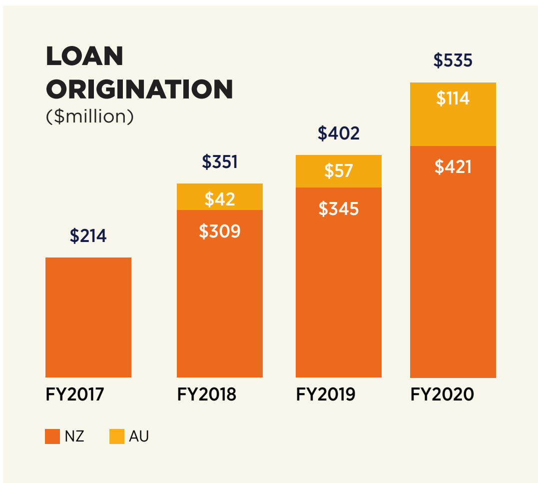
This report covers a 15-month period, with the shifting of our final balance date from 31 March to 30 June. This period saw strong revenue growth, with portfolio income (after non-cash adjustments) of NZ$46.0m, almost double that of FY19, as we expanded lending in Australia and accelerated our transition from a peer-to-peer model, to loans funded from warehouse facilities.

Lending expanded significantly, with total lending now surpassing NZ$1.7bn with almost 50,000 customers across New Zealand and Australia. Our final pre-COVID-19 quarter (October to December 2019) was record-breaking, with total lending averaging more than NZ$50m per month.

Harmoney seeded its first securitisation warehouse with the Bank of New Zealand in December 2018 and grew that facility to NZ$100m over the course of FY20. In January 2020 we seeded a second warehouse facility - our first in Australia - with Westpac, growing that facility to NZ$20m despite a significant reduction in new lending from March due to the impact of COVID-19.

We closed the period with an adjusted EBITDA[1] profit of NZ$0.2m, up from a loss of NZ$8.4m last year. Correspondingly, net cash from operating activities was NZ$6.2m, up from NZ$3.1m last year. These results demonstrate the scalability of





1. Adjusted EBITDA: See note 4.

Harmoney's platform, with net portfolio income growing by 94% while remaining operating costs (adjusted for non-cash and one-off items) grew by only 8%.

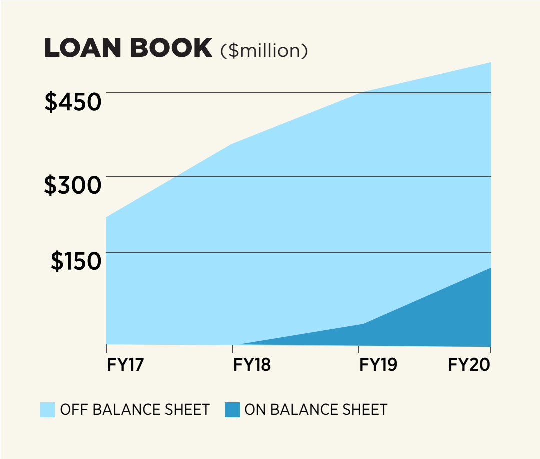
Our overall net loss of NZ$15.4m is attributable in large part to our transition to on-balance sheet loan funding, with immediate provision for expected future period credit losses, as well as a reduction in expected future revenue from peer-to-peer funded loans. Both categories were impacted by the anticipated longer term effects of COVID-19. We also incurred one-off set up costs associated with establishing our corporate debt facility and our Australian warehouse facility.

In October, we successfully completed our series C capital round, raising NZ$25m in equity from two new investors: Australian private equity firm Kirwood Capital, and Lookman Trust, a private institutional investor based in New Zealand. At the same time, we raised a corporate debt facility of AU$10m, bringing the total capital raised to NZ$35.7m.

The success of the series C funding round and debt capital raising was a vote of confidence in Harmoney's business model, the quality of our loans, and our vision for future growth. The round diversified our funding lines and enabled us to invest in digital innovation, scale our business and expand our debt warehousing programme, including funding on-balance sheet loans in Australia for the first time.

This investment also accelerated our transition from a peer-to-peer lending model, to warehouse facility-funded loans. From 1 April 2020, all new loans are funded by Harmoney and wholesale debt investors. Existing loans funded by retail investors will continue until repaid and the retail book will gradually scale down.

The decision to close retail investing was made over time and while we are proud to have created a new class of retail investment, it is time to



These results demonstrate the scalability of Harmoney's platform, with net portfolio income growing by 94% while remaining operating costs (adjusted for non-cash and one-off items) grew by only 8%.

concentrate our resources on sustainable growth and creating a better borrowing experience for consumers in New Zealand and Australia.

One way we achieve this is through continuing digital innovation. Harmoney's risk-based pricing model relies on accurately predicting credit risk through our online automated application. With the benefit of five years of borrower behaviour data and thanks to ongoing investment in developing and refining our credit scorecard, we are now able to predict an individual borrower's creditworthiness with greater accuracy than ever before. This enabled us to reduce interest rates across the majority of our credit grades and provide consumers with more suitable offers, as more people now qualify for a lower interest rate or a higher loan limit than in previous years.

We introduced quote functionality on our platform, enabling prospective borrowers to get an accurate interest rate quote from Harmoney without recording an enquiry on their credit report. This empowers consumers to shop around for a loan that best suits their personal circumstances, without impacting their credit score. We also extended loan top ups to Australia, enabling qualifying existing customers to draw down additional funds to help them achieve their goals. This provides a better service to customers with good credit performance, and a further pathway to grow our lending book and revenue.

Harmoney's offering and our high standard of customer care continues to resonate with borrowers. Our NPS score consistently performs above 70, placing our customer experience in the same territory as iconic tech brands like Apple, Amazon, and Netflix. This year we received 6,000 new reviews across ShopperApproved.com and Google Reviews, maintaining an average score of 4.7/5 on both websites, and Harmoney was awarded the Canstar 5 Star award for a fifth consecutive year.

Our disruption of interest rates and traditional lending models brought further external

It took Harmoney four years to reach our first NZ$1bn in lending, but only 12 months to lend the next NZ$500m. As we continue our expansion in Australia, where the personal lending market is estimated to be more than eight times larger than New Zealand, we're excited to see where this growth pathway will lead us on both sides of the Tasman.

recognition this year, when Harmoney was named Australia's top risk-based personal loan at the Finder product awards. These awards celebrate the best and most innovative businesses challenging the status quo on behalf of consumers and Harmoney was praised for its 'super-low rates' and the absence of early repayment fees.

Our innovative use of data is also attracting attention, with Harmoney's digital marketing team taking home the 'Best Use of SEM/SEO' award in the highly competitive 2019 IAB New Zealand Digital Advertising Awards. The team used historical data and real-time signals to develop an innovative customer prospecting model and partnered with Google to ensure that relevant messages reach the right audience at the right time. The success of the model in the New Zealand market has allowed us to confidently increase our marketing spend over time and develop a powerful strategy that we are now replicating in Australia.

While technology and data continue to drive our business, the dignity of people is paramount. When life throws an unexpected financial curve-ball, Harmoney can help people stay on track and keep moving forward towards a brighter future.

These beliefs are at the heart of our company manifesto and were never more relevant than during the COVID-19 pandemic that unfolded rapidly in the final months of this financial period. As an online platform, we were able to make a seamless transition to operating under level 4 restrictions and our first focus was to support existing customers, some of whom had been pushed into unexpected hardship as a result of the pandemic. We adopted a pragmatic approach, working closely with borrowers to restructure repayments.

We then considered how we could continue to provide responsible lending, while mitigating potential risks to investors and securing the long term future of our company. No credit scorecard is designed in anticipation of a crisis of such magnitude, so we moved quickly to adjust our loan criteria. We also introduced additional checks for new loans, so that each application could be considered in light of borrowers' changing personal circumstances and the evolving economic situation.

Throughout this time we kept funders fully informed, acknowledging the challenges and sharing steps taken to mitigate potential risks. Our proactive approach to communication enhanced investor confidence and we were able to increase our funding lines above pre-COVID-19 crisis levels.

