Harmoney

Annual Report
2023

Contents

HMY 2023 Highlights

Performance

Attractive risk adjusted margin and scalable platform deliver Cash NPAT $4.7m.	**$4.7m** Cash NPAT
Group loan book grew to a record $744 million.	**$744m** Group Loan Book
Cash NPAT profitability and efficiency funding deliver Cash RoE 8.4%.	**8.4%** Cash RoE
Personalised rates and efficient funding producing a leading net interest margin.	**9.6%** Net Interest Margin
Group arrears of 0.58%[1] significantly lower than peers and the personal loan market average of 1.4%.[2]	**0.58%** Group 90+ Arrears
Stand out 28% cost to income ratio on operating leverage from highly automated Stellare® platform.	**28%** Cost to income ratio

[1] Excludes accrued interest
[2] Equifax Australian Consumer Credit Quarterly Report Q2 2023

Achievements

4.7/5

Customers rate us! Google & Shopper Approved scores of 4.7/5 from more than 53,000 reviews

87%

Employee Engagement score

70%

New originations from Australian customers

$140m

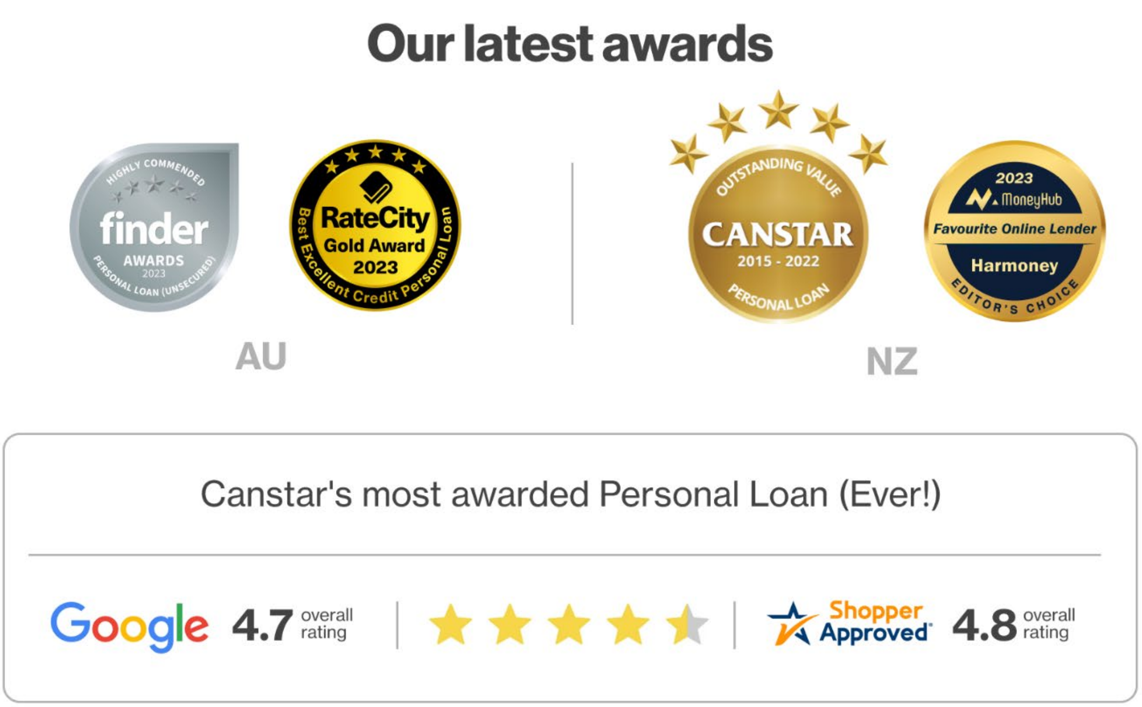
New $140 million facility from a "Big-4" Bank and a new global mezzanine funder, further enhancing funding diversity.

3 of the "Big-4"

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

NZ ABS

First public, non-credit card, consumer Asset Backed Securitisation transaction in New Zealand, NZ$200m priced 17 August, settled 24 August 2023.



Board of Directors

Paul Lahiff
Independent Chairman

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

Paul is a member of Harmoney's Audit and Risk Committee and the Nomination and Remuneration Committee.

Tracey Jones
Independent Director

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

John Quirk
Independent Director

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

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

Monique Cairns
Independent Director

Monique has over 20 years of experience in strategy, communications, marketing and sales, across financial institutions and a range of sectors. She has a diverse governance experience with extensive shareholder engagement. She is currently the Deputy Chair of New Zealand Home Loans and the Chair of their People and Culture Committee. Monique is also a Trustee of the NZ Portrait Gallery and a Committee Member of the Northern Club. Previously she was a Director of DEC International, Unitec Institute of NZ, Manukau Institute of Technology, Lotto NZ and SPCA.

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

Neil Roberts
Founder, Chief Strategy Officer & Executive Director

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

David Stevens
Chief Executive Officer & Managing Director

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

From the Chair
Paul Lahiff

Dear Shareholders,

Harmoney continues to disrupt the personal lending market across Australia and New Zealand with its innovative 100% direct-to-consumer business model.

As anticipated, our Australian loan book continued to grow strongly in FY23, with growth originating from both existing and new customers, and surpassing the New Zealand loan book in size. There is a significant opportunity to take further share from banks and traditional lenders in the Australian market with our personalised and competitive rates, backed by the highly automated Stellare® platform and our excellent customer service.

Importantly, we aim to provide a positive experience which drives high customer satisfaction and ensures Harmoney is top of mind when customers are considering new loans.

With existing customer originations making up an increasing portion of our total originations in both markets, Harmoney is creating an attractive and growing annuity stream for the business. This is particularly appealing given returning customers require very minimal acquisition costs, in turn driving improved profitability for the Company.

The Company continues to invest in growth to capitalise on the enormous potential existing within the personal loans market. While already highly automated and scalable, Harmoney is working on additional technology improvements to drive further operating efficiencies and capability enhancements.

The Company is also expanding its offering beyond unsecured personal loans with new innovative financial products. Earlier this year, Harmoney launched its first secured product, a car loan which empowers customers with cash buyer confidence when purchasing a vehicle.

FY24 is set to be another year of growth for Harmoney. Although the Company has grown rapidly in Australia, there remains significant opportunity for further growth in both Australia and New Zealand. I believe that as Harmoney continues to scale and deliver on its strategy the Company's strong operational and financial performance will inevitably be reflected in its share price, thereby creating long-term value to shareholders.

I would like to thank my fellow Board members for their strong contribution this year. I would especially like to acknowledge the valuable insights by Monique Cairns and John Quirk who both joined the Board in August 2022. On behalf of the Board, I would like to congratulate David Stevens, our CEO, and the entire Harmoney team for a successful year and thank them for all their hard work and commitment. And finally, I want to thank our shareholders for their continued support.

Paul Lahiff,
Chair

From the CEO
David Stevens

Harmoney delivers record Cash NPAT in FY23

Harmoney had a successful year of continued growth and improved profitability with the Company increasingly benefiting from the scalability and efficiency of its 100% consumer-direct business model. In the 12 months to 30 June 2023 (FY23), Harmoney delivered a record Cash NPAT result of $4.7 million ($0.2 million in FY22) and an annualised Cash ROE of 8.4% (0.3% in FY22). As the Company continues to scale and benefit from its highly automated platform and desirable annuity stream model, we have set ourselves a medium-term ROE target of 20%.

Australia overtakes New Zealand in loan book size driven by customer re-engagement

Harmoney finished the year with a loan book of $744m, up 28% from prior year. As predicted, Australia surpassed New Zealand in loan book size, with our larger market now representing 51% of the total book. Pleasingly, Australia has followed the trend experienced in New Zealand with existing customers increasingly coming back for new loans. Existing customer originations are particularly appealing as they typically require minimal costs to acquire, making this group of customers highly profitable to us. We expect existing originations to make up an increasing portion of our loan book as the Company grows.

As our unique data driven Stellare® platform is continuously getting more sophisticated with targeting new and existing customers, we are spending less to acquire them. Customer acquisition costs reduced 41% driven by improved marketing efficiency and Harmoney's conscious decision to focus on profitability and ease back on chasing new customers. Notwithstanding the substantially lower spend on acquisitions, existing customer originations grew 9% while new customer originations fell only 11%.

Solid credit performance despite cash rate increases putting pressure on consumers

Over the past year, the Reserve banks in Australia and New Zealand have increased cash rates multiple times to combat inflation. This has resulted in our funding costs increasing faster than the average lending rate in our portfolio. However, supported by our efficient hedging strategy and ability to promptly pass on rate increases, we were able to minimise the impact on our financial performance. Overall, our average funding rate increased by just 150bps in FY23, which is substantially lower than the 325bps increase in the Australian cash rate over the same period. While rising cash rates had an adverse impact on our funding costs, we benefited from reduced levels of early repayments given a reduction in mortgage refinancing activity across both markets.

Harmoney maintained its solid credit performance thanks to the high quality of the loan book. Impairments were within the Company's target range at 3.6% and 90+ day arrears remain well below the personal loan market average.

Harmoney well placed to benefit from continued growth momentum

I am very excited about the year ahead, with Harmoney set to realise further benefits from scale and automation. We are actively working with Google on opportunities to apply the latest developments in artificial intelligence to further augment and enhance automation within the Stellare® platform. We are also increasingly benefiting from the power of automation and machine learning in attracting new and existing customers, and importantly, doing so sustainably and profitably.

We finished the year with over $27 million unrestricted cash on hand and we have ample capacity for lending growth with total warehousing facilities of over $900 million from multiple high-quality lenders, including three of the 'Big-4' banks in Australia. The ongoing support by the Big-4 banks and their willingness to expand our facilities is a great endorsement of the strength and quality of Harmoney's lending platform.

After year end, in August 2023, we also priced our inaugural New Zealand asset-backed securitisation of NZ$200 million in loans. This was rated by Moody's and placed to a number of new and existing investors and sets us up for further securitisations in both Australia and New Zealand as we continue to grow in the coming year.

On behalf of the Management Team, I would like to thank the entire Harmoney team for another year of hard work and commitment. I would also like to thank our shareholders for their support over the past year. I'm looking forward to another year of growth and success for Harmoney.

David Stevens,
CEO and Managing Director

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Review of Operations

Financial performance

The table below sets out the financial results for the year compared to the prior comparative period (pcp). Effective 1 July 2022, the Group has changed its presentation currency from New Zealand dollars (NZD) to Australian dollars (AUD). Therefore, all amounts presented in this report are in AUD except where otherwise indicated.

	Year ended 30 June 2023 $'000	Year ended 30 June 2022 $'000	Change $'000	Change %
Interest income	105,539	68,943	36,596	53%
Other income	1,534	3,877	(2,343)	(60%)
Total income	**107,073**	**72,820**	**34,253**	**47%**
Interest expense	39,824	18,122	21,702	120%
Incurred credit losses	24,552	10,611	13,941	131%
Risk adjusted income	**42,697**	**44,087**	**(1,390)**	**(3%)**
Movement in expected credit loss provision	7,827	14,856	(7,029)	(47%)
Risk adjusted income after expected credit loss provision	**34,870**	**29,231**	**5,639**	**19%**
Customer acquisition expenses	12,316	20,716	(8,400)	(41%)
Net operating income	**22,554**	**8,515**	**14,039**	**165%**
Personnel expenses	10,993	9,809	1,184	12%
Share-based payment expenses	1,937	2,744	(807)	(29%)
Customer servicing expenses	6,174	5,166	1,008	20%
Technology expenses	4,816	4,179	637	15%
General and administrative expenses	3,670	4,042	(372)	(9%)
Depreciation and amortisation expenses	2,545	1,349	1,196	89%
Operating expenses	**30,135**	**27,289**	**2,846**	**10%**
Statutory loss before income tax	**(7,581)**	**(18,774)**	**11,193**	**60%**
Income tax expense	-	-	-	-
Statutory loss after income tax	**(7,581)**	**(18,774)**	**11,193**	**60%**
Non-cash adjustments				
Movement in expected credit loss provision	7,827	14,856	(7,029)	(47%)
Share-based payment expenses	1,937	2,744	(807)	(29%)
Depreciation and amortisation expenses	2,545	1,349	1,196	89%
Cash NPAT	**4,728**	**175**	**4,553**	**2,602%**
Cash RoE	**8.4%**	**0.3%**	**8.1%**	**N/A**

For the year ended 30 June 2023 the Group reported Cash Net Profit After Tax (NPAT) of $4.7m (FY22: $0.2m), a $4.5m increase on the pcp, with annualised cash return on equity of 8.4%.

Total income grew by 47% on pcp to $107.1m (FY22: $72.8m), driven by strong loan portfolio growth in both the Australian and New Zealand markets.

While risk adjusted income fell 3% on pcp to $42.7m (FY22: $44.1m), predominantly driven by increased market funding costs, and to a lesser extent increased credit losses as the portfolio seasoned following accelerated growth in the prior year, remaining costs fell by $12.6m delivering an $11.2m (60%) pcp improvement in Statutory NPAT to ($7.6m) (FY22: ($18.8m)). On a Cash NPAT basis, remaining costs fell by $5.9m delivering a $4.5m (2,602%) improvement in Cash NPAT to $4.7m (FY22: $0.2m), Harmoney's third consecutive half of Cash NPAT profitability.

Cost reductions were led by the increasing efficiency of Harmoney's data-driven marketing platform and consumer-direct origination model, and by tempering loan book growth to $163m (28%) with an emphasis on profitability in response to sustained reserve bank rate increases.

