PROSPECTUS

Harmoney®

Harmoney Corp Limited

NZCN 5177041
ARBN 645 036 595

Initial public offering of
fully paid ordinary shares

Joint Lead Managers:

JARDEN ORD MINNETT

Financial advisor:

GRANT SAMUEL

Important notice

Offer

This Prospectus is issued by Harmoney Corp Limited (NZCN 5177041, ARBN 645 036 595) (**Company** or **Harmoney**) and Harmoney Share Sale Company Limited (NZCN 8129511, ARBN 645 035 678) (**SaleCo**) for the purpose of Chapter 6D of the *Corporations Act 2001* (Cth) (**Corporations Act**). The Offer contained in this Prospectus is an initial public offering to acquire fully paid ordinary shares in the Company (**Shares**). See Section 7 for further information on the Offer, including details of the securities that will be issued or sold under this Prospectus. Any Shares issued on vesting of performance rights granted under the Existing Incentive Plan will also be issued pursuant to this Prospectus.

Lodgement and Listing

This Prospectus is dated Friday, 30 October 2020 (**Prospectus Date**) and was lodged with the Australian Securities and Investments Commission (**ASIC**) on that date.

The Company will apply to the Australian Securities Exchange (**ASX**) within seven-days of the Prospectus Date, for its admission to the Official List and quotation of Shares (under the code "HMY"). The Company will also apply for listing with NZX as a foreign exempt issuer and for quotation of the Shares on the NZX Main Board. None of ASIC, ASX, NZX nor any of their respective officers takes any responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates.

Expiry Date

This Prospectus expires on the date which is 13 months after the Prospectus Date (**Expiry Date**). No Shares will be issued or sold on the basis of this Prospectus after the Expiry Date.

Note to Applicants – not investment advice

The information contained in this Prospectus is not investment or financial product advice and has been prepared as general information only. It does not consider the investment objectives, financial situation or particular needs of any prospective investor.

It is important that you read this Prospectus carefully and in full before deciding whether to invest in the Company. If you have any questions, you should consult your accountant, financial advisor, stockbroker, lawyer or other professional advisor before deciding whether to invest in Shares.

In particular, you should consider the basis of preparation and best estimate assumptions underlying the Pro Forma Historical Financial Information (see Section 4) and the risk factors (see Section 5) that could affect the business, financial condition and financial performance of the Company, including macroeconomic and market condition risks arising from the ongoing global COVID-19 pandemic.

The Company and SaleCo are New Zealand companies

The Company and SaleCo are each a company incorporated in New Zealand. As such, each is subject to New Zealand law including the Companies Act. Once admitted to the Official List, the Company will also be subject to the requirements of the ASX Listing Rules. There are certain differences between New Zealand law and Australian law that prospective investors in Australia should be aware of. Refer to Section 9.10 for further information.

Exposure Period

The Corporations Act prohibits the Company and SaleCo from processing Applications in the seven-day period after the Prospectus Date (**Exposure Period**). The Exposure Period may be extended by ASIC by up to a further seven days. The purpose of the Exposure Period is to enable this Prospectus to be examined by market participants prior to the raising of funds. The examination may result in the identification of deficiencies in this Prospectus, in which case any Application may need to be dealt with in accordance with Section 724 of the Corporations Act. Applications received during the Exposure Period will not be processed until after the expiry of that period. No preference will be conferred on Applications received during the Exposure Period.

No cooling-off rights

Cooling-off rights do not apply to an investment in Shares issued or sold under this Prospectus. This means that, in most circumstances, you cannot withdraw your Application once it has been accepted.

Obtaining a copy of this Prospectus

During the Exposure Period, an electronic version of this Prospectus (without an Application Form) will be available at https://events.miraqle.com/harmoney-ipo for Australian and New Zealand resident investors only. Application Forms will not be made available until after the Exposure Period has expired.

During the Offer Period, this Prospectus is available to Australian and New Zealand resident investors in electronic form at https://events.miraqle.com/harmoney-ipo. The Offer constituted by this Prospectus in electronic form at https://events.miraqle.com/harmoney-ipo is available only to persons within New Zealand and Australia. The Prospectus is not available to persons in other jurisdictions (including the United States) in which it may not be lawful to make an invitation or offer. If you access the electronic version of this Prospectus, you should ensure that you download and read the Prospectus in its entirety.

You may obtain a paper copy of this Prospectus (free of charge), before the Closing Date, by telephoning the Harmoney IPO Offer Information Line on 1800 817 266 (within Australia) 8.30am to 5.30pm (AEDT), Monday to Friday. If you are eligible to participate in the Offer and are calling from outside Australia, you should call +61 1800 817 266 from 8.30am to 5.30pm (AEDT), Monday to Friday.

Applications for Shares may only be made during the Offer Period by completing an Application Form attached to or accompanying this Prospectus, in its paper form, or in its electronic form, which must be downloaded in its entirety from the Offer website (https://events.miraqle.com/harmoney-ipo).

The Corporations Act prohibits any person from passing the Application Form on to another person unless it is attached to a paper copy of the Prospectus or the complete and unaltered electronic version of this Prospectus.

Refer to Section 7 for further information.

Statements of past performance

This Prospectus includes information regarding the past performance of Harmoney. Investors should be aware that past performance should not be relied upon as being indicative of future performance.

Financial Information

Section 4 sets out in detail the Financial Information referred to in this Prospectus and the basis of preparation of the Financial Information.

All references to the 12M to Mar18, 12M to Mar19 and 15M to Jun20 refer to the statutory reporting periods for the 12 months ended 31 March 2018 and 31 March 2019, as well as the 15 months to 30 June 2020 respectively.

All references to FY18, FY19 and FY20 appearing in this Prospectus are to the financial years ended 30 June 2018, 30 June 2019 and 30 June 2020 respectively, unless otherwise indicated. The Prospectus also includes references to the 4M to Oct19 and 4M to Oct20F which refer to the four months ended 31 October 2019 and the four months ending on 31 October 2020 respectively.

The Historical Financial Information is presented on both an actual and pro forma basis and has been prepared in accordance with the New Zealand equivalents to the International Financial Reporting Standards Reduced Disclosure Regime (**NZ IFRS RDR**) and in accordance with the recognition and measurement principles of the New Zealand Generally Accepted Accounting Practice (**NZ GAAP**) which are consistent with the International Financial reporting Standards (**IFRS**) and Harmoney's accounting practices. Harmoney's significant accounting policies are described in Appendix 1.

The Prospectus also includes Forecast Financial Information based on the best estimate general and specific assumptions of the Board. The basis of preparation and presentation of the Forecast Financial Information, to the extent applicable, is consistent with the basis of preparation and presentation for the Historical Financial Information. The Forecast Financial Information presented in this Prospectus is presented on pro forma basis and is unaudited. The Financial Information has been prepared on a going concern basis, which contemplates the continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

Investors should note that certain financial data included in this Prospectus is not recognised under IFRS and is classified as "non-IFRS financial information" under Regulatory Guide 230 "Disclosing non-IFRS financial information" published by ASIC. The Company believes that this non-IFRS financial information provides useful information to users in measuring the financial performance and condition of Harmoney. The non-IFRS financial measures do not have standardised meanings under IFRS, and therefore may not be comparable with similarly titled measures presented by other entities, nor should these be interpreted as an alternative to other financial measures determined in accordance with IFRS. Investors are cautioned not to place undue reliance on any non-IFRS financial information, ratios and metrics included in this Prospectus.

The Financial Information is presented in an abbreviated form. It does not include all of the presentation and disclosures required by IFRS or NZ IFRS and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act or New Zealand law.

The financial information in this Prospectus should be read in conjunction with, and is qualified by reference to, the information contained in Sections 4 and 5.

All financial amounts contained in this Prospectus are expressed in New Zealand dollars, unless otherwise stated. Any discrepancies between totals and sums of components in tables, figures and components contained in this Prospectus are due to rounding.