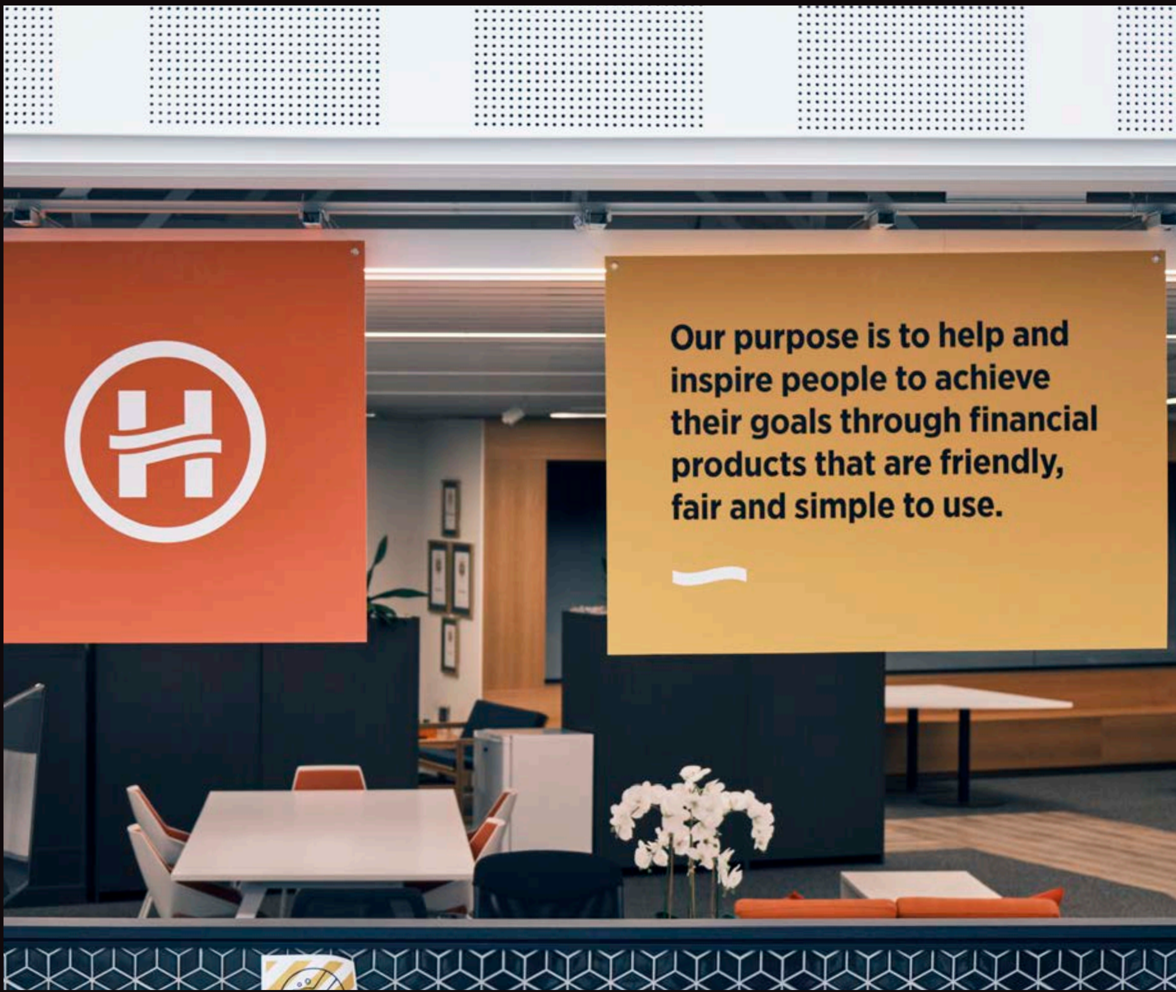
It is worth noting that we were able to rapidly scale back our operating expenditure in response to the evolving situation. When we observed that borrower demand had temporarily dropped, we were able to immediately reduce monthly marketing expenditure by over 90%, again demonstrating the advantages of our scalable digital platform.

Our staff worked extremely hard this year, at times under challenging circumstances. Harmoney's success is attributable in no small part to their shared passion for transforming the borrower experience, and their commitment to innovation and continuous improvement. It is a testament to all their hard work that Harmoney was named as a finalist for the Company of the Year award, at the 2020 New Zealand HiTech Awards.

Our staff complete an annual engagement survey with CultureAmp. This tool allows us to measure how positive staff feel about their work, find areas for improvement and benchmark ourselves against top performing financial services and new technology companies. Our recent employee engagement score of 86% is truly world class. The culture at Harmoney is inspiring and I am proud to lead our team as we continue to help our customers embrace life's opportunities.

Harmoney is in business to help create brighter futures and as we look ahead to 2021, we believe the future is indeed bright for our business. It took Harmoney four years to reach our first NZ$1bn in lending, but only 12 months to lend the next NZ$500m. As we continue our expansion in Australia, where the personal lending market is estimated to be more than eight times larger than New Zealand, we're excited to see where this growth pathway will lead us on both sides of the Tasman.

David Stevens
CHIEF EXECUTIVE



OUR PURPOSE

Our purpose describes why we exist and do the things we do. It's the reason we get out of bed and inspires us to do better. It's the impact we want to make on the world.

Timely access to money is transformative. Providing credit-worthy people access to money when they need it most allows them to seize opportunities. And by providing responsible lending to more people through simpler access, and better ways of assessing and pricing risk, that transformation can extend beyond individuals to whole communities.

We continue to make the borrowing experience fairer, faster and more accessible, removing inconvenience, awkwardness and uncertainty associated with traditional borrowing. In a little over 5 years, Harmoney has transformed the way people borrow and lend money. We started by creating Australasia's largest personal loan marketplace, facilitating over $1.7 billions in loans to nearly 50,000 customers.

But we've only begun. Our purpose continues to direct us in the pursuit of helping people create brighter futures.

OUR VALUES

Our values are the foundation for how we operate as a team and how we treat our customers and the community. Even though we rely heavily on our technology to help us do the hard stuff and data science to help us make decisions, upholding the dignity of people is paramount at Harmoney.

Empathy:
inclusive, supportive, connection

Pioneering:
invention, discovery, curiosity, leadership

Impact:
resourceful, outcome-orientated, bold

Integrity:
honest, ethically, respect, accountable, candour

Consistency:
stable, reliable, trust-worthy

2020 HIGHLIGHTS

$1.7b in lending

New lending continues to grow strongly, reaching new milestones.

$500m in receivables

In November 2019 we achieved $50m single month loan volume for the first time. We repeated that again in December.

World-class employee engagement

We've achieved an employee engagement score of 86%. We continue to nurture and support a passionate and motivated workforce.

Jason Scrivener used his Harmoney loan to revive a family property – to share a place of significance with his grandkids, and help strengthen whakapapa and connection with their land.

FINALIST OF THE
NZ HI-TECH AWARDS 2020

NPS of 75

Customer satisfaction scores continue to reflect value and trust in Harmoney.

Successful series C

$35.7m in new capital raised, incorporating equity and corporate debt.

Australian warehouse facility

Launch of our second warehouse facility in February 2020 – our first for Australia.

Google
4.7 overall reviews rating
★★★★★

SHOPPER APPROVED
4.7 overall reviews rating
★★★★★

DIRECTORS' RESPONSIBILITY STATEMENT

The directors are pleased to present the consolidated financial statements of Harmoney Corp Limited for the 15 month period ended 30 June 2020.

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 2020 and its financial performance and cash flows for the 15 month period 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.

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

The Board of Directors of Harmoney Corp Limited authorised the financial statements set out on pages 14-51 for issue on 26 August 2020.