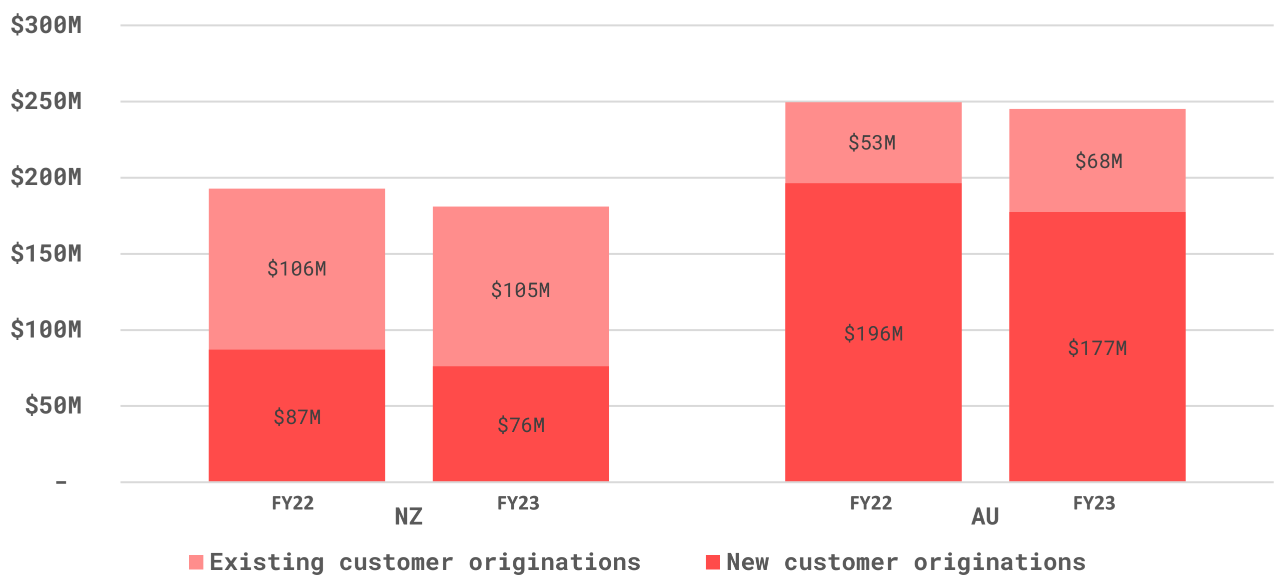
Loan originations

	Year ended 30 June 2023	Year ended 30 June 2022	Change	Change %
Total originations ($'000)	426,234	442,540	(16,306)	(4%)
New customer originations ($'000)	253,595	283,607	(30,012)	(11%)
Existing customer originations ($'000)	172,639	158,933	13,706	9%
Number of originations	26,202	26,642	(440)	(2%)
Average value of new customer originations ($)	21,158	20,707	451	2%
Average value of existing customer incremental originations ($)	12,144	12,277	(133)	(1%)

Loan originations for the year were $426m, a reduction of 4% on the prior year, with a moderation of new customer growth to focus on profitability, particularly in the second half of the year.

Customer acquisition costs were reduced by 41% on pcp to $12.3m (FY22: $20.7m), while new customer originations fell only 11% to $254m (FY22: $284m), as efficiency gains continue to be delivered by Harmoney's data-driven, machine learning Stellare® marketing platform.

Existing customer originations grew 9% to $173m (FY22: $159m), making up 41% of total originations in the year, up from 36% in the prior year, with Australian existing customer originations growing by 28% to $68m (FY22: $53m), following the trend experienced in New Zealand, where more than half of originations come from existing customers. Importantly, existing customer originations have near zero acquisition costs due to the existing direct relationship with the customer, generating high return loan portfolio growth.



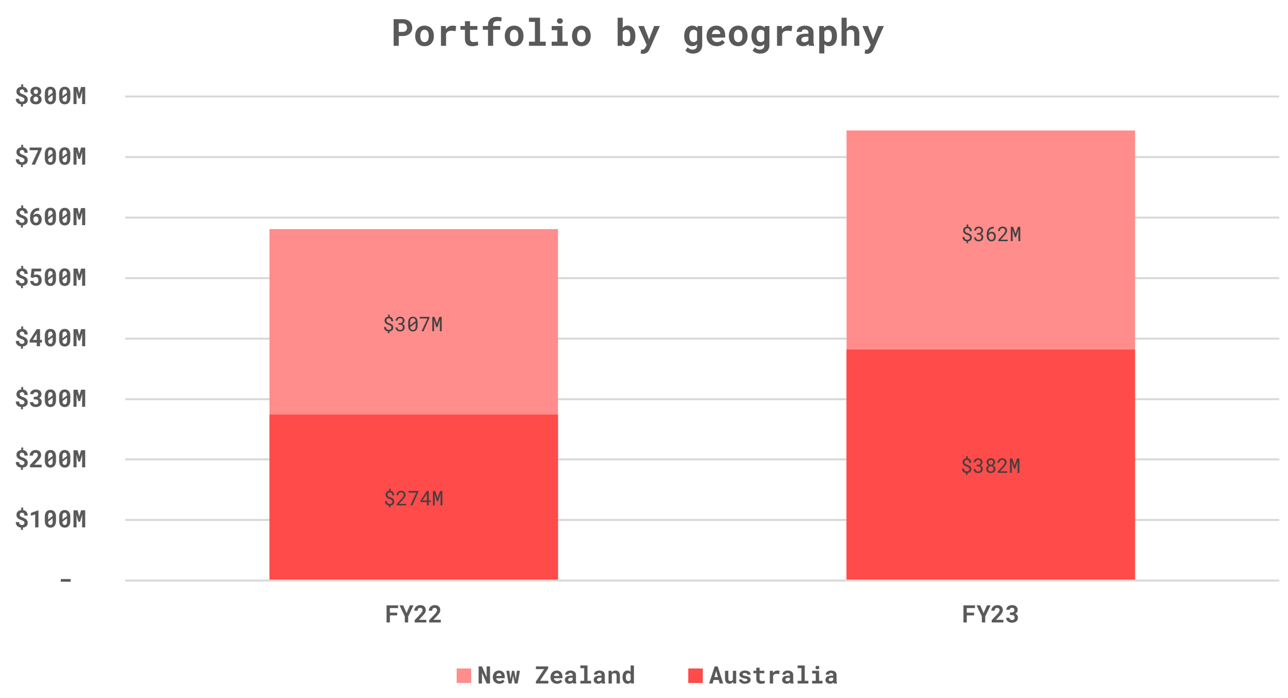
Portfolio

	Year ended 30 June 2023	Year ended 30 June 2022	Change	Change %
Loan book (period end) ($'000)	744,000	580,971	163,029	28%
Loan book (average) ($'000) - Group	683,097	432,501	250,596	58%
Loan book (average) ($'000) - Australia	342,361	161,993	180,368	111%
Loan book (average) ($'000) - New Zealand	340,736	270,508	70,228	26%

At 30 June 2023 the loan portfolio was $744m, up $163m (28%) from 30 June 2022, led by strong growth in the key Australian market where Harmoney continues to see the largest growth opportunities, with the Australian portfolio growing by $108m (39%) during the year.

The loan portfolios in both countries benefited from reduced levels of early repayments compared with the prior year, with reducing mortgage refinancing activity due to rising interest rates.

The strong growth in the Australian loan portfolio enabled it to reach 51% of the total loan portfolio at 30 June 2023, up from 47% at the end of the prior year.



Risk adjusted income

	Year ended 30 June 2023	Year ended 30 June 2022	Change	Change %
Average interest rate (%)	15.5%	15.9%	(40bps)	N/A
Funding debt (period end) ($'000)	720,503	564,211	156,292	28%
Funding debt (average) ($'000)	660,269	401,021	259,248	65%
Average funding rate (%)	6.0%	4.5%	150bps	N/A
Net interest income (%)	9.6%	11.8%	(220bps)	N/A
Incurred credit loss ($'000)	24,552	10,611	13,941	131%
Incurred credit loss to average gross loans (%)	3.6%	2.5%	110bps	N/A
Risk adjusted income (%)	6.0%	9.3%	(330bps)	N/A

Risk adjusted income, being interest income after funding costs and incurred credit losses, was $42.7m (FY22: $44.1m), a reduction of 3% on pcp, predominantly driven by rising market interest rates increasing funding costs at a faster pace than the impact of increased new lending rates on the average portfolio interest rate. Incurred credit losses as a percentage of the average loan portfolio also increased compared with the prior year, driven by the increasing maturity "seasoning" of the Australian portfolio following stronger growth in the prior year.

Interest income for the year was $105.5m, up 53% on pcp driven by the higher average portfolio size over the period, partially offset by a lower average interest rate of 15.5% (FY22: 15.9%). Interest rate increases for new lending during FY23 have started to lift the average portfolio rate with 2H23 average interest rate of 15.5% (1H23: 15.4%) and a June 2023 average of 15.7%.

Interest expense for the year was $39.8m, up $21.7m on the pcp driven by both the increased average portfolio size and by a material upward shift in market interest rates. However, Harmoney's diversified warehouse funding facilities and efficient hedging strategies have enabled it to constrain its average funding rate increase to 150bps despite the Australian and New Zealand official cash rates increasing by 325bps and 350bps respectively from the end of June 2022.

Incurred credit losses, which represent actual losses on loans written off during the period, were $24.6m (FY22: $10.6m) increasing predominantly due to loan portfolio growth but also due in part to higher losses in Australia driven by an increased weighted average age "seasoning" of the Australian portfolio compared with the prior year, following stronger growth in that prior year. Personal lending tends to reach "peak hazard" for loss during the period 12 to 18 months after origination. The resulting incurred credit loss to average loan portfolio rate increased to 3.6% (FY22: 2.5%), still well within Harmoney's target range of 3% to 4%.

Credit provisioning

	Year ended 30 June 2023	Year ended 30 June 2022	Change	Change %
Movement in expected credit loss (ECL) provision ($'000)	7,827	14,856	(7,029)	(47%)
Provision rate (%)	4.9%	4.9%	0bps	N/A
Risk adjusted income after ECL provision ($'000)	34,870	29,231	5,639	19%

The expected credit loss (ECL) provision represents Harmoney's modelled expectation of future period credit losses to occur from the current portfolio. The provision does not account for future period interest income that Harmoney also expects to derive from the current portfolio. Movements in the provision are driven by changes in the size of the loan portfolio and changes in Harmoney's expectation of the level of future period loss to occur from within that portfolio. As movements in the provision do not impact cash, it is excluded from the calculation of Cash NPAT, which recognises only credit losses actually incurred during the period.

The Group's ECL provision at 30 June 2023 was $36.9m, representing 4.9% of the portfolio consistent with 30 June 2022, and consequently the $7.8m movement in the expected credit loss provision for the year is a function of the loan portfolio's growth over the year.

Customer acquisition metrics

	Year ended 30 June 2023	Year ended 30 June 2022	Change	Change %
Customer acquisition expenses to origination ratio	2.9%	4.7%	(1.8%)	N/A
Customer acquisition expenses to income ratio	11.5%	28.4%	(16.9%)	N/A

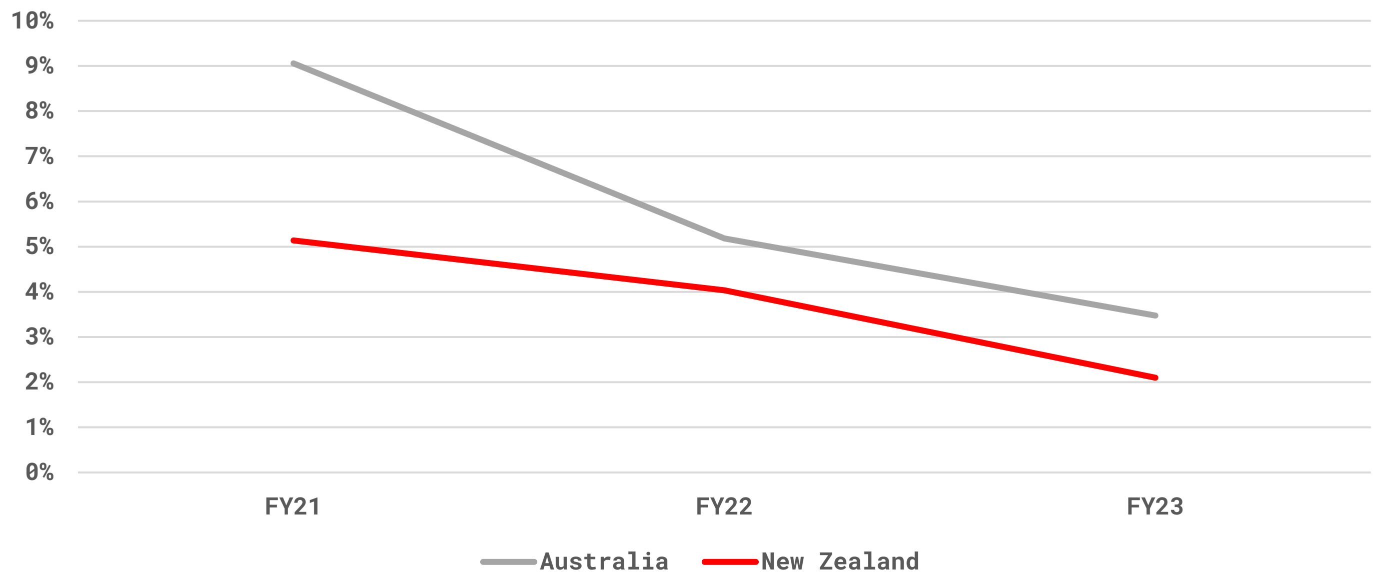
Harmoney's machine learning Stellare® marketing platform analyses application data to make ongoing improvements to its online media buying algorithm focusing on attracting high-intent, highly eligible customers, continuously improving online media buying efficiency. Coupled with this, Harmoney's consumer-direct relationship, which empowers Harmoney to meet customers' subsequent borrowing needs with little or no additional customer acquisition costs, has consistently driven down Harmoney's customer acquisition costs in both New Zealand and Australia as its portfolio of customers in each market has grown.