Investigating Accountant's Report on Financial Information and Financial Services Guide

The provider of the Investigating Accountant's Report on Financial Information is required to provide Australian retail clients with a financial services guide in relation to the review under the Corporations Act (**Financial Services Guide**). The Investigating Accountant's Report and accompanying Financial Services Guide are provided in Section 8.

Forward-looking statements

This Prospectus contains certain forward-looking statements and comments about future events, including in relation to the Company's businesses, plans and strategies, and expected trends in the industry sector in which the Company currently operates. Forward-looking statements also include prospective financial information for the Company. Forward-looking statements can generally be identified by the use of forward-looking words including "expect", "anticipate", "likely", "intend", "should", "could", "may", "predict", "plan", "propose", "will", "believe", "forecast", "estimate", "target" and other similar words that involve risks and uncertainties. Indications of, and guidance or outlook on, future earnings or financial position or performance are also forward-looking statements.

These forward-looking statements are based on an assessment of present economic and operating conditions, and on a number of assumptions regarding future events and actions that, at the Prospectus Date, are expected to take place. Neither the Company nor SaleCo undertakes to, and does not intend to, update or revise any forward-looking statements, or publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus, except where required by law.

Forward-looking statements involve inherent risks and uncertainties, both general and specific, and there is a risk that the forward-looking statements will not be achieved. A number of important factors could cause the Company's actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in the forward-looking statements, and many of these factors are beyond the Company's and SaleCo's control. Forward-looking statements should be read in conjunction with, and are qualified by reference to, the risk factors as set out in Section 5, the best estimate general and specific assumptions contained in the Financial Information as set out in Sections 4.6.2.1 and 4.6.2.2, the sensitivity analysis as set out in Section 4.7 and other information in this Prospectus. Nothing in this Prospectus is a promise or representation as to the future, and past performance is not a guarantee of future performance. Statements or assumptions in this Prospectus as to future matters may prove to be incorrect. None of the Directors, the directors of SaleCo or the Joint Lead Managers make any representation or warranty as to the accuracy of any forward-looking statements or assumptions. Circumstances may change and the contents of this Prospectus may become outdated as a result. Investors are cautioned not to place undue reliance on the forward-looking statements in this Prospectus.

Market and industry data based primarily on management estimates

This Prospectus (and, in particular, Section 1) contains statistics, data and other information relating to the industries, sectors and end-markets/markets, market sizes, market shares, market segments, market positions and other industry data in which the Company operates (**Industry Data**). The Company and SaleCo have obtained significant portions of this Industry Data from publicly available and other third-party sources.

Investors should note that the Industry Data is not inherently predictive, is subject to uncertainty and is not necessarily reflective of actual market conditions. There is no assurance that any of the forecasts or projections referred to in the Industry Data will be achieved. The Industry Data has not been independently prepared or verified and neither the Company nor SaleCo can assure you as to its accuracy or the accuracy of the underlying assumptions used to estimate the Industry Data. The Company's and SaleCo's estimates involve risks and uncertainties and are subject to change based on various factors, including those described in the key risks in Section 5.

In addition to the Industry Data, this Prospectus uses third-party market data, estimates and projections. Neither the Company nor SaleCo has independently verified this information. There is no assurance that any of the third-party projections contained in this information will be achieved.

Estimates involve risks and uncertainties and are subject to change based on various factors, including those described in the key risks in Section 5.

Selling restrictions

This Prospectus does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make that offer or invitation. No action has been taken to register or qualify the Shares or the Offer, or to otherwise permit a public offering of Shares, in any jurisdiction outside Australia or New Zealand. The distribution of this Prospectus outside New Zealand and Australia (including electronically) may be restricted by law and persons who come into possession of this Prospectus outside Australia or New Zealand should observe any relevant restrictions. Any failure to comply with these restrictions may constitute a violation of applicable securities laws.

Important notice

This Prospectus may not be released to US wire services or distributed in the United States. This Prospectus does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States. Any securities described in this Prospectus have not been, and will not be, registered under the US Securities Act and may not be offered or sold in the United States except in transactions exempt from, or not subject to, registration under the US Securities Act and applicable US state securities laws.

See Section 7.11 for more detail on selling restrictions that apply to the Offer in jurisdictions outside Australia and New Zealand.

Important notice to New Zealand Investors

This offer to New Zealand investors is a regulated offer made under Australian and New Zealand law. In Australia, this is Chapter 8 of the *Corporations Act 2001* (Aust) and regulations made under that Act. In New Zealand, this is subpart 6 of Part 9 of the *Financial Markets Conduct Act 2013* and Part 9 of the *Financial Markets Conduct Regulations 2014*.

This offer and the content of the offer document are principally governed by Australian rather than New Zealand law. In the main, the *Corporations Act 2001* (Aust) and the regulations made under that Act set out how the offer must be made.

There are differences in how financial products are regulated under Australian law. For example, the disclosure of fees for managed investment schemes is different under the Australian regime.

The rights, remedies, and compensation arrangements available to New Zealand investors in Australian financial products may differ from the rights, remedies, and compensation arrangements for New Zealand financial products.

Both the Australian and New Zealand financial markets regulators have enforcement responsibilities in relation to this offer. If you need to make a complaint about this offer, please contact the Financial Markets Authority, New Zealand (http://www.fma.govt.nz). The Australian and New Zealand regulators will work together to settle your complaint.

The taxation treatment of Australian financial products is not the same as for New Zealand financial products.

If you are uncertain about whether this investment is appropriate for you, you should seek the advice of an appropriately qualified financial adviser.

The offer may involve a currency exchange risk. The currency for the financial products is not New Zealand dollars. The value of the financial products will go up or down according to changes in the exchange rate between that currency and New Zealand dollars. These changes may be significant.

If you expect the financial products to pay any amounts in a currency that is not New Zealand dollars, you may incur significant fees in having the funds credited to a bank account in New Zealand in New Zealand dollars.

If the financial products are able to be traded on a financial product market and you wish to trade the financial products through that market, you will have to make arrangements for a participant in that market to sell the financial products on your behalf. If the financial product market does not operate in New Zealand, the way in which the market operates, the regulation of participants in that market, and the information available to you about the financial products and trading may differ from financial product markets that operate in New Zealand.

A copy of this Prospectus, other documents relating to the Offer and a copy of the Constitution have been, or will be, lodged with the New Zealand Companies Office and are, or will be, available at www.business.govt.nz/disclose (offer number, OFR12978).

Defined terms, abbreviations and time

Defined terms and abbreviations used in this Prospectus have the meaning set out in the Glossary in Appendix 2 or are defined in the context in which they appear.

Unless otherwise stated or implied, references to times in this Prospectus are AEDT. Unless otherwise stated or implied, references to dates or years are calendar year (**CY**) references.

Privacy

By completing an Application Form to apply for Shares, you are providing personal information (as defined under the Privacy Act) to the Company and SaleCo through the Share Registry, which is contracted by the Company and SaleCo to manage Applications. The Company, SaleCo and the Share Registry on behalf of the Company and SaleCo, may collect, hold and use that personal information in order to process your Application, service your needs as a Shareholder, provide facilities and services that you request and carry out appropriate administration. Some of this personal information is collected as required or authorised by certain laws including the *Income Tax Assessment Act 1997* (Cth) and the Corporations Act.

If you do not provide the information requested in the Application Form, the Company, SaleCo and the Share Registry may not be able to process or accept your Application.

Your personal information may also be used from time to time to inform you about other products and services offered by the Company and its group companies, which it considers may be of interest to you.

Your personal information may also be provided to the Company's and SaleCo's members, agents and service providers on the basis that they deal with that information for the purposes for which the information was collected by the Company, SaleCo or the Share Registry on behalf of the Company and SaleCo and in accordance with the Privacy Policy and applicable laws. The members, agents and service providers of the Company and SaleCo may be located outside Australia and New Zealand, where your personal information may not receive the same level of protection as that afforded under Australian and New Zealand law. The types of agents and service providers that may be provided with your personal information and the circumstances in which your personal information may be shared are:

- the Share Registry for ongoing administration of the Shareholder register, including incidental matters such as communications in relation to the Offer;
- printers and other companies for the purpose of preparation and distribution of statements and for handling mail;
- market research companies for the purpose of analysing the Shareholder base and for product development and planning; and
- legal and accounting firms, auditors, contractors, consultants and other advisors for the purpose of administering, and advising on, the Shares and for associated actions.