For and on behalf of the Board

David Flacks
DIRECTOR

Tracey Jones
DIRECTOR

26 August 2020


CORPORATE CHALLENGE

CONSOLIDATED INCOME STATEMENT

For the 15 month period ended 30 June 2020

	Notes	15 months ended June 2020 $'000	12 months ended March 2019 $'000
Interest income	5	18,852	1,055
Fee income	6	16,529	30,808
Other income	7	2,099	1,412
Total income		**37,480**	**33,275**
Marketing expenses		14,101	9,410
Personnel expenses		13,150	11,512
Impairment expense	8	8,899	830
Administration expenses	9	6,879	5,308
Interest expense	5	5,698	327
Verification and servicing expenses		3,909	3,068
Technology expenses		3,855	2,957
Depreciation and amortisation expenses		977	96
Loss before income tax		**(19,988)**	**(233)**
Income tax benefit	11	4,616	7,453
(Loss)/Profit for the period attributable to the owners of the Company		**(15,372)**	**7,220**

The accompanying notes form part of and should be read in conjunction with these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the 15 month period ended 30 June 2020

	Notes	15 months ended June 2020 $'000	12 months ended March 2019 $'000
(Loss)/Profit for the period attributable to the owners of the Company		**(15,372)**	**7,220**
Other comprehensive loss attributable to the owners of the Company			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		(250)	12
Loss on cash flow hedge	12	(818)	(108)
Other comprehensive (loss)/income for the period, net of tax		**(1,068)**	**(96)**
Total comprehensive (loss)/income for the period		**(16,440)**	**7,124**

The accompanying notes form part of and should be read in conjunction with these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the 15 month period ended 30 June 2020

	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 1 April 2018, as originally stated		**32,812**	**(96)**	**1,457**	**-**	**(28,737)**	**5,436**
Impact of NZ IFRS 15 adoption		-	-	-	-	7,523	7,523
Balance at 1 April 2018, as restated		**32,812**	**(96)**	**1,457**	**-**	**(21,214)**	**12,959**
Profit for the 12 month period ended March 2019		-	-	-	-	7,220	7,220
Other comprehensive income / (loss) for the 12 month period ended March 2019, net of income tax		-	12	-	(108)	-	(96)
Total comprehensive income/(loss) for the 12 month period ended March 2019		**-**	**12**	**-**	**(108)**	**7,220**	**7,124**
Recognition of share based payments	22	-	-	1,209	-	-	1,209
Transfer to capital	22	280	-	(280)	-	-	-
Balance at 31 March 2019		**33,092**	**(84)**	**2,386**	**(108)**	**(13,994)**	**21,292**
Loss for the 15 month period ended June 2020		-	-	-	-	(15,372)	(15,372)
Other comprehensive loss for the 15 month period ended June 2020, net of income tax		-	(250)	-	(818)	-	(1,068)
Total comprehensive income/(loss) for the 15 month period ended June 2020		**-**	**(250)**	**-**	**(818)**	**(15,372)**	**(16,440)**
Recognition of share based payments	22	-	-	564	-	-	564
Transfer to capital	22	125	-	(125)	-	-	-
Contributed capital	21	23,469	-	-	-	-	23,469
Balance at 30 June 2020		**56,686**	**(334)**	**2,825**	**(926)**	**(29,366)**	**28,885**

The accompanying notes form part of and should be read in conjunction with these consolidated financial statements.


“To change yourself, you have to change beliefs about yourself.
HARMONEY LEADERSHIP TRAINING
“It has helped me to prioritise work and stay away from unnecessary distractions.
Sayli Paringe, March 2019

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	Notes	June 2020 $'000	March 2019 $'000
ASSETS			
Cash and cash equivalents	13	34,779	9,531
Trade and other assets	14	5,223	12,716
Finance receivables	15	129,222	37,814
Property and equipment	16	1,448	155
Deferred tax assets	11	9,548	5,165
Total assets		**180,220**	**65,381**
LIABILITIES			
Payables and accruals	17	6,263	3,909
Borrowings	18	132,630	36,952
Provisions	19	9,832	3,120
Lease liability	16	1,684	-
Derivative financial instruments	12	926	108
Total liabilities		**151,335**	**44,089**
NET ASSETS		**28,885**	**21,292**
Issued capital	21	56,686	33,092
Foreign currency translation reserve		(334)	(84)
Share based payment reserve	22	2,825	2,386
Cash flow hedge reserve	12	(926)	(108)
Accumulated losses	22	(29,366)	(13,994)
Equity		**28,885**	**21,292**

The accompanying notes form part of and should be read in conjunction with these consolidated financial statements.


cca Russell
954 563

CONSOLIDATED STATEMENT OF CASH FLOWS

For the 15 month period ended 30 June 2020

	Notes	15 months ended June 2020 $'000	12 months ended March 2019 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest received		17,951	787
Interest paid		(5,576)	(246)
Other income		35,411	34,090
Payments to suppliers and employees		(41,616)	(31,553)
Net cash generated by operating activities		**6,170**	**3,078**
CASH FLOWS FROM INVESTING ACTIVITIES			
Advances to customers		(99,209)	(38,194)
Payments for plant equipment		(33)	(24)
Net cash (used in) investing activities		**(99,242)**	**(38,218)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from finance receivable borrowing		84,863	37,000
Net proceeds from corporate debt		10,163	-
Net proceeds from share issue		23,469	-
Principal element of lease payments		(189)	-
Net cash generated by financing activities		**118,306**	**37,000**
Cash and cash equivalents at the beginning of the period		9,531	7,658
Net increase / (decrease) in cash and cash equivalents		25,234	1,860
Gain on foreign currency bank accounts		14	13
Cash and cash equivalents at the end of the period	13	**34,779**	**9,531**

The accompanying notes form part of and should be read in conjunction with these consolidated financial statements.


HSBC
NEW ZEALAND
SEVENS
CORPORATE
5KM BUSINESS RUN
CHALLENGE
2019
CORPORATE
5KM BUSINESS RUN
CHALLENGE
THE DOMAIN, AUCKLAND
ARCHIE
HARMONEY
1294
SUSANA
HARMONEY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the 15 month period ended 30 June 2020

1. General information

Harmoney Corp Limited (the Company) and its subsidiaries are companies whose primary business is to originate, service, and invest in loans. The Company is a FMC Reporting Entity as it is a licensed peer to peer lender. The Group consists of Harmoney Corp Limited and its subsidiaries and controlled entities through which it invests in loans, these are listed in note 24.

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.

Harmoney Corp Limited is a company incorporated in New Zealand and registered under the Companies Act 1993. The Company was incorporated on 1 May 2014. The Company has elected to change its year end from March to June 2020. These consolidated financial statements are for the 15 month period ended June 2020 while the comparative information is for the year ended March 2019 and accordingly, the results are not directly comparable.

2. Significant accounting policies

2.1 Basis of preparation

The consolidated financial statements of Harmoney Corp Limited comply with New Zealand equivalents to International Financial Reporting Standards Reduced Disclosure Regime (NZ IFRS RDR) 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 financial statements have been prepared on the historical cost, except where otherwise identified.

2.2 Statement of compliance and reporting framework

The Group qualifies for NZ IFRS RDR as it is an FMC Reporting Entity with lower public accountability and it is not a large for-profit public sector entity. The Group has elected to apply NZ IFRS RDR and has applied disclosure concessions.

2.3 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.

2.4 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, it is recognised as an unrecoverable GST expense in the income statement; and
- for 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).

2.5 Application of new and revised accounting standards

The Group has applied NZ IFRS 16: *Leases* for the first time for the reporting period commencing 1 April 2019.

On adoption of NZ IFRS 16: *Leases*, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of NZ IAS 17: *Leases*. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 April 2019.

The Group has adopted NZ IFRS 16: *Leases* retrospectively from 1 April 2019, but has not restated comparatives for the 2019 reporting period, as permitted under the specific transition provisions in the standard. The new accounting policies are disclosed in note 16.

In applying NZ IFRS 16: *Leases* for the first time, the Group used practical expedients permitted by the standard and accounted for operating leases with a remaining lease term of less than 12 months as at 1 April 2019 as short-term leases.

Adjustments recognised in the balance sheet on 1 April 2019
The change in accounting policy affected the following items in the balance sheet on 1 April 2019:
- Right of use assets - increase by $1,924,000.
- Lease liabilities - increase by $1,626,000.

3. Critical accounting judgments and key sources of estimation uncertainty

In the application of the Group's accounting policies, the directors of the Group are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. 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 Coronavirus (COVID-19) pandemic

The ongoing COVID-19 pandemic has increased the estimation uncertainty in the preparation of these financial statements. The estimation uncertainty is associated with the extent and duration of the disruption to business arising from the actions by governments, businesses and consumers to contain the spread of the virus. The Group has two significant accounting estimates in these financial statements based on forecasts of economic conditions which reflect expectations and assumptions as at 30 June 2020 about future events that the Directors believe are reasonable in the circumstances. The underlying assumptions are also subject to uncertainties which are often outside the control of the Group. Accordingly, actual economic conditions are likely to be different from those forecast since anticipated events frequently do not occur as expected, and the effect of those differences may significantly impact accounting estimates included in these financial statements.