Customer acquisition expenses decreased by 41% on pcp to $12.3m (FY22: $20.7m) on both a decision to moderate loan book growth to focus on profitability, and on the realisation of Stellare® efficiency gains as evidenced by the 41% reduction in expenditure translating to only a 4% reduction in originations.

A reporting headwind Harmoney continues to face with its consumer-direct model when compared with broker intermediated origination models is that Harmoney's customer acquisition expenses are recognised when incurred, rather than spread over the expected life of the loans originated. This causes Harmoney's customer acquisition expenses to significantly lead the associated interest income generated. Accordingly, Harmoney believes that for customer acquisition expenditure, the cost to loan origination ratio, comparing expenditure in the period to the loans originated in the period, is the most appropriate performance measure. The customer acquisition expenses to origination ratio decreased to 2.9%, a reduction of 180bps on FY22 and 350bps on FY21.

The chart below illustrates the twin benefits of Harmoney's Stellare® marketing platform and consumer-direct model. In the longer established New Zealand portfolio, where existing customer loan originations are a much higher proportion of total originations, the customer acquisition expenses to total originations ratio is lower. It is expected that as the Australian portfolio continues to grow, the proportion of Australian existing customer loan originations will increase and Australia will continue to trend towards New Zealand's lower ratio.

Customer acquisition expenses to originations ratio



Cost to income metrics

	Year ended 30 June 2023	Year ended 30 June 2022	Change	Change %
Cost to income ratio	28.1%	37.5%	(9.4%)	N/A

The scalability of Harmoney's highly automated Stellare® platform is further demonstrated in FY23 with its cost to income ratio reducing to 28%, down from 37% in the pcp. This was achieved by delivering a 47% increase in revenue with only 10% increase in operating expenses, largely due to inflationary pressures. Harmoney's cost to income ratio includes all costs below net operating income (personnel expenses, share-based payment expenses, customer servicing expenses, technology expenses, administrative expenses and depreciation and amortisation expenses).

Personnel expenses were $11.0m (FY22: $9.8m) with the current year increase driven by investment in additional development capabilities as well as inflationary pressure on salaries.

Customer servicing expenses were $6.2m (FY22: $5.2m) with the current year increase predominantly driven by loan portfolio growth.

Technology expenses increased $0.6m on the pcp to $4.8m, with ongoing investment in the Group's proprietary Stellare® platform intended to create future operating efficiencies and capability enhancements.

General and administrative expenses fell 9% to $3.7m (FY22: $4.0m) as one-off prior year investments to establish Harmoney's funding structures did not need to be replicated in the current year.

Financial position

	30 June 2023 $'000	30 June 2022 $'000	Change $'000	Change %
Assets				
Cash and cash equivalents	43,454	56,805	(13,351)	(24%)
Finance receivables	745,790	580,309	165,481	29%
Expected credit loss provision	(36,919)	(28,862)	(8,057)	(28%)
Other assets	33,397	26,658	6,739	25%
Total assets	**785,722**	**634,910**	**150,812**	**24%**
Liabilities				
Borrowings - Receivables funding	700,692	549,496	151,196	28%
Borrowings - Corporate debt facility	19,811	14,715	5,096	35%
Other liabilities	11,464	11,574	(110)	(1%)
Total liabilities	**731,967**	**575,785**	**156,182**	**27%**
Net assets	**53,755**	**59,125**	**(5,370)**	**(9%)**

Cash and cash equivalents of $43.5m consists of unrestricted cash of $27.5m (30 June 2022: $31.2m), and restricted cash of $15.9m (30 June 2022: $25.6m); the latter may only be used for funding finance receivables and other purposes defined in the relevant trust documents.

During the year Harmoney invested $28.0m of its unrestricted cash to support loan portfolio growth and $5.0m in Stellare® development, however unrestricted cash only reduced by $3.7m as these investments were largely offset by $23.9m cash generated from operating activities and $5m drawn on Harmoney's corporate debt facility, taking the total drawn on that facility to $20m.

Finance receivables (including accrued interest and deferred establishment fees) increased 29% to $746m (FY22: $580m). The related expected credit loss provision grew by 28%, commensurate with the movement in finance receivables, with the June 2023 provision rate of 4.9% remaining consistent with the prior year.

Other assets consist of software intangibles, derivative financial instruments, deferred tax assets, property and equipment and trade and other assets. Property and equipment grew by $3.4m due to a new right of use asset for a six year lease commenced in January 2023 for Harmoney's Auckland head office and software intangibles grew by $3.0m from ongoing investment in Harmoney's proprietary Stellare® platform.

Receivables funding borrowing increased 28% to $701m at 30 June 2023, up from $549m at 30 June 2022, in line with the increase in finance receivables. Corporate debt borrowing increased $5m during 1H23, with that facility now fully drawn at $20m.

Other liabilities consist of payables, accruals, non-credit provisions and lease liabilities. Non-credit provisions reduced by $3.6m, bringing the balance at 30 June 2023 down to $1.5m. This was largely offset by the new lease liability, up $3.3m on the pcp, related to the aforementioned new office headquarters.

Environmental, Social and Governance

Since Harmoney was founded in 2014, we have been guided by our foundational principles of providing fair and simple financial services directly to consumers with market-leading technology.

Our purpose is to help and inspire people to start now on their dreams or start fresh - through financial products that are simple, smart and secure.

We're passionate about transforming the customer experience using data and machine-learning to make better decisions, faster, and help people access financial services at the right time to achieve their goals.

Harmoney is committed to doing this in a way that creates a positive impact on our customers, stakeholders, communities, and planet. Our Environmental, Social and Governance (ESG) report explores the sustainability risks and opportunities identified in the focus areas considered material to our business. We are excited to share our progress on this journey with you.

Environment

At Harmoney, we acknowledge the pressing climate-related challenges that our planet faces, and we recognise that every business has a role to play in safeguarding the environment. We are dedicated to contributing to the shift towards a low carbon future.

As a 100% online consumer-direct personal lender, we take pride in the fact that our operations have minimal direct impact on the environment.

Moving forward, we are determined to solidify our ESG strategy, establishing clear metrics and targets that will enable us to assess our performance and progress. We believe that by setting ambitious goals and continually measuring our impact, we can further enhance our contribution to sustainability and responsible business practices.

We are proud to announce that we have obtained Net Zero Carbon certification from Ekos Kamahi Limited NZ for FY23 and have offset our remaining emissions for the period. We engaged Ekos for a comprehensive carbon footprint measurement for our Scope 1, 2 and 3 greenhouse gas (GHG) emissions. The results of our Carbon Inventory Report are presented below.

In a significant step towards reducing our carbon footprint, we transitioned to a 100% renewable and climate positive electricity provider starting from January 2023. This switch led to a notable 32% reduction in purchased electricity emissions during FY23.

We also relocated to a purpose-designed premises in Auckland to optimise the utilisation of our office space. Additionally, we actively encourage our staff to adopt environmentally friendly commuting methods, such as public transportation and walking/cycling, and have implemented an initiative supporting Earth Day 2023, engaging our employees in these efforts.

An important indicator of our environmental performance is the carbon intensity for Scope 1, 2 and 3 emissions per $1 million of revenue, which stood at 0.70 tCO2e (FY22: 0.57 tCO2e). Furthermore, our Scope 1, 2 and 3 emissions per employee were measured at 0.85 tCO2e (FY22: 0.48 tCO2e), maintaining a low environmental impact, with the increase per employee driven by a resumption of limited business air travel post COVID-19.

While we have measured mandatory Scope 3 emissions for the Ekos Net Zero Carbon Certification, we recognise the need to further enhance our reporting on these. We will focus on capturing optional and recommended areas to comprehensively account for indirect emissions. Our emissions inventory report currently excludes any outsourced services. It is worth noting that our Scope 3 emissions remained consistent with the previous year, with the exception of increased business air travel as business operations resumed post COVID-19.

Overall, these accomplishments underscore Harmoney's commitment to environmental stewardship and our dedication to promoting sustainability within our operations. We will continue to refine our environmental strategies and pursue further improvements to ensure we contribute positively to the global effort in addressing climate change.

Emissions Inventory Report

Emissions breakdown	FY23 (tCO2e)	FY22 (tCO2e)
Total Scope 1 emissions	-	-
Purchased electricity	10.16	14.84
Total Scope 2 emissions	**10.16**	**14.84**
Air travel	35.66	6.66
Cloud computing services	21.97	20.00
Other scope 3 emissions	7.31	N/A
Total Scope 3 emissions	**64.94**	**26.66**
Total Scope 1, 2 and 3 emissions	**75.10**	**41.50**

- Only the FY23 emissions have been externally reviewed by Ekos. FY22 emissions are based on management's calculations.
- The emissions report disclosed above has been reported using the location-based methodology.
- Emissions can be calculated using a market-based or a location-based methodology. In Harmoney's case our emissions are higher under the location-based methodology disclosed above, which is what we have offset.

Social

Customer experience

At Harmoney, we aim to provide simple and easy access to our financial services to customers from diverse backgrounds. We envision a future where technology responsibly and invisibly analyses financial information to optimise customers' choices and opportunities. We have always believed that access to money at the right time can make a huge difference in someone's life.

Our main goal is to offer all customers a fair and transparent experience. To achieve this, we have implemented a new quote application process in Australia that does not affect customers' credit scores when they get an interest rate. This has proven to be a crucial factor in reducing complaints and solving one of the biggest pain points for our customers.

Additionally, we have introduced a feature to account for a partner's share of expenses in affordability calculations, making these more accurately reflect our customers' financial situations.

We regularly conduct user research, surveys, and feedback calls to understand what is important to our customers.

As a result, we have made improvements to our identification verification process and bank connection flow, making it easier for our customers to complete their applications with less effort.

We also recognise the responsibilities of providing safe and secure financial services. Our broad-based online application process utilises modern technology to assess creditworthiness on the basis of reliably sourced financial data, with machine learning-developed scoring systems supporting customer suitability. We also ensure that customer information is secure to the best of our ability.

Harmoney has a Complaints and Internal Dispute Resolution Policy to ensure consistent handling of customer complaints, and performs call quality assessments to monitor calls against policies.

Harmoney embraces a culture of developing products and product features to deliver good customer outcomes for the market they were designed for, including support through periods of financial difficulty.

Hardship & supporting customers

We are committed to supporting our customers through periods of unforeseen financial hardship. Whether it's personal hardship (such as illness or injury), or a major life event (such as loss of employment or the death of a loved one), we assess the circumstances on a case-by-case basis and work together with customers to get through difficult situations.

The assistance we provide can include term extensions, thereby reducing regular loan repayments to a more manageable amount, a postponement of repayments for a set time, or a combination of the two.

We apply our responsible lending and credit policies to prevent extending credit where doing so could place a borrower in a worse financial position or at a greater risk of hardship. We also apply analytics to identify potentially vulnerable borrowers, such as where they exhibit traits of problem gambling or engaging in unstable financial behaviours, and to identify applicants who are presently in financial hardship.

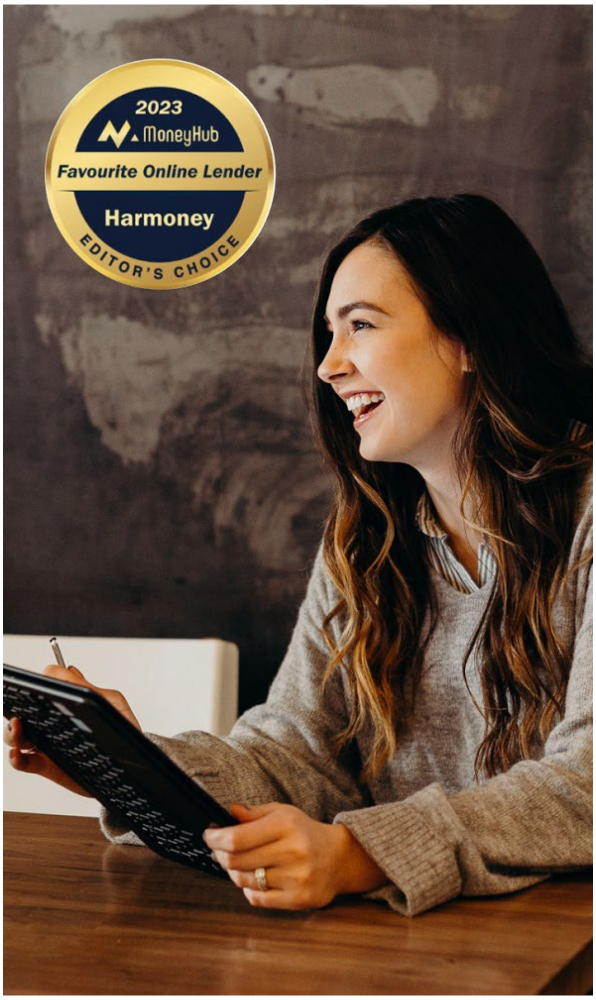
Financial inclusion and accessibility

Improving access to financial services across all consumer segments is important to us. Our design system implementation takes the Web Content Accessibility Guidelines into consideration to improve the accessibility and consistency of our product. Our goal is to offer an inclusive and enjoyable experience to everyone, with readable and understandable content.

Customer financial wellbeing

Harmoney promotes customer financial literacy to help our customers make good financial decisions and build financial resilience. We provide a number of financial literacy blog articles and Credit Score education content on our website for customers. 54,866 customers have accessed this content throughout the year.

In FY23, we conducted a review of the resources we currently provide to customers and have initiated a continuous review process to keep these resources relevant and up-to-date.