The circumstances in which your personal information may be provided to the Company's members includes providing information to Company members in respect of the Company's Shareholder register.

If an Applicant becomes a Shareholder, the Corporations Act or Companies Act (as applicable) requires the Company to include information about the Shareholder (including name, address and details of the Shares held) in its Shareholder register.

The information contained in the Shareholder register must remain there even if that person ceases to be a Shareholder. Information contained in the Shareholder register is also used to facilitate dividend payments and corporate communications (including the Company's financial results, annual reports and other information that the Company may wish to communicate to its Shareholders) and compliance by the Company with legal and regulatory requirements.

An Applicant has a right to gain access to the information that the Company and the Share Registry hold about that person, subject to certain exemptions under law. A fee may be charged for access. Access requests must be made in writing or by telephone call to the Company's registered office or the Share Registry's office, details of which are disclosed in the Corporate directory on the inside back cover of this Prospectus. Applicants can obtain a copy of the Privacy Policy by visiting the Company's website https://www.harmoney.co.nz/how-it-works/legal/privacy-policy (for New Zealand) and https://www.harmoney.com.au/how-it-works/legal/privacy-policy (for Australia).

By submitting an Application, you agree that the Company, SaleCo and the Share Registry may communicate with you in electronic form or contact you by telephone in relation to the Offer. The personal information collected by the Company and SaleCo in connection with your Application may be used in accordance with this disclosure and as set out in the Privacy Policy. To the extent of any inconsistency, the more permissive provisions apply.

You may request access to your personal information held by or on behalf of the Company or SaleCo and you may correct the personal information held by or on behalf of the Company or SaleCo about you. You may be required to pay a reasonable charge to the Share Registry in order to access your personal information. You can request access to your personal information by writing to or telephoning the Share Registry as follows:

Email:
registrars@linkmarketservices.com.au

Telephone:
+61 1300 554 474.

Photographs and diagrams

Photographs and diagrams used in this Prospectus that do not have descriptions are for illustration only and should not be interpreted to mean that any person shown in them endorses this Prospectus or its contents or that the assets shown in them are owned by the Company or SaleCo. Diagrams and maps used in this Prospectus are illustrative only and may not be drawn to scale. Unless otherwise stated, all data contained in charts, graphs and tables is based on information available at the Prospectus Date.

Company website

Any references to documents included on the Company's website at www.harmoney.com.au/investor are for convenience only, and none of the documents or other information available on the Company's website is incorporated into this Prospectus by reference.

Disclaimer

Except as required by law, and only to the extent so required, none of the Company, the Directors, SaleCo or its directors or the Joint Lead Managers nor any other person warrants or guarantees the future performance of the Company, or any return on any investment made pursuant to this Prospectus.

As set out in Section 7.4, it is expected that the Shares will be quoted on ASX and NZX on a normal settlement basis on or around Thursday, 19 November 2020. To the maximum extent permitted by law, (on behalf of itself and Harmoney, its group companies and SaleCo), the Share Registry and the Joint Lead Managers disclaim all liability, whether in negligence or otherwise, to persons who trade Shares before receiving a holding statement, even if that person received confirmation of allocation from the Harmoney IPO Offer Information Line or confirmed their firm allocation through a Broker.

Jarden Australia Pty Ltd (ABN 33 608 611 687) and Ord Minnett Limited (ABN 86 002 733 048) have acted as Joint Lead Managers to the Offer and have not authorised, permitted or caused the issue, lodgement, submission, dispatch or provision of this Prospectus and there is no statement in this Prospectus which is based on any statement made by them or by any of their respective affiliates, directors, officers, employees, agents or advisors. To the maximum extent permitted by law, the Joint Lead Managers and each of their respective affiliates, directors, officers, employees, agents and advisors expressly disclaim all liabilities in respect of, make no representations regarding, and take no responsibility for, any part of this Prospectus other than references to their respective names and addresses and make no representation or warranty as to the currency, accuracy, reliability or completeness of this Prospectus.

Questions

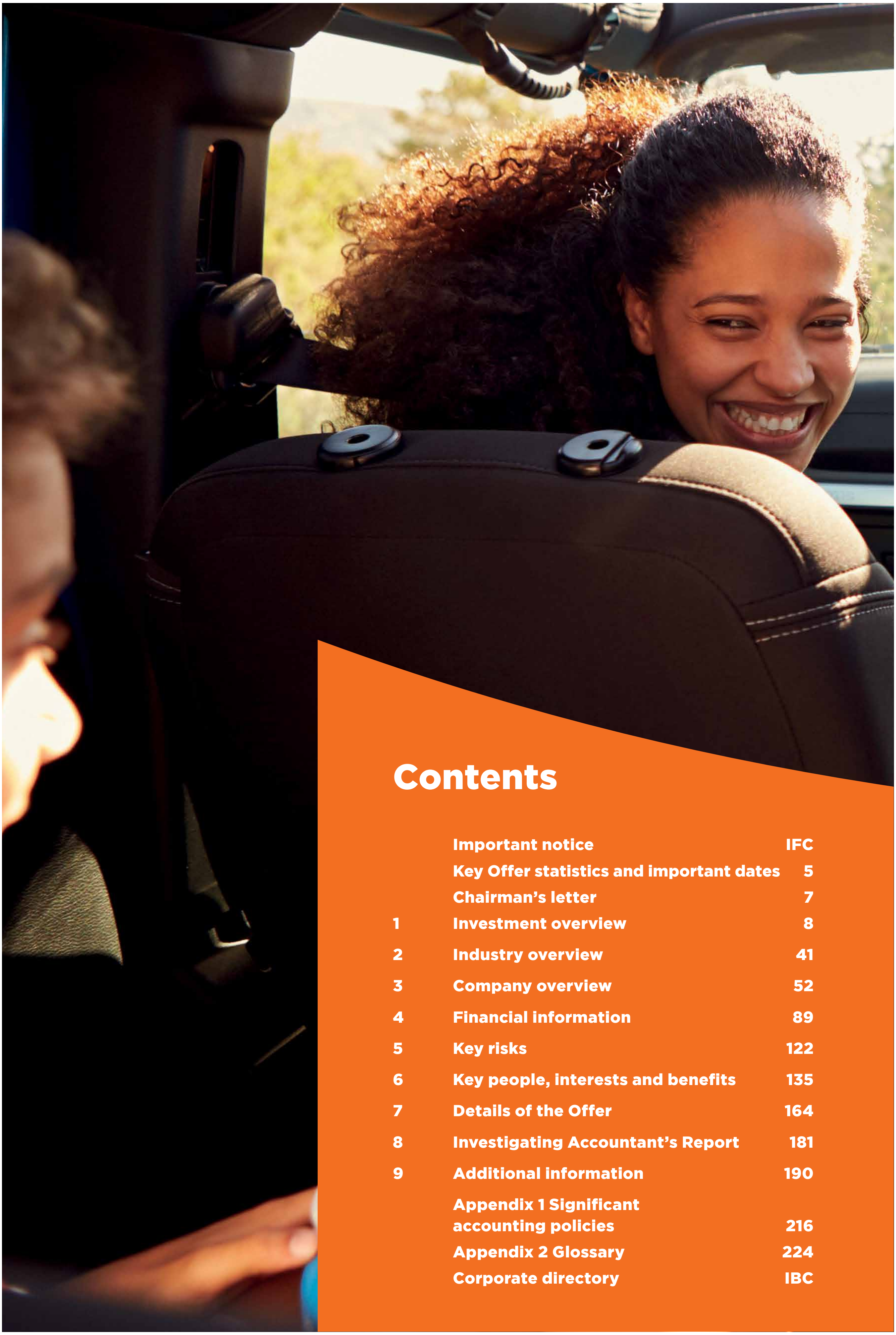
If you have any questions about how to apply for Shares, call your Broker or the Harmoney IPO Offer Information Line on 1800 817 266 (within Australia) from 8.30am to 5.30pm (AEDT), Monday to Friday. If you are eligible to participate in the Offer and are calling from outside Australia, you should call +61 1800 817 266 from 8.30am to 5.30pm (AEDT), Monday to Friday. Instructions on how to apply for Shares are set out in Section 7 of this Prospectus and on the back of the Application Form.