The significant accounting estimates impacted by these forecasts and associated uncertainties are predominantly related to expected credit losses and the variable consideration components of certain fees. The impact of the COVID-19 pandemic on each of these accounting estimates is discussed further below and/or in the relevant note to these financial statements. Readers should carefully consider these disclosures in light of the inherent uncertainty described above.

Allowance for expected credit losses

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). The Group's accounting policy for the recognition and measurement of the allowance for ECL is described at note 15. The estimated impact of COVID-19 has been incorporated into forward-looking inputs as described in the note.

Transaction price and variable consideration

The Group measures the transaction price including variable consideration to determine income as required by NZ IFRS 15: *Revenue from Contracts with Customers* (NZ IFRS 15). The Group's accounting policy for the recognition and measurement of this income is described in note 6. The transaction price is determined based on models of expected customer behaviour which are informed by historical experience. An overlay has been applied to reduce the amount of income recognised to accommodate for the expected deviation from that base given current uncertainties.

3.2 Treatment of development costs incurred in the period

The Group has incurred and will continue to incur significant costs in developing its online lending platform and on other projects. The directors believe that the costs fall within the definition of research and development within NZ IAS 38: *Intangible Assets*. These costs have been assessed 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 all the requirements of the recognition criteria outlined in the accounting policy (note 10) and expensed where they have not been met.

3.3 Option valuation for share based payments

The options granted under NZ IFRS 2: *Share-based payments* are required to be valued. The valuation exercise requires a high level of judgment in its assumptions. The assumptions are discussed in detail in note 20.

3.4 Deferred tax asset relating to tax losses

NZ IAS 12: *Income Taxes* allows the capitalisation of tax losses as deferred tax assets only to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised. The directors believe that there is sufficient certainty to warrant the recognition of this asset based on expected future taxable profits.

3.5 Determination of transaction price for distributing services

The Group has estimated the transaction price for distributing services, being the amount to which the Group expects to be entitled for matching lenders with borrowers that meet their lending criteria. The transaction price includes a component of variable consideration as the amount of certain payments is correlated with borrower behaviour over which the Group has no control. The Group has estimated the transaction price based on historically observed patterns of borrower behaviour. The assumptions made regarding the rate of default and early repayment by borrowers has a significant impact on these financial statements.

3.6 Expected credit loss provision

The Group has estimated the provision for expected credit losses based on historically observed patterns of borrower behaviour adjusted for current and future economic outcomes. These are discussed in detail in note 15 and have a significant impact on these financial statements.

4. Segment reporting

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

Description of segments

Management has determined the operating segments based on the reports reviewed by the Chief Executive Officer (CEO) that are used to make strategic decisions. The CEO and the Board, in addition to statutory profit after tax, assess the business on an adjusted EBITDA basis.

Adjusted EBITDA is a non-GAAP measure and consists of profit/(loss) before 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. Adjusted EBITDA does not have a standard meaning prescribed by GAAP and therefore may not be compared to information presented by other entities.

The CEO considers the business from a geographical operating and head office perspective and has identified three reportable segments: New Zealand, Australia and Head Office.

The Group operates in New Zealand and Australia.

Intersegment revenue is not considered by the chief operating decision makers and is accordingly excluded from segment reporting.

Segmented income statement

For 15 months ended June 2020 $'000

	New Zealand	Australia	Head Office	Group
Interest income	17,945	907	-	18,852
Lender fees	13,617	4,274	-	17,891
Borrower fees	7,504	2,196	-	9,700
Portfolio income	**39,066**	**7,377**	**-**	**46,443**
Interest expense	4,160	813	-	4,973
Incurred credit loss expense	2,510	-	-	2,510
Marketing expenses	8,222	5,880	-	14,102
Verification and servicing expenses	2,913	995	-	3,908
Portfolio expenses	**17,805**	**7,688**	**-**	**25,493**
Net portfolio income	**21,261**	**(311)**	**-**	**20,950**
Personnel expenses	-	-	12,318	12,318
Technology expenses	-	-	3,855	3,855
Administration expenses	-	-	4,613	4,613
Adjusted EBITDA	**21,261**	**(311)**	**(20,786)**	**164**
Non-Cash Adjustments				
Change in expected credit loss provision	(5,201)	(1,188)	-	(6,389)
Change in NZ IFRS 15 expected revenue	(10,538)	(261)	-	(10,799)
Change in deferred establishment fees	(24)	(239)	-	(263)
Employee share scheme	-	-	(832)	(832)
Depreciation and amortisation expenses	-	-	(977)	(977)
Other Normalisation Adjustments				
Warehouse and debt set up expenses	-	-	(2,270)	(2,270)
Grants and subsidies	-	-	2,099	2,099
Corporate debt and other interest	-	-	(721)	(721)
Profit/(loss) before income tax	**5,498**	**(1,999)**	**(23,487)**	**(19,988)**
Income tax benefit	4,120	496	-	4,616
Loss for the period attributable to the owners of the Company	**9,618**	**(1,503)**	**(23,487)**	**(15,372)**

Segmented income statement

For 12 months ended March 2019 $'000

	New Zealand	Australia	Head Office	Group
Interest income	1,050	5	-	1,055
Lender fees	12,178	2,465	-	14,643
Borrower fees	6,764	1,177	-	7,941
Portfolio income	**19,992**	**3,647**	**-**	**23,639**
Interest expense	327	-	-	327
Marketing expenses	6,726	2,685	-	9,411
Verification and servicing expenses	2,531	537	-	3,068
Portfolio expenses	**9,584**	**3,222**	**-**	**12,806**
Net portfolio income	**10,408**	**425**	**-**	**10,833**
Personnel expenses	-	-	10,944	10,944
Technology expenses	-	-	2,957	2,957
Administration expenses	-	-	5,305	5,305
Adjusted EBITDA	**10,408**	**425**	**(19,206)**	**(8,373)**
Non-Cash Adjustments				
Change in expected credit loss provision	(830)	-	-	(830)
Change in NZ IFRS 15 expected revenue	7,140	454	-	7,594
Change in deferred establishment fees	629	-	-	629
Employee share scheme	-	-	(569)	(569)
Depreciation and amortisation expenses	-	-	(96)	(96)
Other Normalisation Adjustments				
Other income	-	14	-	14
Grants and subsidies	-	-	1,398	1,398
Profit/(loss) before income tax	**17,347**	**893**	**(18,473)**	**(233)**
Income tax benefit	7,192	261	-	7,453
Profit for the period attributable to the owners of the Company	**24,539**	**1,154**	**(18,473)**	**7,220**

5. Interest

	15 months ended June 2020 $'000	12 months ended March 2019 $'000
INTEREST INCOME	18,852	1,055

	15 months ended June 2020 $'000	12 months ended March 2019 $'000
INTEREST EXPENSE		
Interest on receivables funding	4,973	327
Interest on corporate debt	628	-
Interest on lease liability	97	-
Total interest expense	**5,698**	**327**

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. When calculating the effective interest rate the Group estimates the future cash flows considering all the contractual terms of the contract but does not include future credit losses.

6. Fee income

	15 months ended June 2020 $'000	12 months ended March 2019 $'000
Lender fee income		
Distributing services	7,823	22,226
Borrower fee income		
Establishment services	6,139	6,729
Protect fees	1,553	1,189
Other fees	1,014	664
Total borrower fee income	**8,706**	**8,582**
Total fee income	**16,529**	**30,808**

Harmoney has assessed all the fees paid by lenders and determined that there are two material performance obligations, being distributing services and debt collection. Debt collection is included in borrower fee income as other fees.

Distributing services

Distributing services refer to Harmoney facilitating the matching of credit worthy borrowers with 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 an aggregate reversal in revenue is not expected. 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 19).

Other fees
Other fees include fees charged to investors for collection when borrower repayments are dishonoured or in arrears. A performance obligation arises every time the credit event occurs. The Group performs the debt collection activity following every credit event and recognises revenue at the point in time the follow up activity is undertaken. Given only one material performance obligation the transaction price is allocated to the single performance obligation. Revenue is recognised only to the extent that it is likely that the amount will be recovered.

Establishment services
Establishment fees are a brokerage fee charged to borrowers for arranging a loan between a borrower and a lender. 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 fee is recognised as revenue on loan contract date.

Where the Group is the lender, establishment 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 (see note 15).

Protect fees
Some of the finance receivable assets have the payment protect feature attached. If the borrower under the loan contract has elected the payment protect feature and makes a successful claim within the required period, principal and interest repayments covered by the claim will be waived by the lender. No amounts are paid to the borrower in the event of a waiver.