Data and cyber security

This is an area of paramount importance to Harmoney, as a 100% online lending business entrusted with sensitive customer financial information. Safeguarding customer data is not only a legal and ethical obligation but also crucial for maintaining trust and credibility.

Harmoney has a comprehensive set of cyber security policies in place, and has implemented stringent measures to secure and protect customer financial and credit-related data.

To ensure the security, availability, and integrity of customer data, we have various technical and policy controls:

- Our security approach aligns with the NIST Cybersecurity Framework 1.1.
- We have endpoint protection on employee devices to stop ransomware, malware, exploits, and other threats.
- We require multi-factor authentication (MFA).
- We utilise a modern cloud-native technology stack, with web application firewalls and threat detection systems.
- We regularly undergo external penetration testing to assess and fortify our security measures.
- We have business continuity, incident response, and disaster recovery policies, which we test annually.
- We carry out recoverability testing of major system backups, at least annually.
- We have a staff cybersecurity training programme, including an internal simulated phishing programme.

Employee wellness and training

As at 30 June 2023, Harmoney's total workforce consisted of 88 full-time employees across Australia and New Zealand. We have a clear purpose and vision with highly engaged employees. Engagement is a measure of the level of involvement, motivation and positivity employees feel towards their work.

Our goal is to deliver a positive experience that keeps our people safer, healthier, and more engaged.

We conduct regular employee surveys to identify areas of focus and improvement and for measuring progress. Our overall company engagement score was 87% for the year (2022: 86%).

In FY23, we enhanced our employee benefits by introducing health insurance. Our parental leave policy was updated to provide extended paid leave for secondary caregivers, and improvements were made in relation to primary caregivers' leave. We also implemented a flexi-return policy to accommodate employees returning from parental or partner's leave, allowing them to customise their work arrangements post return to work, including reduced hours or remote work options. In addition, Harmoney publicly disclosed the details of our parental leave policy on Crayon, New Zealand's Parental Leave Register.

To maintain high performance, we recognise the importance of cultivating a culture that rewards and recognises our people, creating a continuous learning environment that encourages innovation, creativity and collaboration.

Our People and Culture team's approach supports a people-first approach and aligns with both the employees' and the organisation's goals.

Placing people at the core of Harmoney's operations is essential for fostering a positive and productive work environment. This approach demonstrates that the well-being and growth of employees are valued and prioritised.

Key elements of our approach include, leadership involvement, employee development and performance development plans.

Overall, the People and Culture team have a comprehensive strategy in place to create a supportive and engaging work environment. By continuing to prioritise employee development, regularly evaluating compensation packages, and maintaining a people-first approach, the team can foster a positive and thriving workplace culture.

We prioritise the wellbeing of our employees and strive to promote work-life balance through flexible work arrangements. To further support a productive workforce, we offer a comprehensive benefits programme that encompasses wellness days, Employee Assistance Programmes, flu vaccinations, first aid certifications and health insurance. We actively gather employee feedback as part of our ongoing commitment to fostering a supportive and thriving work environment.

Diversity, equity and inclusion

People drive Harmoney: their inspiration, imagination, creativity and passion powers what we do.

Harmoney makes a conscious effort to create an inclusive workplace that represents the communities we serve, and values diverse perspectives to drive innovation and business success, and contribute to a fairer society.

In our commitment to fostering diversity and inclusion, we have implemented various initiatives and strategies:

- Our recruitment strategy and processes focus on attracting diverse candidates. Our job descriptions are gender-neutral and inclusive, and we communicate our workplace diversity and inclusion as an employee value proposition to potential candidates.
- To support equality initiatives, we provide leadership training to hiring managers, including unconscious bias training.
- We are dedicated to reviewing pay equality to retain our talent. We regularly review competitive salaries and stay updated on changing market rates to ensure fair compensation.
- We offer mentor-mentee programs, with a specific focus on gender equality. These programs include events such as "Women in Tech" and female-led "lunch n learn" sessions.
- We actively support the growth of young women leaders through partnering with organisations like Matchstiq, Summer of Tech, and AUT, to offer internships to targeted groups and communities, building interest and skills while establishing a long-term pipeline of diverse job candidates.
- We celebrate a range of festivals to enrich our cultural understanding and mark important dates, such as International Women's Day, to build awareness and create a company culture that celebrates diversity and cultivates an inclusive and equitable workplace.

As part of our continued progress, we are working on finalising our Diversity, Equity, and Inclusion (DEI) strategy, and setting metrics and targets for measurement, which will include commencing reporting on our gender diversity position and public pay gap reporting. We recognise the importance of gender balance and have strategic plans to enhance the representation of women in leadership positions through proactive succession planning.

Modern slavery

Harmoney will be publishing our inaugural Modern Slavery Statement under Australia's Modern Slavery Act 2018 later this year.

Governance

Good governance is vital in achieving long-term value by aligning financial and societal performance, ensuring accountability, and building stakeholder legitimacy, to drive purposeful business strategies.

Governance and risk management

Harmoney manages financial and non-financial risks through our governance framework. In FY23, we have finalised our ESG governance framework (overleaf) and embedded it into our overall governance framework.

We are committed to acting honestly, ethically and responsibly, and our governance framework is designed to ensure that our statutory obligations are met, and that a culture of corporate integrity is reinforced.

This framework is set out on our website (https://www.harmoney.com.au/investor) and comprises our Code of Conduct, various charters and policies.

Harmoney has elected to comply with all of the ASX Corporate Governance Council's "Corporate Governance Principles and Recommendations (4th Edition)" (the ASX Recommendations). We publish our Corporate Governance Statement on our website, which sets out the details of our practices with respect to the ASX Recommendations, which was last updated on 30 June 2023.

Harmoney maintains comprehensive policies to ensure compliance with relevant statutory requirements, the ASX Listing Rules, and obligations arising under our Australian Financial Services Licence, Australian Credit Licence, and Market Services Licence (New Zealand). These policies undergo regular review by external providers, including law firms, and AML specialists, to ensure their currency and effectiveness.

The Board delegates the responsibility for reviewing and approving Harmoney's risk management system (including policies and frameworks) to the Audit and Risk Committee, for identifying, assessing, and managing financial and non-financial risks.

Harmoney is dedicated to developing and implementing a risk and compliance assurance testing program, establishing a Compliance Manager role in FY22 to develop this. We already conduct regular automated and manual audits, both internally and externally, and this program will further align and enhance these efforts. For FY23, we are introducing accurate and independently-validated regulatory obligations registers across the enterprise and have already commenced policy and training refreshes across a number of them, as well as controls testing.

As part of our strategic initiatives, we are working on revising our enterprise-wide risk framework with a specific focus on 'risk to people', enabling a more comprehensive analysis of risks. This framework redesign aims to provide improved visibility into risks and opportunities related to ESG factors.

Board of Directors

The Board retains the ultimate responsibility for the oversight of sustainability-related risks and opportunities and approval of ESG reporting and objectives.

Audit & Risk Committee

The Board delegates to the Audit & Risk Committee (ARC) – a Board Committee - which assesses and manages sustainability-related risks and opportunities and monitors progress towards targets.

Senior Leadership Team and ESG Officer

Operationalises ESG risks and opportunities identified by the ARC, drives progress to meet reporting obligations and targets.

Ethics and integrity

Ethics and integrity underpin Harmoney's values and is foundational for building and maintaining trust and respect, ensuring responsibility and accountability.

Harmoney's corporate governance framework includes a Code of Conduct, Anti-Bribery & Corruption Policy, Disclosure and Communication Policy, Trading Policy, and Whistleblower Policy.

Harmoney ensures that all applicable legal obligations are met through:

- Regular review and reporting of our adherence to our licence obligations.
- Regular review of our Responsible Lending Policy and procedures.
- Continuous improvement of our systems to recognise potentially vulnerable applicants.
- Ongoing staff training across all relevant regulations.

Harmoney is a signatory to the Principles of Reciprocity and Data Exchange with RDEA (a subsidiary of the Australian Retail Credit Association). Harmoney is also a member of the Financial Services Federation in New Zealand, the industry body for responsible non-bank lenders.

Stakeholder engagement

Harmoney actively engages with diverse stakeholder groups to gain insights into their concerns and priorities. We provide regular updates and information to our stakeholders through the Investor Centre on our website, which includes details about our Board members, business performance, governance practices, and other relevant news related to Harmoney.

To ensure effective communication, we have established dedicated channels for our shareholders to contact us and share their enquiries or feedback, including a designated shareholder email address.

As part of our Product Governance Framework, we conduct systematic qualitative surveys among customers to identify market needs and preferences, which inform the development of our product offerings.

Harmoney has a Complaints and Internal Dispute Resolution Policy to ensure consistent and fair handling of customer queries. We value feedback from all sources and are committed to responding to customer feedback and complaints in a timely manner, in line with our policy. Our Feedback and Complaints Committee meets regularly to analyse customer feedback, identify patterns, address systemic issues, and identify areas for improvement. Any significant matters are reported to the Board.

Harmoney is a member of two independent external, dispute resolution schemes, the Australian Financial Complaints Authority (AFCA) in Australia, and the Financial Services Complaints Limited (FSCL), a financial ombudsman service, in New Zealand.

Directors' Report

The Directors present their report, together with the financial statements, on the consolidated entity consisting of Harmoney Corp Limited and the entities it controlled at the end of, or during the year ended, 30 June 2023 ("the Group").

Directors

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

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

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

Principal activities

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

Change in presentation currency

Effective 1 July 2022, the Group changed the currency in which it presents its consolidated financial statements from New Zealand dollars (NZD) to Australian dollars (AUD), to reflect the growth in the Group's Australian loan book and to provide better comparability with industry peers.

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the Group during the year ended 30 June 2023.

Dividends

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

For and on behalf of the Directors

Paul Lahiff
Chairman

Auckland

24 August 2023

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Financial Report

Directors' Responsibility Statement

The Directors are pleased to present the consolidated financial statements of Harmoney Corp Limited for the year ended 30 June 2023.

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 2023 and its financial performance and cash flows for the year ended on that date.

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

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

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 consolidated financial statements set out on pages 33-64 for issue on 24 August 2023.

For and on behalf of the Board

Paul Lahiff
Chairman

Tracey Jones
Chair of the Audit and Risk Committee

24 August 2023

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2023

	Notes	Year ended 30 June 2023 $'000	Year ended 30 June 2022 $'000
Interest income	5	105,539	68,943
Other income [1]	6	1,534	3,877
Total income		**107,073**	**72,820**
Interest expense	5	39,824	18,122
Impairment expense	7	32,379	25,467
Customer acquisition expenses [2]		12,316	20,716
Personnel expenses		12,930	12,553
Customer servicing expenses [3]		6,174	5,166
Technology expenses		4,816	4,179
General and administrative expenses		3,670	4,042
Depreciation and amortisation expenses	8	2,545	1,349
Loss before income tax		**(7,581)**	**(18,774)**
Income tax expense	9	-	-
Loss for the year attributable to shareholders of Harmoney Corp Limited		**(7,581)**	**(18,774)**
Other comprehensive income / (loss)			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		962	(1,228)
(Loss) / Gain on cash flow hedge reserve, net of tax	10	(145)	5,640
Other comprehensive income for the year, net of tax		**817**	**4,412**
Total comprehensive loss for the year attributable to shareholders of Harmoney Corp Limited		**(6,764)**	**(14,362)**
Earnings per share for loss attributable to the ordinary equity holders of the Company:		Cents	Cents
Basic earnings per share	11	(7)	(19)
Diluted earnings per share	11	(7)	(19)

[1] 'Other income' is a combination of 'Fee income' and 'Other income' presented in the prior year and has been reclassified for simpler presentation.

[2] 'Customer acquisition expenses' were referred to as 'Marketing expenses' in the prior year.

[3] 'Customer servicing expenses' were referred to as 'Verification and servicing expenses' in the prior year.