If you have any questions about whether to invest in the Company, you should seek professional advice from your accountant, financial advisor, stockbroker, lawyer or other professional advisor before deciding whether to invest in Shares.

Underwriting

The Offer is managed by the Joint Lead Managers and fully underwritten by the Underwriters.

This document is important and should be read in its entirety.



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Key Offer statistics and important dates

Table 1.1: Key Offer statistics

Offer Price	**A$3.50 per Share**
Total proceeds under the Offer (note that this includes proceeds from the issue of New Shares by the Company and the sale of Sale Shares through SaleCo)	**A$92.5 million**[1]
Total number of Shares available under the Offer (note that this includes the issue of New Shares by the Company and the sale of Sale Shares through SaleCo)	**26.4 million**
Shares held by Existing Shareholders at Completion of the Offer	**74.5 million**
Shares on issue at Completion of the Offer[2]	**100.9 million**
Market capitalisation at the Offer Price[3]	**A$353.2 million**
Enterprise value at the Offer Price[4]	**A$276.7 million**
Enterprise value/FY20 pro forma total income[5]	**3.5x**

Table 1.2: Important dates

Prospectus lodgement date	**Friday, 30 October 2020**
Broker Firm Offer opening date	**Tuesday, 10 November 2020**
Broker Firm Offer closing date	**Monday, 16 November 2020**
Settlement	**Tuesday, 17 November 2020**
Issue and allotment of Shares	**Wednesday, 18 November 2020**
Expected dispatch of holding statements	**Wednesday, 18 November 2020**
Expected listing on ASX and NZX and expected commencement of trading of Shares on ASX and NZX on a normal settlement basis	**Thursday, 19 November 2020**

1. Subject to the Australian dollar/New Zealand dollar foreign exchange rate fluctuations between 7:00pm AEDT on the Closing Date and Settlement in respect of the proceeds received from Applicants in New Zealand dollars only.
2. Shares only. The Company will also have nil performance rights issued under the Existing Incentive Plan and 187,588 Warrants on issue on Completion. Refer to Sections 6.3.2.6 and 9.6 for further details.
3. Market capitalisation at the Offer Price is defined as the Offer Price multiplied by the total number of Shares on issue at Completion of the Offer. Shares may not trade at the Offer Price after Listing.
4. Enterprise value is calculated as market capitalisation based on the Offer Price less A$76.5 million unrestricted cash and cash equivalents. Refer to Section 4 for further detail.
5. The Forecast Financial Information is based on assumptions and accounting policies set out in Sections 4 and Appendix 1 and is subject to key risks set out in Section 5. There is no guarantee that the forecasts will be achieved.

Key Offer statistics and important dates

Dates may change

The dates above are indicative only and may change without notice.

The Company, SaleCo and the Joint Lead Managers reserve the right to vary the times and dates of the Offer including (subject to the ASX Listing Rules and the Corporations Act) to close the Offer early, extend the Offer Period relating to any component of the Offer or to accept late Applications, either generally or in particular cases, or to cancel or withdraw the Offer before Settlement, in each case without notifying any recipient of this Prospectus or Applicants. If the Offer is cancelled or withdrawn before the allocation of Shares, then all Application Monies will be refunded in full (without interest) as soon as possible in accordance with the requirements of the Corporations Act. Investors are encouraged to submit their Applications as soon as possible after the Offer opens. Applications received under the Offer are irrevocable and may not be varied or withdrawn except as required by law.

Unless otherwise indicated, all times stated throughout this Prospectus are references to AEDT.

How to invest

Applications for Shares can only be made by completing and lodging the Application Form attached to or accompanying this Prospectus.

Instructions on how to apply for Shares are set out in Section 7 of this Prospectus and on the back of the Application Form.

Questions

Call the Harmoney IPO Offer Information Line on 1800 817 266 (within Australia) and +61 1800 817 266 (outside Australia) from 8.30am to 5.30pm (AEDT), Monday to Friday. If you are unclear in relation to any matter or are uncertain as to whether Shares are a suitable investment for you, you should seek professional guidance from your accountant, financial advisor, stockbroker, lawyer or other professional advisor before deciding whether to invest.

Chairman's letter

Dear Investor,

On behalf of the Board, I am pleased to offer you the opportunity to become a shareholder in Harmoney Corp Limited (**Harmoney**).

Harmoney is one of the leading online direct personal lenders that operates across Australia and New Zealand, providing customers with unsecured personal loans that are easy to access, competitively priced (using risk-adjusted interest rates) and accessed 100% online. Harmoney's proprietary digital lending platform, Stellare™, facilitates its personalised loan product with applications processed and loans typically funded within 24 hours of acceptance by the customer. Stellare™ applies a customer's individual circumstance to its data-driven, machine learning credit scorecard to deliver automated credit decisioning and accurate risk-based pricing. Harmoney's algorithmic approach to risk provides a reliable, impartial assessment thus also delivering a faster and seamless experience to its customers.

Since originating its first loan in August 2014, Harmoney has originated over $1.7 billion in personal loans, has served more than 46,000 borrowers across New Zealand and Australia and has grown its total loan book to $480 million. The changing nature of the Australia and New Zealand personal loan market continues to present an attractive market opportunity, and Harmoney's proven track record of originations, scale benefits achieved through its technology platform, and machine learning credit scorecard provide an advantage for it to emerge as a leader in the personal lending space.

Headquartered in Auckland, New Zealand, Harmoney established an office in Sydney in 2017 to support its expansion into Australia. Harmoney currently employs 60 full time employees across its Australian and New Zealand operations, with approximately 50% in the product and engineering team which speaks to Harmoney's ongoing commitment to further develop and enhance its technological capabilities.