Where the Group is the lender, Protect fee revenue is the amount charged to the borrower for the payment protect feature. This Protect fee revenue is recognised in the income statement from the attachment date over the period of the contract. Protect fee revenue is earned in accordance with the pattern of the underlying exposure to risk expected under the payment protect feature of the loan contract. The portion of Protect fee revenue included in the financial receivable asset but not yet earned as at the balance date is recognised in the statement of financial position as an unearned waiver fee revenue (note 17).

Where the Group is not the lender, the Protect fee revenue is the amount charged to the lender for arrangement and management of the Protect loan. Given only one material performance obligation, the transaction price is allocated to the single performance obligation. 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 recognised as a protect claims provision (note 19).

7. Other income

	15 months ended June 2020 $'000	12 months ended March 2019 $'000
Other income		
Grant income	1,646	1,398
Wage subsidy	453	-
Other income	-	14
Total other income	**2,099**	**1,412**

Grant and wage subsidy 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. Harmoney received grants related to Research and Development activity as funded by Callaghan Innovation and the R&D Loss Tax Credit as funded by Inland Revenue. Grants that compensate the Group for expenses incurred are recognised in profit or loss on a systematic basis in the same periods in which the expenses are recognised.

The Group also received wage subsidies funded by the Ministry of Social Development. The subsidy was part of the New Zealand Government's COVID-19 response plan. The wage subsidy was predicated on certain criteria which was considered in the Group's application. The Group's evaluation has not been reviewed by Ministry of Social Development to date.

8. Impairment expense

	15 months ended June 2020 $'000	12 months ended March 2019 $'000
Change in expected credit loss provision	6,223	830
Incurred credit loss expense	2,510	-
Change in expected protect claims provision	166	-
Impairment expense	**8,899**	**830**

9. Expenses

Expenses for the period includes the following items:

9.1 Administration expenses

	15 months ended June 2020 $'000	12 months ended March 2019 $'000
Professional services fees	3,462	2,356
Unrecoverable GST	1,901	1,637
Other expenses	1,516	1,315
Total administration expenses	**6,879**	**5,308**

9.2 Fees paid to auditors

	15 months ended June 2020 $'000	12 months ended March 2019 $'000
Harmoney Corp Limited group financial statement audit	130	113
Harmoney Australia Limited financial statement audit	37	38
Harmoney Warehouse No. 1 Trust financial statement audit	36	53
Harmoney Australia Warehouse No. 1 Trust financial statement audit	45	-
Other audit services	-	5
Statutory audit fees	**248**	**209**
Harmoney Corp Limited NTA agreed upon procedures	3	3
Harmoney Australia Limited AFSL reporting	10	10
Custody controls assurance engagement	39	48
Callaghan grant review	8	10
Assurance and regulatory compliance	**60**	**71**
Other services*	100	84
Total	**408**	**364**

*Other services provided include tax advisory services (2020:$100k, 2019:$18k) and due diligence advisory services (2020:$nil, 2019:$66k).

10. Research and development

	15 months ended June 2020 $'000	12 months ended March 2019 $'000
Research and development costs expensed as incurred	6,425	7,237

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) 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.

11. Income taxes

11.1 Income tax recognised in profit or loss

	15 months ended June 2020 $'000	**12 months ended March 2019 $'000**
Current tax		
In respect of the prior period	(36)	-
Deferred tax		
In respect of the current period	4,652	7,453
Total income tax benefit recognised in the period	**4,616**	**7,453**

The income tax expense for the period can be reconciled to the accounting profit/(loss) as follows:	**15 months ended June 2020 $'000**	**12 months ended March 2019 $'000**
Profit/(loss) before tax from continuing operations	**(19,988)**	**(233)**
Income tax benefit calculated	(5,698)	(53)
Effect of expenses that are not deductible	845	263
Previously unrecognised temporary differences	-	(7,273)
Origination of temporary differences	142	(403)
Other	95	13
Income tax benefit recognised in profit or loss.	**(4,616)**	**(7,453)**

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 period. Taxable profit differs from 'profit/(loss) before tax' as reported in the consolidated statement of profit or loss and other 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.

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 it is probable 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:

	June 2020 $'000	March 2019 $'000
Deferred tax assets	11,696	10,272
Deferred tax liabilities	(2,148)	(5,107)
Deferred tax assets	**9,548**	**5,165**

	Opening balance $'000	Recognised in profit or loss $'000	Recognised in equity $'000	Closing balance $'000
June 2020 deferred tax (liabilities)/assets in relation to:				
Tax losses	5,303	(1,147)	-	4,156
Deferred R&D expenses	3,319	1,036	-	4,355
Share based payments	1,127	43	(269)	901
Accruals	523	1,761	-	2,284
Plant & equipment and intangibles	(6)	1	-	(5)
Distributing services	(5,101)	2,958	-	(2,143)
	5,165	**4,652**	**(269)**	**9,548**

The recognised tax losses are subject to meeting the requirements of the applicable tax legislation, including maintaining shareholder continuity.

	Opening balance $'000	Recognised in profit or loss $'000	Recognised in equity $'000	Closing balance $'000
March 2019 deferred tax (liabilities)/assets in relation to:				
Tax losses	-	5,303	-	5,303
Deferred R&D expenses	-	3,319	-	3,319
Share based payments	-	487	640	1,127
Accruals	10	513	-	523
Plant & equipment and intangibles	(10)	4	-	(6)
Distributing services	-	(2,173)	(2,928)	(5,101)
	-	**7,453**	**(2,288)**	**5,165**

12. Cash flow hedge

Cash flow hedge reserve

The Group borrows funds (note 18) in order to purchase finance receivables (note 15). 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 exchanges 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 were based on market rates at 30 June 2020 of between 0.27% for the 1-month BKBM and 0.36% for the 5-year swap rate for New Zealand (2019: 1.76% to 1.85%) and 0.09% for the 1-month BBSW and 0.27% for the 5- year swap rate for Australia.

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 are 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.

13. 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:

	June 2020 $'000	March 2019 $'000
Cash on hand and demand deposits	10,106	2,754
Short term deposits	17,299	3,456
Restricted cash	7,374	3,321
Total cash and cash equivalents	**34,779**	**9,531**

Cash and cash equivalents are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any impairment. No adjustment has been made for counterparty credit risk in cash and cash equivalents as the risk of impairment is expected to be not material.

Restricted cash is held by Harmoney Warehouse No. 1 Trust and Harmoney Australia Warehouse No. 1 Trust, controlled entities (note 24). The funds may only be used for purposes defined in the Trust documents.

Non-cash transactions

During the current period, the Group did not enter into any non-cash investing and financing activities (2019: Nil).

14. Trade and other assets

	June 2020 $'000	March 2019 $'000
Trade receivables	4,253	11,223
Prepayments	327	1,064
GST receivable	625	313
Current tax assets	18	116
Total trade and other assets	**5,223**	**12,716**

Trade and other assets are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

Trade receivables includes $1.2m (2019: $0.8m), which is a portion of distributing services fees held by the lender in a bank account controlled by them which can only be withdrawn once certain conditions are met. The conditions do not require further performance obligations to be satisfied by the Group.

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.

15. Finance receivables

	June 2020 $'000	March 2019 $'000
Finance receivables	134,917	38,196
Protect receivable	1,109	810
Accrued interest	1,168	267
Deferred establishment fees	(897)	(629)
Expected credit loss (ECL) provision	(7,075)	(830)
Total finance receivables	**129,222**	**37,814**

Refer to note 6 for the accounting policy for and description of protect fees and establishment fees.

Finance receivables are initially recognised at fair value and are subsequently measured at amortised cost using the effective interest method, less the expected credit loss allowance.

2020	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Expected loss rate	4.07%	57.46%	96.13%	5.20%
	$'000	**$'000**	**$'000**	**$'000**
Gross carrying amount	133,551	2,069	465	136,085
Expected credit loss provision	(5,439)	(1,189)	(447)	(7,075)
Net carrying amount	**128,112**	**880**	**18**	**129,010**

2019	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Expected loss rate	2.06%	39.00%	0.00%	2.16%
	$'000	**$'000**	**$'000**	**$'000**
Gross carrying amount	38,363	100	-	38,463
Expected credit loss provision	(791)	(39)	-	(830)
Net carrying amount	**37,572**	**61**	**-**	**37,633**

At initial recognition, an impairment allowance is required for ECLs resulting from default events that are possible within the next 12 months (12-month ECL). In the event of a significant increase in credit risk, an allowance is required for ECL resulting from all possible default events over the expected life of the financial instrument (lifetime ECL). Financial assets where 12-month ECL is recognised are in stage 1; financial assets that are considered to have experienced a significant increase in credit risk are in stage 2; and financial assets for which there is objective evidence of impairment, so are considered to be in default or otherwise credit impaired, are in stage 3.