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

Consolidated Statement of Financial Position

As at 30 June 2023

	Notes	30 June 2023 $'000	30 June 2022 $'000	30 June 2021 $'000
Assets				
Cash and cash equivalents	12	43,454	56,805	71,122
Trade and other assets	13	1,968	1,665	1,762
Finance receivables	14	708,871	551,447	274,225
Property and equipment	15	3,717	352	598
Intangible assets	16	11,568	8,524	3,213
Deferred tax assets	9	8,467	8,269	10,687
Derivative financial instruments	10	7,677	7,848	-
Total assets		**785,722**	**634,910**	**361,607**
Liabilities				
Payables and accruals	17	6,434	6,198	6,813
Borrowings	18	720,503	564,211	271,174
Provisions	19	1,524	5,160	12,469
Lease liability	15	3,506	216	667
Derivative financial instruments	10	-	-	79
Total liabilities		**731,967**	**575,785**	**291,202**
Net assets		**53,755**	**59,125**	**70,405**
Equity				
Share capital	20	123,985	123,265	123,112
Foreign currency translation reserve	21	(367)	(1,329)	(101)
Share-based payment reserve	21	3,820	3,146	217
Cash flow hedge reserve	10	5,416	5,561	(79)
Accumulated losses		(79,099)	(71,518)	(52,744)
Total equity		**53,755**	**59,125**	**70,405**

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

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Consolidated Statement of Changes in Equity

For the year ended 30 June 2023

	Notes	Share capital $'000	Foreign currency translation reserve $'000	Share-based payment reserve $'000	Cash flow hedge reserve $'000	Accumulated losses $'000	Total $'000
Balance at 30 June 2021		**123,112**	**(101)**	**217**	**(79)**	**(52,744)**	**70,405**
Loss for the year		–	–	–	–	(18,774)	(18,774)
Other comprehensive (loss) / income, net of income tax		–	(1,228)	–	5,640	–	4,412
Total comprehensive (loss) / income		**–**	**(1,228)**	**–**	**5,640**	**(18,774)**	**(14,362)**
Recognition of share-based payments	21	–	–	3,442	–	–	3,442
Transfer to share capital	21	153	–	(153)	–	–	–
Share option cancellations	21	–	–	(360)	–	–	(360)
Balance at 30 June 2022		**123,265**	**(1,329)**	**3,146**	**5,561**	**(71,518)**	**59,125**
Loss for the year		–	–	–	–	(7,581)	(7,581)
Other comprehensive income / (loss), net of income tax		–	962	–	(145)	–	817
Total comprehensive income / (loss)		**–**	**962**	**–**	**(145)**	**(7,581)**	**(6,764)**
Recognition of share-based payments	21	–	–	3,009	–	–	3,009
Transfer to share capital	21	720	–	(720)	–	–	–
Share option cancellations	21	–	–	(1,615)	–	–	(1,615)
Balance at 30 June 2023		**123,985**	**(367)**	**3,820**	**5,416**	**(79,099)**	**53,755**

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

Consolidated Statement of Cash Flows

For the year ended 30 June 2023

	Notes	Year ended 30 June 2023 $'000	Year ended 30 June 2022 $'000
Cash flows from operating activities			
Interest received		102,558	68,969
Interest paid		(38,734)	(17,233)
Fee income rebated		(1,684)	(2,151)
Payments to suppliers and employees		(38,203)	(44,612)
Net cash generated by operating activities		**23,937**	**4,973**
Cash flows from investing activities			
Net advances to customers		(181,634)	(312,612)
Payments for software intangibles and equipment		(5,019)	(6,284)
Net cash used in investing activities		**(186,653)**	**(318,896)**
Cash flows from financing activities			
Net proceeds from finance receivables borrowings		143,988	285,804
Net proceeds from debt financing		5,000	15,000
Principal element of lease payments		(474)	(828)
Net cash generated by financing activities		**148,514**	**299,976**
Cash and cash equivalents at the beginning of the period		56,805	71,122
Net decrease in cash and cash equivalents		**(14,202)**	**(13,947)**
Effects of exchange rate changes on cash and cash equivalents		851	(370)
Cash and cash equivalents at the end of the period	12	**43,454**	**56,805**

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

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Notes to the Consolidated Group Financial Statements

For the year ended 30 June 2023

1. Corporate information

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

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

On 28 October 2022, the Company delisted from New Zealand's Exchange (NZX) and consolidated its listings on the ASX.

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 (NZ IFRS) and have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (GAAP). The Company is a Tier 1 for-profit entity for the purposes of complying with GAAP. The consolidated financial statements also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

The results and position of each Group entity are expressed in Australian dollars (AUD), which is the presentation currency for the consolidated financial statements, unless otherwise stated. The financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which that entity operates (the functional currency). The functional currency of the Company is New Zealand dollars (NZD). The Group uses a different presentation currency to the functional currency of the Company to reflect the significance of the Group's Australian loan book and for better comparability with industry peers (refer note 2.2 below).

All amounts disclosed in the financial statements and notes have been rounded to the nearest thousand Australian dollars ($'000) unless otherwise stated.

The consolidated group financial statements have been prepared on a going concern basis using a historical cost basis, except for derivative financial instruments which are measured at fair value.

The Consolidated Statement of Financial Position has been prepared in order of liquidity, including the comparatives. All assets and liabilities are current unless otherwise stated in the notes. The disaggregation of amounts receivable and payable in the next twelve months and beyond is outlined in the accompanying notes to the financial statements and the contractual maturity profile of financial liabilities is outlined in note 25.

2.2. Presentation currency – change in accounting policy

Effective 1 July 2022, the Group changed the currency in which it presents its consolidated financial statements from NZD to AUD, to reflect the growth in the Group's Australian loan book and to provide better comparability with industry peers.

A change in presentation currency is a change in accounting policy, which is accounted for retrospectively. The financial information included in this report, previously reported in NZD, has been restated into AUD using the procedures outlined below:

- Assets and liabilities denominated in currencies other than AUD were translated into AUD at the closing rates of exchange on the last day of the relevant accounting period.
- Revenues and expenses in currencies other than AUD were translated into AUD at average exchange rates.
- Share capital and reserves were translated at the historic rates prevailing at the transaction dates, except for the cash flow hedge reserve. Cash flow hedge reserve has been translated at the closing rates for each reporting period with the resulting exchange differences from re-translation recognised in the foreign currency translation reserve.
- Cash flows were translated at exchange rates at the dates of the relevant transactions, although appropriate average rates may be used.
- The effects of translating the Group's financial performance and financial position are recognised in the foreign currency translation reserve.

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 Australian 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, the unrecoverable GST expense is included in the related expense item in the income statement.
- receivables and payables which are recognised inclusive of GST (the net amount of GST recoverable from or payable to the taxation authority is included as part of receivables or payables).
- cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the taxation authority, are presented as operating cash flows.

2.5. Application of new and revised accounting standards

There are no new or revised accounting standards that are mandatory from 1 July 2022 that would have a material impact on the Group's financial statements.

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2023 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

3. Significant accounting judgements, estimates and assumptions

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

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

3.1. Expected credit loss provision

The Group has estimated the provision for expected credit losses (ECL) based on historically observed patterns of borrower behaviour adjusted for current and future economic outcomes. These are discussed in detail in note 14 and have a significant impact on these financial statements.

The Group measures the allowance for ECL using an expected credit loss impairment model as required by NZ IFRS 9 *Financial Instruments* (NZ IFRS 9). The Group's accounting policy for the recognition and measurement of the allowance for ECL is described in note 14.

3.2. Fair value measurement of derivatives

The fair value measurement of the Group's interest rate swaps is a significant accounting estimate. For details on the valuation method used see note 24. For interest rate sensitivity analysis see note 25.

4. Segment reporting

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

4.1. Description of segments

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

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

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

4.2. Major customers

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

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

Segmented income statement for the year ended 30 June 2023 $'000

	Australia	New Zealand	Group
Interest income	52,687	52,852	105,539
Other income	50	1,484	1,534
Total income	**52,737**	**54,336**	**107,073**
Interest expense	17,490	22,334	39,824
Incurred credit losses	16,750	7,802	24,552
Movement in expected credit loss provision	8,023	(196)	7,827
Customer acquisition expenses	8,518	3,798	12,316
Personnel expenses (excl. share-based payments)	424	10,569	10,993
Share-based payments expenses	-	1,937	1,937
Customer servicing expenses	2,963	3,211	6,174
Technology expenses	-	4,816	4,816
General and administrative expenses	751	2,919	3,670
Depreciation and amortisation expenses	49	2,496	2,545
Loss before income tax	**(2,231)**	**(5,350)**	**(7,581)**
Income tax expense	-	-	-
Loss for the year attributable to shareholders of Harmoney Corp Limited	**(2,231)**	**(5,350)**	**(7,581)**
Non-cash adjustments			
Movement in expected credit loss provision	8,023	(196)	7,827
Share-based payments expenses	-	1,937	1,937
Depreciation and amortisation expenses	49	2,496	2,545
Cash NPAT	**5,841**	**(1,113)**	**4,728**

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

	Australia	New Zealand	Group
Interest income	25,421	43,522	68,943
Other income	371	3,506	3,877
Total income	**25,792**	**47,028**	**72,820**
Interest expense	5,621	12,501	18,122
Incurred credit losses	5,142	5,469	10,611
Movement in expected credit loss provision	13,441	1,415	14,856
Customer acquisition expenses	12,931	7,785	20,716
Personnel expenses (excl. share-based payments)	232	9,577	9,809
Share-based payments expenses	-	2,744	2,744
Customer servicing expenses	1,884	3,282	5,166
Technology expenses	-	4,179	4,179
General and administrative expenses	1,437	2,605	4,042
Depreciation and amortisation expenses	86	1,263	1,349
Loss before income tax	**(14,982)**	**(3,792)**	**(18,774)**
Income tax expense	-	-	-
Loss for the year attributable to shareholders of Harmoney Corp Limited	**(14,982)**	**(3,792)**	**(18,774)**
Non-cash adjustments			
Movement in expected credit loss provision	13,441	1,415	14,856
Share-based payments expenses	-	2,744	2,744
Depreciation and amortisation expenses	86	1,263	1,349
Cash NPAT	**(1,455)**	**1,630**	**175**

5. Interest

5.1. Interest income

	Year ended 30 June 2023 $'000	Year ended 30 June 2022 $'000
Interest income	105,539	68,943

5.2. Interest expense

	Year ended 30 June 2023 $'000	Year ended 30 June 2022 $'000
Interest on receivables funding	37,498	17,450
Interest on corporate debt	2,170	663
Interest on lease liability	156	9
Total interest expense	**39,824**	**18,122**

Interest income includes interest and loan origination fees. Interest income and interest expense are recognised in the Income Statement for all financial assets and liabilities measured at amortised cost using the effective interest method. The effective interest method allocates interest income or interest expense over the life of the contract, or when appropriate a shorter period, using the effective interest rate. The effective interest rate is the discount rate at which the present value of the future cash flows equals the net carrying amount of the financial asset or liability. Origination fees are required to be amortised over the expected life of the finance receivable in accordance with NZ IFRS 9 *Financial Instruments*. The deferred amount is recognised as a reduction to the finance receivable (note 14).

6. Other income

	Year ended 30 June 2023 $'000	Year ended 30 June 2022 $'000
Fee income		
Borrower fee income - Protect fees	126	637
Lender fee income - Distributing services	956	2,800
Total fee income	**1,082**	**3,437**
Grant income	452	440
Total other income	**1,534**	**3,877**

Distributing services

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

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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).

Grant income

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

7. Impairment expense

	Year ended 30 June 2023 $'000	Year ended 30 June 2022 $'000
Change in expected credit loss provision	7,827	14,856
Incurred credit loss	24,552	10,611
Impairment expense	**32,379**	**25,467**

Change in expected credit loss provision

The expense is recognised when there is a movement in the provision due to the composition of the finance receivables (note 14). For example, due to the growth in the finance receivables, change in likelihood of credit loss from the standard modelled provision, and change in macroeconomic conditions.

Incurred credit loss

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

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8. Depreciation and amortisation

	Year ended 30 June 2023 $'000	Year ended 30 June 2022 $'000
Depreciation charge on right-of-use assets		
Buildings	583	650
Equipment	-	8
Depreciation charge on property and equipment		
Furniture and fixtures	30	8
IT equipment	108	37
Amortisation charge		
Software development	1,824	646
Total depreciation and amortisation expense	**2,545**	**1,349**
Amounts recognised in the consolidated statement of comprehensive income relating to leases		
Interest expense (included in interest expense)	156	9
Expense relating to short-term leases	11	3
Cash outflows relating to leases		
Cash outflow for leases in the year	630	837

Refer to note 15 for further information on property and equipment, and leases.

9. Income taxes

9.1. Income tax recognised in profit or loss

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

	Year ended 30 June 2023 $'000	Year ended 30 June 2022 $'000
Current tax		
In respect of the current year	102	74
Deferred tax		
In respect of the current year	(102)	(74)
Total income tax expense	-	-

	Year ended 30 June 2023 $'000	Year ended 30 June 2022 $'000
Loss before income tax	**(7,581)**	**(18,774)**
Income tax benefit calculated	(2,273)	(5,659)
Effect of expenses that are not deductible	407	(1,214)
Prior period adjustment	(626)	(438)
Income tax benefit not recognised	2,412	7,629
Foreign exchange differences	80	(318)
Total income tax expense	-	-

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9.2. Amounts recognised in other comprehensive income

	30 June 2023 $'000	30 June 2022 $'000
Aggregate current and deferred tax arising in the reporting period relating to components of other comprehensive income:		
Cash flow hedge reserve	(27)	2,287
Other	(69)	205

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

Current tax

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

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

Deferred tax

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

9.3. Deferred tax balances

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

	30 June 2023 $'000	30 June 2022 $'000
Deferred tax assets		
Expected credit loss (ECL) provision	9,423	8,417
Accruals and other	1,418	1,563
Share-based payments	249	369
Losses	–	259
Deferred tax assets	**11,090**	**10,608**
Deferred tax liabilities		
Derivatives	(2,260)	(2,287)
Distributing services	(61)	(46)
Plant & equipment and intangibles	(302)	(6)
Deferred tax liabilities	**(2,623)**	**(2,339)**
Net deferred tax assets	**8,467**	**8,269**

The recognised tax losses are subject to meeting the requirements of the applicable tax legislation. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset recognised to be utilised. The Group has further tax losses and temporary differences of $21.2m at 30 June 2023 (June 2022: $18.5m) which have not been recognised and are available to offset future taxable profits.

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

10. Cash flow hedge

Cash flow hedge reserve

The Group obtains financing (note 18) in order to fund finance receivables (note 14). The interest rate payable on the borrowings is floating while the interest receivable is fixed at the point the funds are lent. The interest rate risk is managed and mitigated through the use of interest rate swaps, which exchange floating interest payments with fixed interest payments. The swaps are entered into to match the maturity profile of estimated repayments of the Group's borrowings. These are accounted for at trade date.

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

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

The valuations for New Zealand were based on market rates at 30 June 2023 of 5.61% for the 1-month BKBM and 4.66% for the 5-year swap rate (2022: 2.39% and 5-year swap rate 4.00%) and for Australia 4.14% for the 1-month BBSW and 4.19% for the 5-year swap rate (2022: 1.14% and 5-year swap rate 3.67%).

Refer to note 24 for further information on the fair value measurement of interest rate swaps.