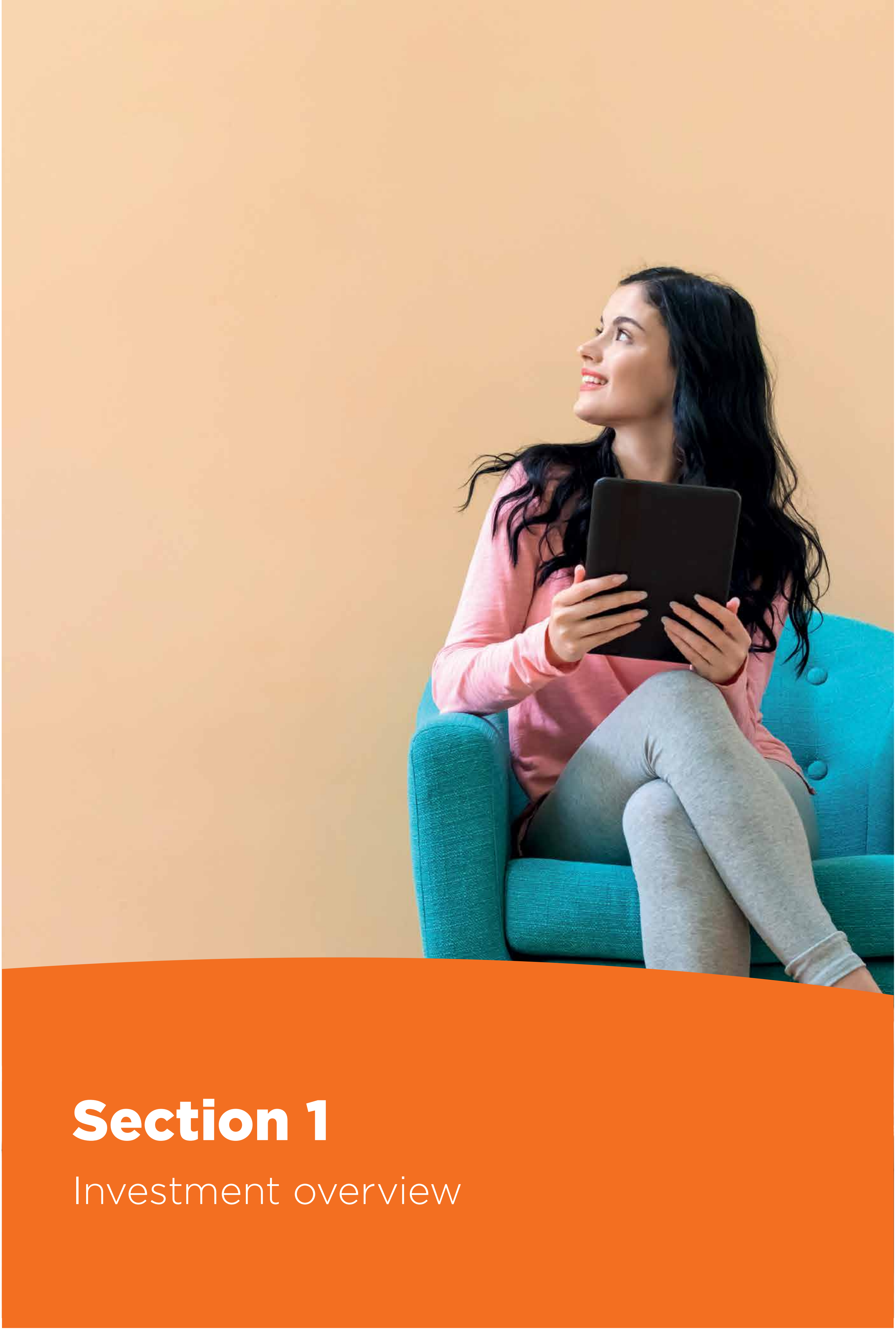
The key purpose of the Offer is to provide Harmoney with capital to fund growth opportunities; provide access to capital markets, which it expects will better allow it to pursue future growth opportunities to improve its financial flexibility; provide a liquid market for others to invest in Harmoney; and to pay the costs of the Offer.

This Prospectus contains detailed information about the Offer and the historical and forecast financial performance of Harmoney, as well as the material risks associated with an investment in Harmoney. Key risks associated with an investment in Harmoney are set out in Section 5. It is important that you read this Prospectus in its entirety before deciding whether to invest in Harmoney.

On behalf of my fellow Directors, I look forward to welcoming you as a Shareholder.

Yours sincerely,

David Flacks
Chairman
Harmoney Corp Limited



Section 1

Investment overview

1 Investment overview

1.1 Introduction

Topic	Summary	
Who is Harmoney?	Harmoney is one of the leading online direct personal lenders that operates across Australia and New Zealand, providing customers with unsecured personal loans that are easy to access, competitively priced (using risk-adjusted interest rates) and accessed 100% online. Harmoney's purpose is to help people achieve their goals through financial products that are fair, friendly, and simple to use. Harmoney's proprietary digital lending platform, Stellare™, facilitates its personalised loan product with applications processed and loans typically funded within 24 hours of acceptance by the customer. Stellare™ applies a customer's individual circumstance to its data-driven, machine learning credit scorecard to deliver automated credit decisioning and accurate risk-based pricing. Since originating its first loan in August 2014, Harmoney has originated over $1.7 billion in personal loans, has served more than 46,000 borrowers across Australia and New Zealand and has grown its total loan book to $480 million. Headquartered in Auckland, New Zealand, Harmoney established an office in Sydney in 2017 to support its expansion into Australia. Harmoney currently employs 60 full time employees across its Australian and New Zealand operations that support the business' activities.	**Section 3.1.1**
What industry does Harmoney operate in?	Harmoney operates in the personal lending segment of the Australian and New Zealand consumer credit sector, which forms part of the Australian and New Zealand financial services industry. In Australia, the total addressable personal lending market as of July 2020 was approximately A$150.1 billion. Since 2015, non-bank lenders have increased their share of the personal lending segment from bank lenders. The estimated market share of personal lending captured by non-bank lenders has grown from 9.2% in May 2015 to 46.9% in November 2018. Although this data is not available beyond November 2018, it is the Company's view based on industry observations at the time and in the intervening period, that the current ratio of bank personal lending to non-bank personal lending would not have reversed. In New Zealand, the total addressable personal lending market as at July 2020 was $14.9 billion. Since 2014, non-bank lenders have increased their share of the personal lending segment from bank lenders. The estimated aggregate loan book for non-bank lenders as at July 2020 was $5.2 billion, representing a market share of 35%, up from $4.1 billion representing a market share of 31% as at January 2014. Personal loans in this segment of the market are typically used for purposes such as: • consolidating debt; • financing home renovations; • financing vehicle purchases; • financing a holiday; and • funding other life events. Typically, personal loans in this segment of the market are for principal amounts varying between $2,000 and $70,000 in New Zealand and A$2,000 and A$70,000 in Australia, with maturities ranging from two to seven years.	**Sections 2.1, 2.3 and 2.4**

1 Investment overview

Topic	Summary	
Who are the market participants?	The personal lending segment has traditionally been dominated by bank lenders. Although bank lenders hold the majority share of personal lending credit exposure in both New Zealand and Australia, their share of the personal lending market has been decreasing in recent years. Since 2014 and 2015 in New Zealand and Australia respectively, non-bank lenders have increased their share of the personal lending segment from bank lenders. Non-bank lenders include traditional non-bank lenders and technology-driven non-bank lenders (described below). Key players in the personal lending segment include: 1) Bank lenders Bank lenders in New Zealand are those registered by the Reserve Bank of New Zealand. Personal lenders among New Zealand banks include ANZ, ASB, BNZ and Westpac. Bank lenders in Australia include authorised deposit-taking institutions (traditional banks), credit cooperatives, building societies and rural financial counselling services. Personal lenders among Australian banks include ANZ, CBA, NAB and Westpac; and 2) Non-bank lenders Non-bank lenders in New Zealand are financial institutions with total assets of $5.0 million or more at the consolidated group level, whose principal business is credit provision and borrowing money from the public and/or other sources. Non-bank lenders in Australia are lenders that are not authorised deposit-taking institutions and that have total assets greater than A$50.0 million. *i) Traditional non-bank lenders* • Traditional non-bank lenders are a subset of non-bank lenders that provide loans to a broader range of borrowers than bank lenders, including borrowers who may have lower credit scores. • Some of Harmoney's competitors among New Zealand traditional non-bank lenders include Marac Finance, Avanti Finance, UDC and FlexiGroup. • Some of Harmoney's competitors among Australian traditional non-bank lenders include FlexiGroup, Latitude Financial Services, Liberty Financial and Pepper Money. *ii) Technology-driven non-bank lenders* • Technology-driven non-bank lenders are a subset of non-bank lenders that utilise technology in the provision of their credit products to address the financing needs of consumers. • Within this subset, there are a number of different business models including 'balance sheet lending', 'peer-to-peer lending' and 'buy now, pay later'. • Harmoney is a technology-driven non-bank lender. • Some of Harmoney's competitors among technology-driven non-bank lenders include MoneyMe, SocietyOne, Plenti, Zip Co, Splitit, Laybuy and Afterpay. Harmoney is well-positioned in the cross-section of distribution and scalability, with a direct model and high scalability.	**Section 2.2.1**