Stage 1

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

An assessment of whether credit risk has increased significantly since initial recognition is performed at 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 past due. Significant increase in credit risk is measured by comparing loss ratio for the remaining term estimated at origination with the equivalent estimation at reporting date.

Stage 3

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 120 days; and
- the loan is otherwise considered to be in default.

If such unlikeliness to pay is not identified at an earlier stage, it is deemed to occur when an exposure is 120 days past due.

Interest income is recognised by applying the effective interest rate to the amortised cost amount, i.e. gross carrying amount less ECL allowance.

Write-off

Finance receivables (and the related impairment allowances) are normally written off, either partially or in full, when there is no realistic prospect of recovery.

Measurement of Expected Credit Loss (ECL) Provision

The Group has adopted a loss ratio approach using available past data. The loss ratio for each segment (combination of grade and delinquency) is calculated based on historically experienced loss rates since inception of business.

These loss ratios are applied to the balance at year end for the relevant segment to calculate the undiscounted ECL. These are then discounted based on average interest rate and average days to charge off.

Period over which ECL is measured

Expected credit loss is measured from the initial recognition of the financial asset. The maximum period considered when measuring ECL (be it 12-month or lifetime ECL) is the maximum contractual period over which the Group is exposed to credit risk.

Forward-looking economic inputs

The Group has calculated 'economic multipliers' to apply to the ECL having considered the economic environment at reporting date.

The finance receivable has been segregated into three categories 1) in hardship 2) not in hardship but in arrears 3) not in hardship and not in arrears. For each segment one or more probabilities and weightings have been assigned, i.e. whether the loan will a) be unaffected b) perform poorly c) perform worse. The probability of each outcome is assessed and the multiplier is the sum product of the multiplier and probability.

16. Property and equipment

	June 2020 $'000	March 2019 $'000
Right of use asset	1,319	-
Furniture and fixtures	71	86
IT equipment	58	62
Other intangibles	-	7
Total property and equipment	**1,448**	**155**

	June 2020 $'000	1 April 2019 $'000
Right of use asset		
Buildings	1,296	1,891
Equipment	23	34
Total right of use asset	**1,319**	**1,925**

	1 April 2019 $'000
Operating lease commitments disclosed as at 31 March 2019	1,920
Discounted using the lessee's incremental borrowing rate of at the date of initial application	1,689
Less short-term leases not recognised as a liability	(63)
Lease liability recognised as at 1 April 2019	**1,626**

	June 2020 $'000	1 April 2019 $'000
Of which are:		
Current lease liabilities	969	15
Non-current lease liabilities	715	1,611
	1,684	**1,626**
Depreciation charge on right-of-use assets		
Buildings	908	
Equipment	11	
	919	
Interest expense	97	
Expense relating to short-term leases (included in administration expenses)	106	
Cash outflow for leases in the period	287	

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.

17. Payables and accruals

	June 2020 $'000	March 2019 $'000
Accruals	4,162	584
Unearned waiver fee revenue	1,109	810
Employee benefits accrual	461	952
Trade and other payables	531	1,563
Total payables and accruals	**6,263**	**3,909**

Trade and other payables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

18. Borrowings

	June 2020 $'000	March 2019 $'000
Receivables funding	121,636	36,952
Corporate debt	10,994	-
Total borrowings	**132,630**	**36,952**

Receivables funding is used to fund the purchase of finance receivables (note 15).

Guarantees

The receivables funding borrowings are secured by all assets of the applicable Trusts as detailed below. Transaction costs have been capitalised. The Harmoney Warehouse No. 1 Trust facility limit is $140m and expires December 2021 (2019: Facility limit of $89.5m, expiry

December 2020). The undrawn balance of the facility on 30 June 2020 was $64m (2019: $48m). The Harmoney Australia Warehouse No. 1 Trust facility limit is AUD$115m and expires January 2022. The undrawn balance of the facility on 30 June 2020 was AUD$93m.

Harmoney Warehouse No. 1 Trust – Trust assets	**June 2020 $'000**	**March 2019 $'000**
Cash and cash equivalents	4,564	3,320
Finance receivables	110,042	38,711
	114,606	**42,031**

Harmoney Australia Warehouse No. 1 Trust – Trust assets	**June 2020 AUD $'000**	**March 2019 AUD $'000**
Cash and cash equivalents	2,628	-
Finance receivables	18,538	
Trade and other assets	9	-
	21,175	**-**

The corporate debt borrowings are guaranteed by way of a performance and payment guarantee by each of Harmoney Corp Limited, Harmoney Limited, Harmoney Services Limited, Harmoney Australia Pty Ltd, Harmoney Services Australia Pty Ltd, and Harmoney Warehouse Limited. The facility limit is AUD$10m at an interest rate of 15% and expires January 2023.

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

19. Provisions

	June 2020 $'000	**March 2019 $'000**
Distributing services rebate provision	9,666	3,120
Protect claims provision	166	-
Total provisions	**9,832**	**3,120**
Carrying amount at start of the period	3,120	506
Charged/(credited) to profit or loss - additional provisions recognised	17,777	5,522
Amounts used during the period	(11,065)	(2,908)
Carrying amount at end of the period	**9,832**	**3,120**

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.

The protect claims provision is measured as the central estimate of the value of expected future payments under payment protect contracts issued by the Group, with an additional risk margin to allow for inherent uncertainty in the central estimate.

The claims provision has been estimated based on claims history experienced with this product by a similar portfolio of finance receivables with the same repayment waiver feature attached and an increase for the likely impact of current and future economic scenarios.

The estimated cost of claims includes direct expenses to be incurred in settling claims i.e. the amount of finance receivable principal that will be waived.

The following table discloses the amount and number of finance receivables with payment protect.

	June 2020	**March 2019**
Finance receivables with payment protect ($'000)	22,808	9,036
Number of contracts with payment protect	1,165	446

20. Share Based Payments

Details of the equity settled share option plan of the Group

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

			Number of share options					
	Exercise price	**Grant date fair value**	**Opening balance**	**Granted**	**Exercised**	**Forfeited**	**Closing balance**	**Vested and exercisable**
2020								
Scheme 2								
Grant date 28 Feb 2020	$ nil	$0.11	-	36,103,102	-	-	36,103,102	-
Scheme 1								
Grant date 1 Apr 2020	$ nil	$0.26	-	1,634,692	-	-	1,634,692	817,346
Grant date 24 Feb 2020	$ nil	$0.26	-	1,000,000	250,000	-	750,000	250,000
Grant date 21 May 2018	$0.16	$0.09	2,000,000	-	-	-	2,000,000	2,000,000
Grant date 21 Aug 2017	$ nil	$0.17	10,938,315	-	351,500	1,726,392	8,860,423	8,860,423
	$0.10	$0.11	2,436,000	-	-	52,000	2,384,000	2,384,000
	$0.17	$0.09	1,913,290	-	-	120,774	1,792,516	-
Other options								
Grant date 1 Mar 2014	$ nil	$0.00	12,000,000	-	-	-	12,000,000	12,000,000
Total			**29,287,605**	**38,737,794**	**601,500**	**1,899,166**	**65,524,733**	**26,311,769**

			Number of share options					
	Exercise price	Grant date fair value	Opening balance	Granted	Exercised	Forfeited	Closing balance	Vested and exercisable
2019								
Scheme 1								
Grant date 21 May 2018	$0.16	$0.09	2,000,000	-	-	-	2,000,000	-
Grant date 21 August 2017	$ nil	$0.17	12,539,876	-	1,601,561	-	10,938,315	6,092,320
	$0.10	$0.11	3,186,000	-	-	750,000	2,436,000	736,000
	$0.17	$0.09	1,913,290	-	-	-	1,913,290	-
Other options								
Grant date 1 March 2014	$ nil	$0.00	14,000,000	-	2,000,000	-	12,000,000	12,000,000
Total			**33,639,166**	**-**	**3,601,561**	**750,000**	**29,287,605**	**18,828,320**

Scheme 2

On 28 February 2020 share options were granted under a performance rights based long term incentive plan. The allocation of rights provides participants with an opportunity to be rewarded for company performance and aligns employee interests with the interests of shareholders. The fair value at grant date was determined using a Monte Carlo simulation model that takes 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

On 21 August 2017 the terms of the share scheme were finalised and share options were granted. The share option plan is designed to provide long-term incentives for Directors and senior management to deliver long-term shareholder returns. Under the plan, participants are granted options which only vest if certain performance standards are met. Further options were granted in May 2018, February 2020 and April 2020 under the same option plan.