11. Earnings per share

	30 June 2023 $'000	30 June 2022 $'000
Loss after tax for the year attributable to the owners of the Group	(7,581)	(18,774)
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	101,556,798	101,049,485
Weighted average number of ordinary shares used in calculating diluted earnings per share	101,556,798	101,049,485
	Cents	Cents
Basic earnings per share	(7)	(19)
Diluted earnings per share	(7)	(19)

Options

Performance rights (zero strike price options) under the Group's share-based compensation plan as detailed in note 21 are considered to be potentially ordinary shares. They have been included in the determination of diluted earnings per share to the extent to which they are dilutive. As at 30 June 2023, 1,725,080 options could potentially dilute basic earnings per share in the future, but were not included in the calculation of diluted earnings per share in the current year because they are antidilutive for the year ended 30 June 2023 (2022: 3,386,095).

Convertible notes

Convertible notes issued, as detailed in note 18, are considered to be potentially ordinary shares. They are included in the determination of diluted earnings per share to the extent to which they are dilutive. For the year ended 30 June 2023, none of these note options were dilutive, therefore, the calculation of diluted earnings per share does not include 3,333,333 note options granted because they are antidilutive (2022: 2,500,000). These options could potentially dilute basic earnings per share in the future.

12. Cash and cash equivalents

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

	30 June 2023 $'000	30 June 2022 $'000
Cash on hand and demand deposits	27,327	31,238
Short term deposits	185	-
Restricted cash	15,942	25,567
Total cash and cash equivalents	**43,454**	**56,805**

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

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

Restricted cash is held by the Warehouse Trusts (note 23). These funds may only be used for purposes defined in the trust documents, and are therefore not available for general use by the Group.

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

	Year ended 30 June 2023 $'000	Year ended 30 June 2022 $'000
Loss for the year	(7,581)	(18,774)
Non-cash adjustments:		
Impairment expense	32,379	25,467
Share-based payments	1,401	3,082
Depreciation and amortisation	2,545	1,349
Change in deferred establishment fee	(719)	1,469
Borrowing establishment fees	377	145
Other movements	63	23
Change in operating assets and liabilities:		
(Increase)/Decrease in trade and other assets	(188)	56
Increase/(Decrease) in payables and accruals	177	(328)
Decrease in provisions	(3,682)	(7,157)
Increase in accrued interest	(835)	(359)
Net cash generated by operating activities	**23,937**	**4,973**

Non-cash transactions

During the current year, the Group did not enter into any non-cash investing and financing activities (2022: Nil).

Changes in liabilities arising from financing activities

	Borrowings $'000	Lease liability $'000	Total $'000
Balance at 1 July 2021	**(271,174)**	**(667)**	**(271,841)**
Operating cash flows [1]	807	10	817
Financing cash flows	(300,804)	828	(299,976)
Non-cash adjustments [2]	(1,726)	(9)	(1,735)
New leases	-	(366)	(366)
Foreign exchange differences	8,686	(12)	8,674
Balance at 30 June 2022	**(564,211)**	**(216)**	**(564,427)**
Operating cash flows [1]	(125)	156	31
Financing cash flows	(148,989)	474	(148,515)
Non-cash adjustments [2]	(1,129)	(156)	(1,285)
New leases	-	(3,748)	(3,748)
Foreign exchange differences	(6,049)	(16)	(6,065)
Balance at 30 June 2023	**(720,503)**	**(3,506)**	**(724,009)**

[1] Operating cash flows include prepaid establishment fees and the interest element of lease payments.
[2] Non-cash adjustments include accrued interest.

13. Trade and other assets

	30 June 2023 $'000	30 June 2022 $'000
Trade receivables	206	45
Prepayments	1,469	880
GST receivable	173	629
Current tax assets	120	111
Total trade and other assets	**1,968**	**1,665**

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.

14. Finance receivables

	30 June 2023 $'000	30 June 2022 $'000
Finance receivables	744,000	580,970
Accrued interest	4,748	3,003
Deferred establishment fees	(2,958)	(3,664)
Expected credit loss (ECL) provision	(36,919)	(28,862)
Total finance receivables	**708,871**	**551,447**

Credit risk management

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

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

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

Stage 1: 12-month ECL - No significant increase in credit risk
Finance receivables in this category have not had a significant increase in credit risk since initial recognition. ECL resulting from default events that are possible within the next 12 months ('12-month ECL') are recognised for financial instruments that remain in stage 1.

Stage 2: Lifetime ECL - Significantly increased credit risk
An assessment of whether credit risk has increased significantly since initial recognition is performed at the end of each reporting period by considering the change in the risk of default occurring over the remaining life of the finance receivable. Unless identified at an earlier stage, all financial assets are deemed to have suffered a significant increase in credit risk when 30 days past due but less than 90 days past due, or where a payment deferral has been granted following a successful hardship application, or where the account has defaulted in the last 12 months. A lifetime ECL provision is recorded for stage 2 receivables.

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

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

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

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

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

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

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

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

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

30 June 2023	Stage 1	Stage 2	Stage 3 [1]	Total
Expected loss rate	3.06%	52.32%	75.38%	4.93%
	$'000	$'000	$'000	$'000
Gross carrying amount	722,507	21,599	4,642	748,748
Expected credit loss provision	(22,119)	(11,301)	(3,499)	(36,919)
Net carrying amount	**700,388**	**10,298**	**1,143**	**711,829**

30 June 2022 [2]	Stage 1	Stage 2	Stage 3 [1]	Total
Expected loss rate	3.65%	58.77%	99.69%	4.94%
	$'000	$'000	$'000	$'000
Gross carrying amount	571,743	10,263	1,967	583,973
Expected credit loss provision	(20,869)	(6,032)	(1,961)	(28,862)
Net carrying amount	**550,874**	**4,231**	**6**	**555,111**

[1] The stage 3 expected loss rate is higher in the prior year, as an economic overlay was applied in addition to the standard modelled provision at 30 June 2022. The economic overlay is no longer applied to stage 3 from the current year, as the standard provision already considers lifetime expected credit losses for finance receivables 90 days past due, and from the Group's experience, a further adjustment is no longer required. Harmoney has a monthly process to sell finance receivables where there is no reasonable expectation of other recovery, further reducing the stage 3 expected loss rate.

[2] There have been reclassifications from stage 1 to stage 2 in the prior year for comparability with the current year. This has not resulted in any changes to the total gross carrying amount or total expected credit loss provision for the prior year.

Movements in the expected credit loss provision are as follows:

	30 June 2023 $'000	30 June 2022 $'000
Opening balance	28,862	14,301
Additional provision recognised due to:		
(Decrease)/Increase in economic overlay	(3,233)	2,327
Increase in gross finance receivables	35,842	22,940
Finance receivables written off during the period as uncollectible	(24,552)	(10,706)
Total provision	**36,919**	**28,862**

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

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

	Performing Stage 1 $'000	Performing Stage 2 $'000	Non Performing Stage 3 $'000	Total $'000
Total provisions for ECL on loans as at 30 June 2021	**11,639**	**1,904**	**758**	**14,301**
Transfers to Stage 1	4,224	(3,387)	(837)	-
Transfers to Stage 2	(2,874)	3,242	(368)	-
Transfers to Stage 3	-	(7,167)	7,167	-
Business activity during the year	12,144	(210)	(103)	11,831
Net remeasurements of provision for ECL	(3,816)	12,599	2,792	11,575
Incurred credit loss	(195)	(883)	(7,435)	(8,513)
Exchange rate and other adjustments	(253)	(66)	(13)	(332)
Total provisions for ECL on loans as at 30 June 2022	**20,869**	**6,032**	**1,961**	**28,862**
Transfers to Stage 1	14,476	(12,234)	(2,242)	-
Transfers to Stage 2	(9,929)	11,015	(1,086)	-
Transfers to Stage 3	(1)	(23,552)	23,553	-
Business activity during the year	10,191	17	227	10,435
Net remeasurements of provision for ECL	(13,364)	31,969	6,373	24,978
Incurred credit loss	(246)	(2,009)	(25,304)	(27,559)
Exchange rate and other adjustments	123	63	17	203
Total provisions for ECL on loans as at 30 June 2023	**22,119**	**11,301**	**3,499**	**36,919**

	Stage 1 12-month ECL $'000	Stage 2 Lifetime ECL $'000	Stage 3 Lifetime ECL $'000	Total $'000
Gross carrying amount as at 30 June 2021	**278,297**	**10,994**	**1,075**	**290,366**
Transfers from Stage 1 to Stage 2	(27,121)	27,121	-	-
Transfers from Stage 1 to Stage 3	-	-	-	-
Transfers from Stage 2 to Stage 1	7,464	(7,464)	-	-
Transfers from Stage 2 to Stage 3	-	(10,603)	10,603	-
Transfers from Stage 3 to Stage 1	900	-	(900)	-
Transfers from Stage 3 to Stage 2	-	381	(381)	-
Net of new financial assets and repayments during the year	324,808	(8,536)	(157)	316,115
FX movements	(8,326)	(122)	(13)	(8,461)
Incurred credit loss	(4,279)	(1,508)	(8,260)	(14,047)
Gross carrying amount as at 30 June 2022	**571,743**	**10,263**	**1,967**	**583,973**
Transfers from Stage 1 to Stage 2	(66,703)	66,703	-	-
Transfers from Stage 1 to Stage 3	(44)	-	44	-
Transfers from Stage 2 to Stage 1	20,916	(20,916)	-	-
Transfers from Stage 2 to Stage 3	-	(29,578)	29,578	-
Transfers from Stage 3 to Stage 1	2,203	-	(2,203)	-
Transfers from Stage 3 to Stage 2	-	1,048	(1,048)	-
Net of new financial assets and repayments during the year	191,735	(3,001)	566	189,300
FX movements	5,933	136	25	6,094
Incurred credit loss	(3,276)	(3,056)	(24,287)	(30,619)
Gross carrying amount as at 30 June 2023	**722,507**	**21,599**	**4,642**	**748,748**

15. Property and equipment

	30 June 2023 $'000	30 June 2022 $'000
Right-of-use assets	3,394	213
Furniture and fixtures	75	54
IT equipment	248	85
Total property and equipment	**3,717**	**352**

Property and equipment are recognised at historic cost less depreciation. Depreciation is calculated on a straight-line basis to allocate the cost of the assets, net of their residual values, over their estimated useful lives.

Leases

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

Right-of-use assets	30 June 2023 $'000	30 June 2022 $'000
Buildings	3,394	207
Equipment	-	6
Total right-of-use assets	**3,394**	**213**

Lease liabilities	30 June 2023 $'000	30 June 2022 $'000
Current lease liabilities	495	216
Non-current lease liabilities	3,011	-
Total lease liability	**3,506**	**216**

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

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

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

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

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

The Group entered into a new Agreement to Lease of Premises in June 2022 for its Auckland office for a lease term of six years. The new lease has been recognised in the financial statements from the commencement date of the lease in January 2023.

Additions to the right-of-use assets during the year were $3,764,000 (2022: $377,000).

Refer to note 8 for further information on leases.

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16. Intangible assets

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

	30 June 2023 $'000	30 June 2022 $'000
Cost - completed	10,453	5,561
Cost - work in progress	3,791	3,861
Total cost	**14,244**	**9,422**
Accumulated amortisation	(2,676)	(898)
Net book amount	**11,568**	**8,524**
Opening net book amount	8,524	3,213
Additions - internal development	4,730	6,022
Amortisation charge	(1,824)	(646)
Foreign exchange differences	138	(65)
Closing net book amount	**11,568**	**8,524**

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

Internally developed software is capitalised using an internal framework.

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

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

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

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

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

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

17. Payables and accruals

	30 June 2023 $'000	30 June 2022 $'000
Accruals	2,779	3,341
Employee benefits accrual	1,813	1,612
Trade and other payables	1,747	1,245
GST payable	95	-
Total payables and accruals	**6,434**	**6,198**

Employee benefits accrual

	30 June 2023 $'000	30 June 2022 $'000
Current employee incentives		
Employee incentive accrual	943	768
Annual leave accrual	756	782
Long service leave accrual	45	43
Total current employee incentives	**1,744**	**1,593**
Non-current employee incentives		
Long service leave accrual	69	19
Total employee benefits accrual	**1,813**	**1,612**

18. Borrowings

	30 June 2023 $'000	30 June 2022 $'000
Receivables funding	700,692	549,496
Corporate debt	11,811	8,715
Convertible notes	8,000	6,000
Total borrowings	**720,503**	**564,211**

Receivables funding

Receivables funding relates to borrowings specific to the Warehouse Trusts (note 23) and are secured by their assets. The maturity profile of the receivables funding borrowings is aligned with the receivables held in the relevant Warehouse Trusts, and therefore considered current. As detailed in note 25, the borrowings have a contractual maturity which may be more than 12 months from the reporting date. The contractual maturity date refers to the date until which the Warehouse Trusts may continue to purchase further receivables using principal payments of the finance receivables and further drawdowns of the facility. After that date, unless the agreement terms are extended, the borrowings are required to be paid down as customers make repayments on the finance receivables.

Corporate debt facility

Corporate debt and convertible notes relate to a $20m facility entered into in December 2021, with final repayment due in June 2025. The facility is structured as 60% debt notes and 40% convertible notes.

The $12m corporate debt is reduced by unamortised prepaid establishment costs. Prepaid establishment costs are amortised over the expected term of the facility through interest expense.

As at 30 June 2023, $20m (2022: $15m) of the facility was drawn down including $8m (2022: $6m) of convertible notes. The maximum number of shares that would be issued on conversion of the drawn down convertible notes would be 3,333,333 (2022: 2,500,000).

The facility is guaranteed by way of a performance and payment guarantee by Harmoney Corp Limited and each of its Subsidiary Companies (note 23).

Under the terms of the corporate debt and warehouse facilities, the Group is required to comply with financial and non-financial covenants. Harmoney has complied with these covenants as at 30 June 2023.