Topic	Summary	
What is Harmoney's history?	Harmoney was founded in Auckland in July 2013 by Neil Roberts with a small group of staff and a vision to provide a better experience for borrowers. Assembling a team of five by January 2014, Harmoney set out to capitalise on the early trend of disintermediated lending and granted New Zealand's first peer-to-peer lending licence from the FMA in July 2014. By August 2014, Harmoney had secured $85 million in wholesale funding and later that month, Harmoney accepted its first borrower onto its platform. Throughout 2015, the key focus was to ensure the Harmoney brand was synonymous with a great online loan experience. 2016 and 2017 saw major improvements in Harmoney's core system, Stellare™, such as credit decisioning, and a focus on reducing friction in the borrowers' application process. In February 2017, after obtaining Australian regulatory approvals, Harmoney started a pilot program in Brisbane to test its offering in the Australian personal loan market with funding coming from institutional funders from local and global financial institutions and investment funds. 2018 saw continued improvements in automation on Harmoney's platform. Key milestones by the end of 2018 included celebrating $1 billion in total lending volume, and the signing of Harmoney's first Warehouse Facility in New Zealand, enabling a significant improvement in Customer Lifetime Value. Harmoney's emerging Australian presence led to the decision in January 2020 to execute a A$115 million Australian Warehouse Facility with a major Australian bank to help fund its Australian growth plans. Harmoney grew to over A$200 million in total lending volume in Australia by early 2020. In February 2020, Harmoney announced it would close its New Zealand retail peer-to-peer program on 1 April 2020 to focus on innovating the borrower experience and accelerating the transition to warehouse funding. Today, Harmoney has originated over $1.7 billion in total lending volume and is poised to continue its growth trajectory as it pursues its vision of creating a truly differentiated and seamless experience for customers through technology.	**Section 3.1.2**
Why is the Offer being conducted?	Harmoney is expected to raise approximately A$70.0 million under the Offer. The Offer is being conducted to: • provide Harmoney with capital to fund growth opportunities; • provide Harmoney with access to capital markets, which it expects will better allow it to pursue future growth opportunities to improve its financial flexibility; • provide a liquid market for the Shares and an opportunity for other investors (beyond the Existing Shareholders) to invest in Harmoney; • allow employee and director shareholders to sell a portion of their Shares earned in the course of their employment, through SaleCo, for the dominant purpose of enabling them to cover income tax liabilities associated with those Shares; and • pay the costs of the Offer.	**Section 7.1.2**

Topic	Summary	
Why is the Offer being conducted? continued	At this stage, Harmoney anticipates that the primary proceeds of the Offer: • will provide Harmoney with capacity (in addition to warehousing financing facilities) to fund growth in its personal loan originations for a period of at least 12 months following the date of the Offer, and to fund related marketing costs; and • will be used to pay the costs of the Offer.	**Section 7.1.2**

1.2 Key features of Harmoney's business model

Topic	Summary	
What are Harmoney's products?	Harmoney offers unsecured personal loans of up to $70,000 in New Zealand and A$70,000 in Australia for a term of three or five years. Key characteristics of Harmoney's personal loan product are below.	**Sections 3.2.1 and 3.2.2**

Key characteristics of Harmoney's personal loan product

	New Zealand	Australia
Principal[6]	$2,000 – $70,000	A$2,000 – A$70,000
Tenor	Three or five years	Three or five years
Fixed interest rate	6.99% – 24.69% per annum	6.99% – 25.69% per annum
Establishment fees	$200[7]/$450	A$275[8]/A$575
Repayments	Weekly, fortnightly, or monthly	Weekly, fortnightly, or monthly
Security	Unsecured	Unsecured

Harmoney's platform has served over 46,000 borrowers, representing a diverse demographic covering age, geography and employment types who borrow for a variety of purposes including:

- consolidating debt;
- financing home renovations;
- financing vehicle purchases;
- financing a holiday; and
- funding other life events.

Harmoney aims to differentiate its loan product through building better customer experiences and offering competitive interest rates through its scalable, digital platform and rate for risk-pricing. Harmoney believes that fair, risk-based pricing is a key factor creating value for borrowers. Further details of Harmoney's approach to risk-based pricing is set out at Section 3.2.3.

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[6] This upper end of the range is only applicable to a repeat loan and is capped at $50,000 for new loans in New Zealand and A$50,000 for new loans in Australia.

[7] This fee applies to a loan less than $5,000.

[8] This fee applies to a loan less than A$5,000.

Topic	Summary	
What are Harmoney's core business values?	Harmoney's values are the foundation of the way it operates as a team and how it treats its customers and the community. While Harmoney's loan product relies heavily on technology and data science to help make decisions, its values are the heart of business operations. Harmoney's core business values are: • **Empathy:** Harmoney values empathy as it is key to developing relationships with its colleagues and customers. These relationships form the basis by which Harmoney delivers for its customers, colleagues, the effects of which extend to the wider community; • **Pioneering:** Harmoney values the pioneering spirit as it is the fuel of dreams and ambition. Pioneers leave behind the known to discover the new. Pioneers establish their own path if needed, to discover places unseen. They not only imagine the future, they create it; • **Impact:** Harmoney values making a true positive impact on people's lives and the communities in which it lives and serves. Harmoney's obsession with numbers, data and process only count if they make an impact; • **Integrity:** Harmoney values integrity because it is the foundation for building and maintaining trust and respect, and encompasses responsibility and accountability; and • **Consistency:** Harmoney values consistency as it reflects the stability and reliability it creates in the minds of anyone it interacts with. Consistency creates confidence, and with confidence Harmoney can do great work.	**Section 3.1.3**
What is Harmoney's technology platform?	Harmoney's direct lending operations and automated borrower experience are underpinned by its proprietary technology platform, Stellare™. Developed and refined over the last six years, Stellare™ combines data analytics, machine learning, custom-built applications and in-house industry knowledge to create a truly digital lending platform. Stellare™ has specifically been developed to: • deliver a low friction, engaging digital customer experience anytime, anywhere; • utilise data analytics to produce impartial, data-driven credit assessment and pricing; • incorporate machine learning algorithms to support continuous improvements in the credit underwriting process; • deliver a high degree of automation and straight-through processing to drive operational scale and efficiencies; • provide flexibility through modular design that supports continuously refining and improving platform components in response to new growth initiatives; • support New Zealand and Australia from a single platform, whilst supporting local regulatory differences; • acquire applicants who have been identified as more likely to have an intent on acquiring a personal loan by Google and other digital advertising platforms which have been integrated into Stellare™'s ecosystem; and • ensure compliance with all lending regulation, privacy and data security policies.	**Section 3.3**

Topic	Summary	
What is Harmoney's technology platform? continued	Stellare™ provides an agile, modern development environment, enabling Harmoney to readily innovate and bring new loan products and features to market. Furthermore, Harmoney has invested in data analytics and machine learning to refine its credit risk model and inform data-driven decision making. Harmoney can also make dynamic and real-time decisions about approving and pricing credit, allowing borrowers to receive funds sooner (time to benefit), at a personalised price (rate-for-risk), with 'anytime, anywhere' convenience.	**Section 3.3**
What is Harmoney's value proposition to borrowers?	Harmoney believes that the online borrowing process should be simple, fast and fair and provide the best possible outcome for the borrower. To deliver this experience, Harmoney uses a combination of user centred design, data science and credit automation enabled by the Stellare™ platform. Harmoney's risk-based pricing means the interest rate applied to each borrower is based on their individual circumstances and behaviours and is competitively priced for creditworthy borrowers when compared with other lenders with static rate cards. Harmoney's customer value proposition consists of the following components: • **Risk-based pricing[9]:** personalised fixed rates based on customer credit characteristics; • **Unsecured personal loans[10]:** loans of up to $70,000 in New Zealand and A$70,000 in Australia with terms of three or five years[11]; • **Automated application process[12]:** highly automated simple and streamlined process; • **Fast funding:** customers typically receive funds within 24 hours of acceptance; • **CCCFA/NCCPA compliant:** loans are compliant with applicable laws in New Zealand and Australia; and • **Transparent fee structure:** transparency around loan interest rates and fees. No prepayment fees – only a single establishment fee. Since inception, Harmoney has been focused on optimising and enhancing the customer experience through its technology driven capabilities. It considers the impact this has had on the customer experience to be positive as reflected in its customer feedback. As at September 2020, Harmoney had achieved a net promoter score (NPS) of 79[13], achieved an average Shopper Approved Rating of 4.7 out of 5.0 across more than 20,000 reviews[14], and an average Google Review of 4.7 out of 5.0 across more than 1,000 reviews[15]. NPS is a measure of customer loyalty captured through post-engagement surveys and a score of 79 is generally considered to be excellent.	**Section 3.4.2**

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[9] Risk-based pricing is enabled through Harmoney's proprietary credit scorecard. Fixed interest rates range between 6.99% – 24.69% per annum in New Zealand, and 6.99% – 25.69% per annum in Australia.