Options granted on 21 May 2018, 24 February 2020 and 1 April 2020

The fair value at grant date was determined based on a comparable arm's length transaction. An option pricing model was not required as the options were granted with a $0 exercise price.

Options granted on 26 April 2017

The fair value at grant date for share options with a $0 exercise price was based on a DCF valuation.

The fair value at grant date of share options with an exercise price was determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the share price at grant date and expected price volatility of the underlying share and the risk free interest rate for the term of the option.

No options have expired during the period (2019: Nil).

Other options

The share options granted on 1 March 2014 are to be exercised within 10 years of grant date. Given that these options have a nil exercise price the fair value of the option was calculated on the same basis as an ordinary share. The fair value at grant date was calculated as the mid point of share of net assets and share of capital in the Company.

21. Issued capital

	2020		2019	
ISSUED CAPITAL COMPRISES:	**Number of shares**	**Share capital $'000**	**Number of shares**	**Share capital $'000**
Fully paid ordinary shares	141,967,409	8,100	141,365,909	7,975
Fully paid Series A shares	26,256,128	8,146	26,256,128	8,146
Fully paid Series B shares	33,768,253	16,971	33,768,253	16,971
Fully paid Series C shares	58,203,070	23,469	-	-
Total issued capital	**260,194,860**	**56,686**	**201,390,290**	**33,092**

21.1 Fully paid shares

	Ordinary shares	Series A	Series B	Series C
Balance at 31 March 2018	**137,307,629**	**26,256,128**	**33,768,253**	**-**
Shares issued	4,058,280	-	-	-
Balance at 31 March 2019	**141,365,909**	**26,256,128**	**33,768,253**	**-**
Shares issued	601,500	-	-	58,203,070
Balance at 30 June 2020	**141,967,409**	**26,256,128**	**33,768,253**	**58,203,070**

Fully paid Series A shares carry a right to: one vote per share (except in relation to any vote relating to the appointment of directors), to an equal share in dividends, and to a preferential, pro-rata share of net assets on wind up (subject to the Series C and B shares liquidation preference).

Fully paid Series B shares carry a right to: one vote per share, to an equal share in dividends, and to a preferential, pro-rata share of net assets on wind up (subject to the Series C shares liquidation preference).

Fully paid Series C shares carry a right to: one vote per share, to an equal share in dividends, and to a preferential, pro-rata share of net assets on wind up; a variable number of bonus shares if a specified event occurs, with this entitlement expiring immediately prior to a liquidation, trade sale or an initial public offering that meets specified conditions.

On a liquidation event (as defined in the Company's Constitution), the surplus assets of the Company remaining after payment of its liabilities shall be applied:

- first, in paying to each Series C shareholder an amount equivalent to the Series C issue price for each share, or the entitlement if the Series C shares were converted to ordinary shares immediately prior to the liquidation event, whichever is greater (or if the surplus assets are insufficient to pay full amount, a pro rata amount based on their holding of Series C shares);
- second, in paying to each Series B shareholder an amount equivalent to the Series B issue price for each share, or the entitlement if the Series B shares were converted to ordinary shares immediately prior to the liquidation event, whichever is greater (or if the surplus assets are insufficient to pay full amount, a pro rata amount based on their holding of Series B shares);
- third, in paying to each Series A shareholder an amount equivalent to the Series A issue price for each share, or the entitlement if the Series A shares were converted to ordinary shares immediately prior to the liquidation event, whichever is greater (or if the surplus assets are insufficient to pay full amount, a pro rata amount based on their holding of Series A shares);
- fourth, in paying the balance (if any) to all ordinary shareholders pro rata based on the number of ordinary shares held by each of them (with the Series shares not participating beyond their preferential entitlements).

22. Accumulated losses and Reserves

ACCUMULATED LOSSES	15 months ended June 2020 $'000	12 months ended March 2019 $'000
Opening balance	(13,994)	(28,737)
Impact of NZ IFRS 15 adoption	-	7,523
(Loss)/Profit attributable to owners of the Company	(15,372)	7,220
Closing balance	**(29,366)**	**(13,994)**

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.

SHARE BASED PAYMENTS RESERVE	June 2020 $'000	March 2019 $'000
Opening balance	2,386	1,457
Arising on equity settled benefits	832	569
Deferred tax on share based payments	(268)	640
Transferred to share capital	(125)	(280)
Closing balance	**2,825**	**2,386**

The above equity settled reserve relates to share options granted by the Company under Directors agreements and employee agreements. Further information is set out in note 20.

Share-based compensation plan

The Group receives services from employees and directors as consideration for equity instruments (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. 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.

23. 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. Details of transactions between the Group and other related parties are disclosed below.

23.1 Compensation of key management personnel

The remuneration of directors and other members of key management personnel during the period was $2,451,028 (2019: $1,875,322).

24. Subsidiaries and 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	
			2020	2019
SUBSIDIARY				
Harmoney Limited	15-May-14	New Zealand	100%	100%
Harmoney Services Limited	16-May-14	New Zealand	100%	100%
Harmoney Investor Trustee Limited	9-Jul-14	New Zealand	100%	100%
Harmoney Australia Pty Ltd	20-Feb-15	Australia	100%	100%
Harmoney Services Australia Pty Ltd	22-Sep-15	Australia	100%	100%
Harmoney Nominee Limited	28-Nov-17	New Zealand	100%	100%
Harmoney Warehouse Limited	14-Mar-18	New Zealand	100%	100%
CONTROLLED ENTITY				
Harmoney Warehouse No.1 Trust*	3-Dec-18	New Zealand	n/a	n/a
Harmoney Australia Warehouse No.1 Trust**	4-Dec-19	Australia	n/a	n/a

* On 13 December 2018 the Group entered a wholesale funding agreement with two other financiers under which it purchases finance receivables through Harmoney Warehouse No. 1 Trust (the Trust). The Trust is a special purpose entity was set up solely for the purpose of purchasing loans from the Originator (Harmoney Nominee Limited and Harmoney Services Limited) under the Subscription Agreement with funding from Financiers. The senior and mezzanine financiers fund up to 89.5% of the purchase with the remainder being funded by a subordinated loan from the Group. Harmoney Group subsidiaries have been appointed Manager, Servicer and residual income beneficiary. 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 Trust and is the residual income beneficiary, the Trust is controlled by the Group and is required to be consolidated into the Group financial statements.

** On 4 December 2019 the Group entered a wholesale funding agreement with two other financiers under which it purchases finance receivables through Harmoney Australia Warehouse No. 1 Trust (the AU Trust). The AU Trust is a special purpose entity which was set up solely for the purpose of purchasing loans from the Originator (Harmoney Australia Pty Limited) under the Issue Supplement with funding from Financiers. The senior and mezzanine financiers fund up to 88.5% of the purchase with the remainder being funded by a subordinated loan from the Group. Harmoney Group subsidiaries have been appointed Manager, Servicer and residual income beneficiary. 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 Trust and is the residual income beneficiary, the AU Trust is controlled by the Group and is required to be consolidated into the Group financial statements.

25. Financial assets and liabilities

Fair value hierarchy of Financial Instruments Not Measured at Fair Value.
The following table analyses financial instruments not measured at fair value by level in the fair value hierarchy.

	June 2020 $'000		
	Level 1	**Level 2**	**Level 3**
FINANCIAL ASSETS			
Cash and cash equivalents	34,779	-	-
Trade and other assets	1,250	-	3,003
Finance receivables	-	-	129,222
FINANCIAL LIABILITIES			
Payables and accruals	-	(5,154)	-
Borrowings	-	(132,630)	-

	March 2019 $'000		
	Level 1	**Level 2**	**Level 3**
FINANCIAL ASSETS			
Cash and cash equivalents	9,531	-	-
Trade and other assets	835	-	10,388
Finance receivables	-	-	37,814
FINANCIAL LIABILITIES			
Payables and accruals	-	(3,099)	-
Borrowings	-	(36,952)	-

There have been no transfers between levels in the period (2019:Nil)

Level 1: The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period.