Warehouse financing arrangements

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

Warehouse facilities	30 June 2023 $'000	30 June 2022 $'000
Total facilities	760,634	885,879
Drawn at reporting date	751,848	593,322
Undrawn at reporting date	8,786	292,557

The undrawn amount of the warehouse facilities relates to amounts that are available for drawdown from funders but does not include restricted cash that has already been drawn but has not yet been utilised for funding purposes. Refer to note 12 for further information.

The drawn amount includes $53.0m (2022: $44.5m) of subordinated debt which is not presented on the consolidated statement of financial position as it is within the Group and is eliminated on consolidation.

Subsequent to reporting date (note 28), an additional A$324m of capacity was added through Harmoney Australia Warehouse No.3 Trust (A$140m) and Harmoney NZ ABS 2023-1 Trust (NZ$200m).

19. Provisions

	30 June 2023 $'000	30 June 2022 $'000
Distributing services rebate provision	-	926
Borrower establishment fee rebate provision	1,524	4,234
Total provisions	**1,524**	**5,160**
Carrying amount at start of the year	5,160	12,469
Charged/(credited) to profit or loss		
- unused amounts reversed	(712)	(2,675)
Amounts used during the year	(2,986)	(4,556)
Foreign exchange differences	62	(78)
Carrying amount at end of the year	**1,524**	**5,160**

Distributing services rebate provision

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

Borrower establishment fee rebate provision

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

20. Share capital

	30 June 2023 Number of shares	30 June 2023 Share capital $'000	30 June 2022 Number of shares	30 June 2022 Share capital $'000
Fully paid ordinary shares	101,555,587	123,985	101,018,964	123,265
Total issued capital	**101,555,587**	**123,985**	**101,018,964**	**123,265**

	Ordinary shares
As at 30 June 2022	101,018,964
Shares issued under share-based payment arrangements	536,623
As at 30 June 2023	**101,555,587**

Shares issued under share-based payment arrangements

536,623 shares were issued in settlement of the options on 13 September 2022. The options were net settled on a cashless basis based on the exercise price of each option. See note 21 for details.

Ordinary shares

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

21. Reserves

21.1. Foreign currency translation reserve

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

21.2. Share-based payments reserve

	30 June 2023 $'000	30 June 2022 $'000
Opening balance	3,146	217
Arising on equity settled benefits	3,009	3,442
Transferred to share capital	(720)	(153)
Share option cancellations	(1,615)	(360)
Closing balance	**3,820**	**3,146**

In relation to equity-settled share-based payment transactions, the Group recognised an expense of $1.9m (2022: $2.7m) within the consolidated income statement for the year ended 30 June 2023.

Share-based compensation plan

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

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

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

The weighted average exercise price was $Nil for all the groups of options presented in the table below.

The weighted average share price at the date of exercise of options exercised during the year ended 30 June 2023 was $0.65 (2022: $1.83). No options expired during the periods covered by the table below.

The weighted average remaining contractual life of options outstanding at the end of the financial year was 3.08 years (2022: 3.83 years).

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

30 June 2023			Number of share options					
Grant date	Exercise price	Grant date fair value	Opening balance 01/07/2022	Granted	Exercised	Forfeited	Closing balance 30/06/2023	Vested & exercisable
Post IPO Scheme								
15 Jun 2021	$ nil	$ 1.40	8,172,958	-	513,443	1,153,015	6,506,500	-
1 Dec 2021	$ nil	$ 1.77	200,000	-	23,180	14,820	162,000	-
1 Jul 2022	$ nil	$ 0.71	-	360,000	-	-	360,000	-
Total			**8,372,958**	**360,000**	**536,623**	**1,167,835**	**7,028,500**	**-**

30 June 2022			Number of share options					
Grant date	Exercise price	Grant date fair value	Opening balance 01/07/2021	Granted	Exercised	Forfeited	Closing balance 30/06/2022	Vested & exercisable
Post IPO Scheme								
15 Jun 2021	$ nil	$ 1.40	8,900,000	-	106,240	620,802	8,172,958	-
1 Dec 2021	$ nil	$ 1.77	-	200,000	-	-	200,000	-
Total			**8,900,000**	**200,000**	**106,240**	**620,802**	**8,372,958**	**-**

Current schemes at 30 June 2023

Post IPO Scheme

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

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

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

22. Related party transactions

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

Key management personnel (KMP) are defined as those persons having authority and responsibility for planning, directing, and controlling the activities of the Group, directly or indirectly, and include the Executive Directors, Independent Directors and the Chief Financial Officer. The aggregate compensation made to KMP of the Group is set out below:

	30 June 2023 $'000	30 June 2022 $'000
Short-term employee benefits	2,885	2,907
Share-based payments	1,086	2,011
Total remuneration of key management personnel	**3,971**	**4,918**

23. Controlled entities

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

	Footnote	Date of incorporation	Place of incorporation and operation	Proportion of ownership interest and voting power held by the Group 2023	2022
Subsidiary Companies					
Australia					
Harmoney Australia Pty Ltd		20-Feb-15	Australia	100%	100%
Harmoney Services Australia Pty Ltd		22-Sep-15	Australia	100%	100%
New Zealand					
Harmoney Services Limited	2	16-May-14	New Zealand	100%	100%
Warehouse Trusts					
Australia					
Harmoney Australia Warehouse No.1 Trust		4-Dec-19	Australia	100%	100%
Harmoney Collections Trust		22-Jan-20	Australia	100%	100%
Harmoney ABS Trust 2021-1PP		29-Sep-21	Australia	100%	100%
Harmoney Australia Warehouse No.2 Trust		23-Nov-21	Australia	100%	100%
Harmoney Australia Warehouse No.3 Trust		16-May-23	Australia	100%	n/a
New Zealand	3				
Harmoney Warehouse No.1 Trust	1	3-Dec-18	New Zealand	n/a	n/a
Harmoney Collections Trust	1	22-Dec-20	New Zealand	n/a	n/a
Harmoney Warehouse No.3 Trust	1	3-Jun-22	New Zealand	n/a	n/a

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

[2] Harmoney Limited, Harmoney Investor Trustee Limited, and Harmoney Warehouse Limited were amalgamated with Harmoney Services Limited effective 30 December 2022. Harmoney Nominee Limited was amalgamated with Harmoney Services Limited on 31 January 2023.

[3] Harmoney Warehouse No.2 Trust was wound up on 22 March 2023.

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24. Financial assets and liabilities

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

	30 June 2023 $'000	30 June 2022 $'000
Financial assets at amortised cost		
Cash and cash equivalents	43,454	56,805
Trade and other receivables	206	45
Finance receivables	708,871	551,447
	752,531	**608,297**
Financial liabilities at amortised cost		
Payables and accruals	4,435	4,426
Borrowings	720,503	564,211
Lease liability	3,506	216
	728,444	**568,853**
Financial assets at fair value		
Derivative financial instruments	7,677	7,848
	7,677	**7,848**

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

a) the business model within which financial assets are managed; and

b) their contractual cash flow characteristics (whether the cash flows represent solely payment of principal and interest (SPPI)).

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

a) Amortised cost: financial assets with contractual cash flows that comprise SPPI, and which are held in a business model whose objective is to collect their contractual cash flows, are measured at amortised cost;

b) Fair value through other comprehensive income (FVTOCI): financial assets with contractual cash flows that comprise SPPI, and which are held in a business model whose objective is to both collect their contractual cash flows and to sell, are measured at FVTOCI; and

c) Fair value through profit or loss (FVTPL): financial assets with contractual cash flows that do not represent SPPI, or which are held under a different business model are measured at FVTPL. Financial assets can also be designated at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

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

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

30 June 2023 $'000	Level 1	Level 2	Level 3
Financial assets			
Derivative financial instruments			
Hedging derivatives - interest rate swaps	-	7,677	-

30 June 2022 $'000	Level 1	Level 2	Level 3
Financial assets			
Derivative financial instruments			
Hedging derivatives - interest rate swaps	-	7,848	-

There have been no transfers between levels in the year (2022: Nil).

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

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

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

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

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

Fair value

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

The fair value of the interest rate swaps is calculated using a discounted cash flow model using forward interest rates extracted from observable yield curves. Discount rates may include an adjustment for counterparty credit risk.

25. Financial risk management

Financial risk management objectives

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

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

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

Market risk

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

Interest rate risk

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

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

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

	30 June 2023 $'000	30 June 2022 $'000
Financial assets		
Cash on hand and demand deposits	27,327	31,238
Short term deposits	185	-
Restricted cash	15,942	25,567
Total financial assets	**43,454**	**56,805**
Financial liabilities		
Borrowings - Receivables funding	(700,692)	(549,496)
Total financial liabilities	**(700,692)**	**(549,496)**

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

The gain or loss from remeasuring the hedging instruments at fair value is recognised in other comprehensive income and deferred in equity in the cash flow hedge reserve, to the extent that the hedge is effective. It is reclassified into the Income Statement when the hedged item affects it. In the year ended 30 June 2023, no amount was reclassified into profit or loss (2022: Nil) due to hedge ineffectiveness.

The Group's policy is to hedge a portion of the variability in future cash flows attributable to the interest rate risk on floating rate borrowings using interest rate swaps. As at 30 June 2023, the notional value of swaps was 76% (2022: 73%) of floating rate borrowings.

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

	30 June 2023 $'000	30 June 2022 $'000
Carrying amount held in derivative financial instruments	7,677	7,848
Notional amount	532,480	402,224
Hedge ratio	1:1	1:1
Change in fair value of outstanding hedging instruments during the year	(171)	7,927
Change in fair value of outstanding hedged item used to determine hedge effectiveness	171	(7,927)

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

If interest rates had been 100 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended 30 June 2023 would decrease/increase by $1.7m (2022: $1.5m). This is attributable to the Group's exposure to interest rates on its variable rate borrowings.

Other components of equity change as a result of an increase/decrease in the fair value of the cash flow hedges through other comprehensive income. If interest rates had been 100 basis points higher/lower and all other variables were held constant, the Group's equity for the year ended 30 June 2023 would increase by $6.0m (2022: $5.0m) or decrease by $6.1m (2022: $5.1m). This is attributable to the Group's exposure to interest rates on its interest rate swaps.

Foreign exchange risk

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

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

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

	NZD exposure	
	30 June 2023	30 June 2022
	$'000	$'000
Financial instruments		
Foreign currency payable	-	2,431
Foreign currency receivable	(642)	(38,799)
Net exposure	**(642)**	**(36,368)**

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

	Impact on post-tax profit	
	Year ended	Year ended
	30 June 2023	30 June 2022
	$'000	$'000
AUD/NZD +5%	32	1,818
AUD/NZD -5%	(32)	(1,818)

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group has a diversified funding model and currently comprises of a mix of cash reserves and committed undrawn credit facilities to meet anticipated funding requirements for new business. In addition, the Group can redraw against its committed credit limits if the principal outstanding is reduced. Details of unused available loan facilities are set out in note 18.

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

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

Remaining contractual maturities

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

Contractual maturities of financial liabilities at 30 June 2023	Less than 1 $'000	1 to 2 years $'000	More than 2 $'000	Total $'000
Non-derivatives				
Non-interest bearing				
Payables and accruals	4,435	-	-	4,435
Interest bearing				
Borrowings	548,915	229,423	-	778,338
Lease liability	767	764	2,857	4,388
Total non-derivatives	**554,117**	**230,187**	**2,857**	**787,161**
Derivatives				
Interest rate swaps - (net inflow)	(5,832)	(1,840)	(263)	(7,935)
Total derivatives	**(5,832)**	**(1,840)**	**(263)**	**(7,935)**

Contractual maturities of financial liabilities at 30 June 2022	Less than 1 $'000	1 to 2 years $'000	More than 2 $'000	Total $'000
Non-derivatives				
Non-interest bearing				
Payables and accruals	4,426	-	-	4,426
Interest bearing				
Borrowings	230,829	356,669	11,419	598,917
Lease liability	218	-	-	218
Total non-derivatives	**235,473**	**356,669**	**11,419**	**603,561**
Derivatives				
Interest rate swaps - (net inflow)	(3,508)	(2,930)	(1,778)	(8,216)
Total derivatives	**(3,508)**	**(2,930)**	**(1,778)**	**(8,216)**

Capital risk management

The Group’s objectives when managing capital are to safeguard the ability to continue as a going concern and to maintain an optimal capital structure to facilitate growth in the business while reducing the cost of capital. The Group’s capital structure comprises equity raised by the issue of ordinary shares and external borrowings. As shown in note 18, the Group has capacity to fund finance receivables growth with warehouse facility headroom of $8.8m (June 2022: $293m). Subsequent to the reporting date an additional A$324m of capacity was added through Harmoney Australia Warehouse No.3 Trust (A$140m) and Harmoney NZ ABS 2023-1 Trust (NZ$200m).

Credit risk management

Refer to note 14 for details of the Group’s credit risk management.

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26. Remuneration of auditors

	Year ended 30 June 2023 $'000	Year ended 30 June 2022 $'000
Fees for audit and assurance services		
Statutory annual audit fees	282	363
Statutory half-year review	117	92
Other non-audit assurance services	85	101
Agreed-upon procedures	–	153
Total fees for audit and assurance services	**484**	**709**
Fees for other services		
Preparation of tax returns and other services	–	84
Tax related services paid in respect of warehouse facilities	–	3
Total fees for other services	**–**	**87**
Total remuneration of auditors	**484**	**796**

Fees for audit and assurance services are paid to KPMG for the year ended 30 June 2023 (2022: PricewaterhouseCoopers).

27. Contingent liabilities and commitments

There are no contingent liabilities and capital commitments as at 30 June 2023 (2022: Nil).

28. Events after the reporting period

The Group established Harmoney Australia Warehouse No.3 Trust on 16 May 2023 with a facility limit of $140m, with final transaction documents signed on 28 July 2023, and completed its first New Zealand Asset-Backed Securitisation (ABS) transaction priced at NZ$200m on 17 August 2023.