[10] Average loan size of $25,000.

[11] This upper end of the range is only applicable to a repeat loan and is capped at $50,000 in New Zealand and A$50,000 in Australia for new loans.

[12] Automated application process, 62% straight-through processing.

[13] Net promoter score of funded borrowers as at 13 September 2020.

[14] Shopper Approved Rating as at 13 September 2020.

[15] Google Review as at 13 September 2020.

Topic	Summary	
How does Harmoney distribute its loan products?	Harmoney distributes its loan products by engaging prospective customers directly. Harmoney is 100% online and does not have a retail branch network or broker service. Harmoney believes that this direct to consumer strategy is important as it allows it to control the customer experience, build long-term brand equity, and Customer Lifetime Value. Harmoney utilises three specific strategies to maximise retention and Customer Lifetime Value (see Harmoney's 3R business model summarised below). Harmoney utilises a variety of advertising channels to maximise market penetration and diversify its customer acquisition capabilities. These channels include search engine marketing, comparison websites, display advertising, social media, online video platforms, direct mail campaigns, TV, radio, digital radio and native display advertising. One element of Harmoney's online customer acquisition strategy is its partnership with Google. Through Google Smart Bidding machine learning, the Stellare™ technology platform integrates with Google's algorithms to attract the ideal in-market audience, showcasing targeted advertising that is optimised for customer conversion. The Google Smart Bidding algorithm seeks the characteristics and customer behaviour of prime target audiences across Google's platforms. This sophisticated partnership has attracted more qualified loan applicants and has improved Harmoney's return on advertising spend over time. Harmoney also engages several prominent comparison websites, including Finder, Mozo and RateCity, to support its digital marketing strategy. In Australia, where Harmoney has established a presence more recently, there is naturally a greater current focus on comparison websites. However, over time Harmoney will endeavour to grow the proportion of its customer engagement via low or no-cost online channels. Content marketing on social media and native advertising of eBook guides (covering topics such as credit score improvement) have also enabled Harmoney to acquire large volumes of leads, and support customer acquisition.	**Section 3.5**

1 Investment overview

Topic	Summary	
What is Harmoney's 3R business model?	Harmoney utilises three specific strategies to maximise customer retention and Customer Lifetime Value, which are presented below: • **Repeat:** Harmoney offers customers with an active loan who have a proven history of on time and in full repayments and additional repayment capacity, to borrow additional funds; • **Return:** Customers who have repaid their loan with Harmoney return for a new loan. Typically, the customer return to Harmoney as a life event has created a borrowing requirement; and • **Renew:** A retention strategy for an existing customer with an active loan. This strategy is typically used to retain quality borrowers that have been identified as at risk of being refinanced by another lender. Central to this strategy are Harmoney's Repeat offers. Repeat offers are extended to existing customers whom Harmoney considers have capacity to make higher repayments associated with larger loans and have a track record of satisfactory credit history. On average, customers who accept Repeat offers increase their loan size by 55% of their loan balance at the time the Repeat offer is made. Returning customers are customers that have repaid their loan with Harmoney but have new borrowing needs and return to Harmoney for a new loan. Harmoney understands that these customers return due to their positive customer experience and given these customers are known to Harmoney, can be offered competitive rates. Renew is offered to customers as a retention tool and rewards customers for exemplary payment behaviour but who are not currently looking for additional funds. The 3R strategy is designed to present offers on terms which Harmoney consider to be more attractive to the customer than they would typically be able to access in the broader market. The objective is that Harmoney retains a customer with proven credit history, rather than them potentially moving to a competitor and then incurring the cost of acquiring a new customer (or re-acquiring an existing customer).	**Section 3.5.4**
How does Harmoney fund its lending?	Harmoney currently operates two funding models, warehouse and peer-to-peer funding models. Warehouse funding offers a limited recourse, revolving securitisation warehouse trust which funds loan originations. A peer-to-peer marketplace enables retail lenders to lend to creditworthy customers. For the period the peer-to-peer marketplace was operating, approximately 20% of monthly New Zealand loan volumes were allocated to retail lenders, with the remainder, prior to the introduction of the warehouse funding model, being funded by institutional peer-to-peer funders. Harmoney's funding model is transitioning from a peer-to-peer funding model to a warehouse funding model. Harmoney began the transition from a peer-to-peer funding model to a warehouse funding model in December 2018 with the establishment of its first New Zealand Warehouse Facility. In January 2020, Harmoney established its first Australian Warehouse Facility. The breakdown of the Customer Lifetime Value by funding channel is illustrated in Section 3.6.2.	**Section 3.7**

Topic	Summary	
How does Harmoney fund its lending? continued	As of 31 August 2020, 33% of Harmoney's receivables were warehouse funded, with the remaining 67% peer-to-peer funded. Harmoney anticipates the transition to a warehouse funding model will largely be complete in the next 12 – 18 months. Harmoney's existing funding sources for new lending are: • **Warehouse Facilities:** Revolving debt facilities that can be used by Harmoney for the purchase of receivables. The Warehouse Facilities can be drawn and repaid on an ongoing basis up to agreed facility limits, subject to compliance with the terms and conditions and eligibility criteria; • **Institutional peer-to-peer lenders:** Harmoney has institutional funding with a New Zealand bank and a New York-based asset manager across its New Zealand and Australia platforms. The arrangements provide Harmoney with the liquidity to scale lending quickly without investing capital into its balance sheet. Institutional funding agreements may be committed or uncommitted 'at-will' partnerships. Harmoney has chosen to enter into committed facility arrangements from time to time; and • **Cash:** Harmoney expects to have between $70.0 million and $75.0 million of unrestricted cash at Completion of the Offer which can be used for general corporate purposes, including working capital and the funding of loans via the contribution of the necessary capital to support the Warehouse Facilities.	**Section 3.7**
How does Harmoney generate its income?	Under the warehouse funding model, Harmoney generates income by charging its customers interest and fees for the provision of its loans. The key costs incurred by Harmoney in the provision of its loans under the warehouse funding model include borrowing costs, sales and marketing costs, support costs and loan impairments. As Harmoney fully transitions to warehouse funding, fees generated under the peer-to-peer funding model are expected to progressively reduce to zero. Under the peer-to-peer funding model, Harmoney earns various fees, which include upfront origination fees, servicing fees, and performance fees. Some upfront origination fees are subject to partial rebate if the underlying loan closes early (due to prepayment or impairment). In some of these arrangements, servicing and performance fees are also subject to the underlying performance of the loan. The key costs incurred by Harmoney in the provision of loans under the peer-to-peer funding model include sales and marketing costs and support costs.	**Section 3.6.1**