Level 2: The fair value of financial instruments that are not traded in an active market 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.

NZ IFRS 9: *Financial Instruments* requires financial asset debt instruments to be classified on the basis of two criteria:

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

There are three resulting classifications of financial asset debt instruments under NZ IFRS 9: *Financial Instruments*:

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.

26. Contingent liabilities

The Group was subject to Case Stated and Enforcement legal proceedings during the 15 month period ended 30 June 2020.

The Case Stated proceedings asked the court to answer a question of law based on a limited factual scenario, namely whether the Platform Fee that Harmoney charges borrowers is subject to the Credit Contracts and Consumer Finance Act 2003 (the Act). On 8 July 2020, the Court of Appeal upheld the High Court judgment that Harmoney is a creditor and the Platform Fee is a credit fee, on the facts presented.

There has not yet been any substantive argument before the court with respect to the Enforcement Proceedings. A High Court hearing will be held in September 2021 at the earliest. Until such time as a judgment is issued, based on complete facts, determining whether the Platform Fee that Harmoney charges borrowers is subject to the Act, and whether or not it is reasonable under the Act, the application of the law to the Group remains uncertain.

Harmoney's position remains that its fees are not subject to the Act, and that even if they were, the fees are reasonable and there is no compensation due. As such, Harmoney's legal liability is contingent on the outcome of the Enforcement Proceedings.

There are no other contingent liabilities as at 30 June 2020.

27. Events after the reporting period

On 11 August 2020, it was announced that the greater Auckland region would be placed under COVID-19 alert level 3 restrictions, while the remainder of the country was placed under COVID-19 alert level 2 restrictions. As a financial services provider Harmoney is an essential business. It is unknown at the date of signing how long this lockdown period will last for. The expectation that this event would occur again has been considered in the significant accounting estimates impacted and recognised in the expected credit losses, NZ IFRS 15 variable consideration estimates and recoverable amount assessments of financial assets in these financial statements.

U Goenka was appointed as Director on 27 July 2020.

There were no other material events subsequent to period end.

INDEPENDENT AUDITOR'S REPORT

Independent auditor's report

To the shareholders of Harmoney Corp Limited

We have audited the consolidated financial statements which comprise:

- the consolidated statement of financial position as at 30 June 2020;
- the consolidated income statement for the 15 month period then ended;
- the consolidated statement of comprehensive income for the 15 month period then ended;
- the consolidated statement of changes in equity for the 15 month period then ended;
- the consolidated statement of cash flows for the 15 month period then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements of Harmoney Corp Limited (the Company), including its subsidiaries and structured entities (the Group), present fairly, in all material respects, the financial position of the Group as at 30 June 2020, its financial performance and its cash flows for the 15 month period then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards Reduced Disclosure Regime (NZ IFRS RDR).

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.

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 the *International Code of Ethics for Professional Accountants (including International Independence Standards)* issued 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 custody controls assurance engagement, NTA agreed upon procedures, Harmoney Australia Limited AFSL reporting, Callaghan grant review and tax advisory services. The provision of these other services has not impaired our independence as auditor of the Group.

Information other than the consolidated financial statements and auditor's report

The Directors are responsible for the annual report. Our opinion on the consolidated financial statements does not cover the other information included in the annual report and we do not express any form of assurance conclusion on the other information.

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

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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 RDR, 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 consolidated 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-7/

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 Samuel Shuttleworth.

For and on behalf of:

PricewaterhouseCoopers

Chartered Accountants
27 August 2020 Auckland

OTHER INFORMATION

For the 15 month period ended 30 June 2020

Directors

The following persons respectively held office as directors of the Company and the Company's subsidiaries during the 15 month period ended 30 June 2020.

Harmoney Corp Limited
DM Flacks (Chair)
NG Roberts
TK Jones
R Dellabarca
LM Forster (Appointed 22 October 2019, Resigned 13 July 2020)
AD Yeadon (Appointed 1 February 2020)
S McLean (Resigned 26 July 2019)

Harmoney Australia Pty Limited
BS Taylor
DM Nesbitt
B Hagstrom (Appointed 5 August 2019)

Harmoney Services Australia Pty Ltd
B Hagstrom
BS Taylor

Harmoney Investor Trustee Limited
SP Ward
NG Roberts
B Hagstrom (Appointed 5 August 2019)

Harmoney Limited
SP Ward
NG Roberts
B Hagstrom (Appointed 5 August 2019)

Harmoney Services Limited
SP Ward
NG Roberts
B Hagstrom (Appointed 5 August 2019)

Harmoney Nominee Ltd
SP Ward
NG Roberts
B Hagstrom (Appointed 5 August 2019)

Harmoney Warehouse Limited
SP Ward
NG Roberts
B Hagstrom (Appointed 5 August 2019)

Employee Remuneration

The Company and its subsidiary companies had employees who received remuneration, including non-cash benefits, in excess of $100,000 for the 15 month period ended 30 June 2020 as detailed below:

REMUNERATION $	Number of employees
100,000-109,999	7
110,000-119,999	8
120,000-129,999	7
130,000-139,999	6
140,000-149,999	3
150,000-159,999	1
160,000-169,999	4
180,000-189,999	4
190,000-199,999	1
220,000-229,999	1
230,000-239,999	1
240,000-249,999	1
260,000-269,999	2
270,000-279,999	3
300,000-309,999	1
310,000-319,999	1
370,000-379,999	1
440,000-449,999	1
520,000-529,999	1
530,000-539,999	1
710,000-719,999	1

Directors' Interests

The following are particulars of general disclosures of interest by Directors of Harmoney Corp Limited holding office at 30 June 2020, pursuant to section 140(2) of the Companies Act 1993. Where applicable, the disclosures also include directorships of subsidiaries of the relevant companies.

DM Flacks

Vero Insurance New Zealand Limited	Director
Vero Liability Limited	Director
Flacks & Wong Limited	Director
NZ Markets Disciplinary Tribunal	Chair (Resigned)
Asteron Life Limited	Director
Zero Invasive Predators Limited	Director
Project Janszoon Trust Company	Director
Upside Biotechnologies Limited (in voluntary liquidation)	Chair
AFT Pharmaceuticals Limited	Chair
NZ Venture Investment Fund	Deputy chair (Resigned)
NZVIF Investment	Director (Resigned)
NZX Regulatory Governance Committee	Chair
Todd Corporation Limited	Director

TK Jones

Tutanekai Investments Ltd	Director
Kepa Investments Ltd	Director
Sandat Consulting Ltd	Director
N'Godwi Trust	Trustee
New Plymouth PIF Guardians Ltd	Director
Jones Family Office Partners Ltd	Director
Nikko Asset Management NZ Limited	Chair
RC Custodian Ltd	Director
Petal Foundation	Trustee and Chair

R Dellabarca

New Zealand Growth Capital Partners	CEO
R P Dellabarca Trust	Trustee
Solvency II Solutions UK Ltd	Director
Fintech Solutions	Director
Blues Management Ltd	Director
NZ Rugby Promotions	Director

NG Roberts

Neil Roberts Trustee Company Ltd	Director
Neil Roberts Business Trust	Trustee
Roberts Family Trust	Trustee
Minc Limited	Director
Fintech NZ Executive Council	Co Chair

AD Yeadon	
Lifestyle Asset Holdings Limited	Director
SP Ward	
Monde Five Ltd	Director
DM Nesbitt	
Neslan Pty Ltd as trustee for the Nesbitt Family Trust	Trustee
B Hagstrom	
Brad Hagstrom, Renee Hagstrom, and Guy Hagstrom as trustees for the Hagstrom Family Trust	Trustee
BS Taylor	
Tap Capital Pty Limited	Director

Indemnities and insurance

Pursuant to section 162 of the Companies Act 1993 and the Constitution, Harmoney 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 period

	Directors' fees $	# of options
TK Jones	63,677	476,613
DM Flacks	144,722	953,227
R Dellabarca	63,677	476,613

Donations

The Group donated $8,635 in the current period (2019: $21,000).