There were no other material events subsequent to year end.

Independent Auditor's Report

KPMG

Independent Auditor's Report

To the shareholders of Harmoney Corp Limited

Report on the audit of the consolidated financial statements

Opinion

In our opinion, the consolidated financial statements of Harmoney Corp Limited (the 'Company') and its subsidiaries (the 'Group') on pages 33 to 64:

i. present fairly, in all material respects the Group's financial position as at 30 June 2023 and its financial performance and cash flows for the year ended on that date; and

ii. are in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards issued by the New Zealand Accounting Standards Board.

We have audited the accompanying consolidated financial statements which comprise:

— the consolidated statement of financial position as at 30 June 2023;

— the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended; and

— notes, including a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ('ISAs (NZ)'). 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)* issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ('IESBA Code'), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our responsibilities under ISAs (NZ) are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

Our firm has also provided other services to the Group in relation to the review of the Group's consolidated interim financial statements, regulatory assurance services and agreed upon procedure engagements. Subject to certain restrictions, partners and employees of our firm may also deal with the group on normal terms within the ordinary course of trading activities of the business of the Group. These matters have not impaired our independence as auditor of the Group. The firm has no other relationship with, or interest in, the Group.

KPMG

Materiality

The scope of our audit was influenced by our application of materiality. Materiality helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the consolidated financial statements as a whole. The materiality for the consolidated financial statements as a whole was set at $3,770,000 determined with reference to a benchmark of the Group's total assets. We chose the benchmark because, in our view, this is a key measure of the Group's performance.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements in the current period. We summarise below those matters and our key audit procedures to address those matters in order that the shareholders as a body may better understand the process by which we arrived at our audit opinion. Our procedures were undertaken in the context of and solely for the purpose of our statutory audit opinion on the consolidated financial statements as a whole and we do not express discrete opinions on separate elements of the consolidated financial statements.

The key audit matter	How the matter was addressed in our audit
The valuation of expected credit loss provision (30 June 2023: $36.9m) Refer to Note 14 to the consolidated financial statements.	
The expected credit loss ('ECL') provision on finance receivables is a key audit matter due to the financial significance of finance receivables and the high degree of judgement and complexity involved in the Group's ECL models. The models use historical data which is adjusted for forward looking information and arrears status. Additionally, management apply judgemental overlays incorporating forward-looking information to reflect future economic conditions across New Zealand and Australia. The level of judgement involved in determining the provision requires us to challenge the appropriateness of management's assumptions.	Our audit procedures, included: — Testing key controls relating to the Group's lending, provision and monitoring processes including the approval of new lending, review of the provision and arrears calculation; — Developing, with the help of our technical specialists, an alternative comparison ECL model using the observable industry data relating to the probability of default and loss given default. The provision derived from the alternative comparison ECL model was compared to the Group's provision to assess if the Group's provision is within an acceptable range; — Assessing the integrity of data used as inputs into the alternative comparison ECL model by tracing a sample of inputs including staging, term of loan and maturity date used to underlying loan documents; — Assessing the Group's significant accounting policies and ECL modelling methodology against the requirements of the standards and underlying accounting records; and — Evaluating the Group's disclosures in the consolidated financial statements using our understanding obtained from our testing against the requirements of the accounting standards.

KPMG

Other information

The Directors, on behalf of the Group, are responsible for the other information included in the entity's Annual Report. Other information includes the Chairman's report, Chief Executive's report, review of operations and disclosures relating to corporate governance. Our opinion on the consolidated financial statements does not cover any other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Other matter

The consolidated financial statements of the Group, for the year ended 30 June 2022, were audited by another auditor who expressed an unmodified opinion on those statements on 30 August 2022.

Use of this independent auditor's report

This independent auditor's report is made solely to the shareholders as a body. Our audit work has been undertaken so that we might state to the shareholders those matters we are required to state to them in the independent 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 shareholders as a body for our audit work, this independent auditor's report, or any of the opinions we have formed.

Responsibilities of the Directors for the consolidated financial statements

The Directors, on behalf of the Company, are responsible for:

— the preparation and fair presentation of the consolidated financial statements in accordance with generally accepted accounting practice in New Zealand (being New Zealand Equivalents to International Financial Reporting Standards) and International Financial Reporting Standards issued by the New Zealand Accounting Standards Board;

— implementing necessary internal control to enable the preparation of a consolidated set of financial statements that is free from material misstatement, whether due to fraud or error; and

— assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations or have no realistic alternative but to do so.

KPMG

Auditor’s responsibilities for the audit of the consolidated financial statements

Our objective is:

- to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; and
- to issue an independent 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 will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They 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 these consolidated financial statements is located at the External Reporting Board (XRB) website at:

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

This description forms part of our independent auditor’s report.

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

For and on behalf of

KPMG
Auckland

24 August 2023

Shareholder Information

The shareholder information set out below was applicable as at 31 July 2023.

Distribution of equitable securities

Analysis of number of equitable holders by size of holding.

	Ordinary shares		Options over ordinary shares	
	Number of holders	% of total shares issued	Number of holders	% of total shares issued
1 to 1,000	124	0.05	0	0
1,001 to 5,000	217	0.64	0	0
5,001 to 10,000	131	0.99	0	0
10,001 to 100,000	241	7.90	0	0
100,001 and over	53	90.42	0	0
Total	**766**	**100.00**	**0**	**0**

There were 137 holders of less than a marketable parcel of ordinary shares.

Equity security holders

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

Number of holders	% of total shares issued
Neil Roberts	18.54
Heartland Group Holdings Limited	10.10
Lookman Family Trust	8.93
Lisa Capital Pty Ltd	8.60
Trade Me Limited	7.50
Citicorp Nominees Pty Limited	5.51
National Nominees Limited	5.37
Alternative Credit Investments Plc	3.87
David Stevens	2.23
Brad Hagstrom, Renai Hagstrom, and Guy Hagstrom	2.23
HSBC Custody Nominees (Australia) Limited	2.06
Sharesies Nominee Limited	1.49
Tap Capital Pty Ltd	1.33
Monde Five Limited	1.15
Andrew Cathie	1.03
Duncan Gross	1.01
Mono Lake Trustee Limited	0.94
Australian Executor Trustees Limited	0.86
Denise Campbell	0.84
David Flacks	0.80
Total	**84.39**

Unquoted equity securities

	Number on issue	Equity securities on conversion	Number of holders
Performance rights	7,028,500	7,028,500	16
Convertible notes	8,000,000	3,333,333	3

Substantial holders

Substantial holders in the Company are set out below:

Name of holder	Number held	% of total shares issued
Neil Roberts	18,821,602	18.54
Heartland Group Holdings Limited	10,257,870	10.10
Lookman Family Trust	9,069,618	8.93
Lisa Capital Pty Ltd	8,730,461	8.60
Trade Me Limited	7,620,959	7.50

Voting rights

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

Ordinary shares
On a show of hands every member present at a meeting in person or by proxy shall have one vote and, upon a poll, each share shall have one vote.

There are no other classes of equity securities.

Corporate Information

For the year ended 30 June 2023

This section is presented in NZD.

Directors

The following persons held office as Directors of the Company and the Company's subsidiaries during the year ended 30 June 2023.

Harmoney Corp Limited

Monique Cairns (Appointed 1 August 2022)
David Flacks (Resigned 1 August 2022)
Tracey Jones
Paul Lahiff
John Quirk (Appointed 1 August 2022)
Neil Roberts
David Stevens

Harmoney Australia Pty Ltd

Brad Hagstrom
David Nesbitt
David Stevens
Simon Ward

Harmoney Services Australia Pty Ltd

Brad Hagstrom
David Nesbitt
David Stevens
Simon Ward

Harmoney Services Limited

Amalgamated with Harmoney Limited, Harmoney Investor Trustee Limited, and Harmoney Warehouse Limited on 30 December 2022, and amalgamated with Harmoney Nominee Limited on 31 January 2023.

Brad Hagstrom
Neil Roberts (Resigned 18 April 2023)
David Stevens
Simon Ward

Directors' shareholding

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

Directors' attendances

The following table shows the Board and Committee meetings held and the Directors' attendances during the financial year ended 30 June 2023.

	Board		Audit and Risk Committee		Nomination and Remuneration Committee [1]	
	Attended	Held [2]	Attended	Held [2]	Attended	Held [2]
Monique Cairns (appointed 1 August 2022)	9	9	4	4	2	2
David Flacks (resigned 1 August 2022)	0	0	1	1	1	1
Tracey Jones	9	9	5	5	3	3
Paul Lahiff	9	9	5	5	3	3
John Quirk (appointed 1 August 2022)	9	9	4	4	2	2
Neil Roberts	9	9	N/A	N/A	N/A	N/A
David Stevens	9	9	5	5	3	3

[1] Nomination and Remuneration Committee discussions were also held at Director-only sessions of Board meetings.
[2] Number of meetings held during the time the Director held office or was a member of the committee.

Directors' interests

The following are particulars of general disclosures of interest by Directors of Harmoney Corp Limited holding office at 30 June 2023, pursuant to section 140(2) of the Companies Act 1993. Where applicable, the disclosures also include directorships of subsidiaries of the relevant companies.

Monique Cairns	
BoatCo R3500-5 Limited	Shareholder
Cairns Family Trust	Beneficiary
Caribou Consulting Limited	Director and Shareholder
DEC International NZ Limited	Director
Kaihere Trust	Trustee
Monstar Trust	Trustee and Beneficiary
The Almo Trust	Trustee and Beneficiary
The New Zealand Home Loan Company Limited	Director
The New Zealand Portrait Gallery / Te Pūkenga Whakaata	Trustee
The Northern Club	Committee Member

Tracey Jones	
Cove Road Soapworks Limited	Director and Shareholder
Evince Limited	Director
Harmoney Share Sale Company Limited	Director
Iris Group Holdings Limited	Director
Iris Services Limited	Director
Iris Life Limited	Director
Jones Family Office Partners Limited	Director and Shareholder
Kepa Investments Limited	Director and Shareholder
LamCam Limited	Director
N'Godwi Trust	Trustee
Nikko Asset Management NZ Limited	Director
Partners Group Holdings Limited	Director
Partners Group Nominee Limited	Director
Partners Life Limited	Director
PGH Shareplan Trustee Limited	Director
Punakaiki Fund Limited	Director

RC Custodian Limited	Director
Sandat Consulting Limited	Director and Shareholder
Stride Holdings Limited	Director
Stride Property Limited	Director
Stride Investment Management Limited	Director

Paul Lahiff

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

John Quirk

Aeroqual Limited	Director and Shareholder
Howard & Company Ventures Limited	Director and Shareholder
Portainer.io Limited	Director and Shareholder
Quirk International Limited	Director and Shareholder

Neil Roberts

Harmoney Share Sale Company Limited	Director
Neil Roberts Business Trust	Trustee and Beneficiary
Neil Roberts Trustee Company Limited	Director and Shareholder
Roberts Family Trust	Trustee and Beneficiary

David Stevens

Harmoney Australia Pty Ltd	Director
Harmoney Services Australia Pty Ltd	Director
Harmoney Services Limited	Director
Harmoney Share Sale Company Limited	Director
Liquid Asset Enterprises Pty Ltd	Director and Shareholder

The following are particulars of general disclosures of interest by Directors of Harmoney Corp Limited's subsidiaries (other than those who are also Directors of Harmoney Corp Limited) holding office at 30 June 2023, pursuant to section 140(2) of the Companies Act 1993. Where applicable, the disclosures also include directorships of subsidiaries of the relevant companies.

Brad Hagstrom

Hagstrom Family Trust	Trustee and Beneficiary

David Nesbitt

Neslan Pty Limited	Director and Shareholder
Nesbitt Family Trust	Beneficiary

Simon Ward

Monde Five Limited	Director and Shareholder

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 year

	Directors' fees (NZ$)[1]
Paul Lahiff	188,309
Tracey Jones	90,000
Monique Cairns	81,667
John Quirk	73,333
David Flacks	7,667

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

Employee remuneration

Harmoney paid total remuneration for FY23 in excess of NZ$100,000 in the following bands:

Remuneration including share-based remuneration (NZ$)	Number of employees
100,000 - 110,000	4
110,000 - 120,000	3
120,000 - 130,000	7
130,000 - 140,000	10
140,000 - 150,000	6
150,000 - 160,000	3
160,000 - 170,000	4
170,000 - 180,000	1
180,000 - 190,000	2
190,000 - 200,000	1
200,000 - 210,000	1
210,000 - 220,000	1
220,000 - 230,000	1
310,000 - 320,000	1
320,000 - 330,000	1
350,000 - 360,000	1
360,000 - 370,000	1
380,000 - 390,000	1
440,000 - 450,000	1
460,000 - 470,000	1
540,000 - 550,000	2
890,000 - 900,000	1
1,090,000 - 1,100,000	1
2,210,000 - 2,220,000	1

Donations

The Group donated NZ$1,000 during the year ended 30 June 2023 (2022: NZ$3,750). $Nil donations were made to political parties (2022: $Nil).

Directory

Registered Office

Harmoney Corp Limited
Level 3, 110 Customs Street West
Auckland 1010
New Zealand

Auditor

KPMG
KPMG Centre
18 Viaduct Harbour Avenue
Auckland 1010
New Zealand

Share Register

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

Stock Exchange Listing

Harmoney Corp Limited shares are listed in the Australian Securities Exchange (ASX).
Harmoney Corp Limited was admitted to the official list of the ASX on 19 November 2020 (ASX issuer code HMY).

Notice of Annual General Meeting

The Annual General Meeting of Harmoney Corp Limited will be held on 15 November 2023.

Corporate Governance Statement

www.harmoney.com.au/investor

Harmoney Websites

www.harmoney.co.nz | www.harmoney.com.au

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