1 Investment overview

Topic	Summary	
How does Harmoney manage credit risk?	Since inception, Harmoney has adopted a stringent and disciplined approach to the management of credit risk. It has diligently and consistently applied its credit risk management framework across the origination of all loans, and throughout the collection process. This has enabled Harmoney to grow at significant scale, whilst concurrently minimising loss rates across both its New Zealand and Australian loan books. Harmoney's credit risk management framework comprises: underwriting and risk policies; anti-money laundering and counter-terrorism financing protocols; collection and recovery policies; a proprietary credit scorecard; a risk-based pricing model; and fraud detection services. The Chief Risk Officer oversees the Harmoney credit risk framework in conjunction with and as Chair of the Operational Credit Committee and Assets and Liabilities Committee. The Harmoney technology platform, Stellare™, incorporates several components to assist with credit risk management including: • **Credit, Decision and Pricing System (CDP):** utilises rich datasets from credit bureau and online bank statement providers via a data pipeline pre-populating data, validating customer inputs and identifying relevant credit risks; • **Borrower Management System (BMS):** manages the loan from origination through its funding, disbursal, and onwards through its lifetime including payment processing, and if required, collection processes through to loan completion; and • **Data Flow and Intelligence System (DFI):** real-time data flow and intelligence engine that supports the transformation of raw data to be processed into actionable insights. This process helps signal applicant credit risk and prevents customers from underrepresenting their liabilities. Stellare™ underwrites the credit eligibility decisioning for the 3Rs which are partially determined via customers' behaviour on the Harmoney platform, including payment on time measures and regular updates from external datasets.	**Sections 3.8.1 and 3.8.2**

Topic	Summary	
How does Harmoney make decisions regarding loan applications?	**Credit process** Harmoney employs a hybrid credit underwriting process that relies on both its robust automated straight-through processing and credit officer entries and checks to assess a borrower's creditworthiness. With respect to responsible lending requirements, the automated credit model utilises a rules-based approach and uses applicant form responses, credit bureaus and financial institution data, and Harmoney's own aggregated data to adequately verify and assess a borrower's financial needs and requirements – similar to processes that would typically be conducted by credit officers in an application process. These rules have been built to capture all relevant details and regulatory provisions and are refined over time to meet changing regulation. **Credit assessment** Harmoney has invested in building (and continually improving) a proprietary credit scorecard to assess potential customers. The credit scorecard assesses both credit bureau data (positive and negative), and customer supplied information. The credit scorecard categorises customers across 25 credit grades in New Zealand, and 20 in Australia. From this, it is able to generate interest rates between 6.99 – 24.69% (New Zealand) per annum and 6.99 – 25.69% (Australia) per annum to optimise the risk-return profile of loans within its loan book. The improved performance of this proprietary intellectual property over time is demonstrated through its increasing predictive accuracy. Harmoney has continuously refined its credit scorecard to ensure that Harmoney is able to make accurate real-time decisions about approving and pricing lines of credit. **Credit outcomes and collections and arrears management** Harmoney's static loss rate has generally declined from earlier cohorts in both its New Zealand and Australian loan books. Stellare™ automates collections tasks (letters, SMS, and emails) and manages workflows throughout the collections process. It also tracks and counts communications to ensure compliance with legislation. The success of Harmoney's collection and arrears management process is demonstrated by the downward trend in arrears payments since FY19. This indicates that Harmoney can accurately predict the proportion of total receivables that will be paid over a two-month period.	**Sections 3.8.3, 3.8.4, 3.8.5 and 3.8.6**

Topic	Summary	
What has been Harmoney's operating approach to COVID-19?	Harmoney responded promptly to the emergence COVID-19 in March 2020. The steps Harmoney took in response to COVID-19 were: Changes to credit risk and underwriting policies, including: • ceased funding of higher risk grades; • raised credit bureau score cut-offs; • reduced credit limits; • stopped lending to customers employed in high risk industries such as tourism; and • implemented a review of automated decisions that are not occurring at the same time; Enacted its business continuity plan, including: • all staff transitioned to working from home. Harmoney experienced little disruption to its day to day operations; • the Board had weekly meetings for critical updates; • applied for and was entitled to the Wage Subsidy Scheme in New Zealand and JobKeeper in Australia; and • received a 50% rent abatement for April and May 2020 during the New Zealand Government imposed lockdown; Optimisation of Company spend, including: • halted all marketing while assessing the impact on credit demand and quality; • as of August 2020, demand was recovering; however, Harmoney remains conservative around marketing spend to ensure its credit quality remains high; and • rationalised employee and rent costs; Technology responses, including: • adopted system changes to support credit changes; and • implemented automation to manage communication to affected customers and to process payment holidays; and Other • Harmoney adopted a proactive approach to reach out to its customer base and offered support in the form of payment holidays. The typical tenure of payment holidays offered was three or six months.	**Sections 3.8.6 and 3.9**
What is Harmoney's dividend policy?	The dividend policy of the Company is to reinvest all cash flows into the business to maximise its growth. Accordingly, no dividends are expected to be paid in the near term following the Company's listing on ASX.	**Section 4.8**

Topic **Summary**

What is Harmoney's key financial information?

	Pro Forma Historical				Pro Forma Forecast
$'000	FY18	FY19	FY20	4M to Oct19	4M to Oct20F
Total income	59,286	74,101	86,026	29,123	26,411
PBT	(8,886)	(8,475)	(9,712)	(984)	1,732
NPAT	(6,398)	(6,102)	(6,993)	(708)	1,247
Cash NPAT	(2,031)	(2,193)	671	660	1,086

	Pro Forma Historical				Pro Forma Forecast
$'000	FY18	FY19	FY20	4M to Oct19	4M to Oct20F
Net cash generated/(used in) operations	2,276	8,109	4,464	3,796	1,232
Net cash generated/(used in) investing	(126,888)	(95,092)	(40,736)	(30,682)	20,715
Net cash generated/(used in) financing	122,162	86,158	49,265	54,186	(29,675)
Net cash flows	(2,450)	(825)	12,993	27,300	(7,728)

	Historical Statutory	Recognise peer-to-peer funded loans	Repayment of corporate debt	Impact of Offer	Historical Pro Forma
$'000	As at 30 June 2020				
Total assets	180,220	344,129	(10,994)	66,700	580,055
Total liabilities	151,335	364,429	(10,994)	–	504,770
Net assets	28,885	(20,300)	–	66,700	75,285
Total equity	28,885	(20,300)	–	66,700	75,285

Sections 4.3.1, 4.4.1 and 4.5.1

Topic	Summary	
What is Harmoney's key financial information? continued	The Pro Forma Historical Financial Information has been prepared for the sole purpose of inclusion in this Prospectus and has been derived from the Statutory Historical Financial Information. The Forecast Financial Information which covers the four month period to 31 October 2020 has been prepared solely for inclusion in this Prospectus and has been prepared and presented on a consistent basis with the Pro Forma Historical Financial Information. The information above is intended as a summary only and should be read in conjunction with the more detailed discussion on the Financial Information disclosed in Section 4 as well as the risk factors set out in Section 5. Investors should read Section 4 for the full details of Harmoney's pro forma and statutory financial information, including the pro forma adjustments and reconciliations in Sections 4.3, 4.4 and 4.5.	**Sections 4.3.1, 4.4.1 and 4.5.1**
What are the sources and uses of the Offer proceeds?	The below table should be considered an indication of current intention as at the Prospectus Date. Investors should note that, as with any projection, the allocation of funds set out below may change depending on a number of factors, including the growth rate of the business, the mix of loan products originated, the sources of funding utilised, and general economic conditions. In light of this, the Board reserves the right to alter the way the funds are applied.	**Section 7.1.2**

Sources	A$m	Uses	A$m
Cash proceeds received for New Shares issued under the Offer	A$70.0 million	Funds to invest in the core business model and pursue growth strategies	A$61.4 million
Cash proceeds received for Existing Shares sold under the Offer	A$22.5 million	Payment of proceeds from the sale of up to 6,428,572 Existing Shares to Selling Shareholders	A$22.5 million
		Costs of the Offer	A$8.6 million
Total sources	**A$92.5 million**[16]	**Total uses**	**A$92.5 million**

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[16] Subject to the Australian dollar/New Zealand dollar foreign exchange rate fluctuations between 7:00pm AEDT on the Closing Date and Settlement in respect of the proceeds received from Applicants in New Zealand dollars only.

1.3 Key growth initiatives

Topic	Summary	
Opportunity in the Australian Market	Harmoney believes that its relatively small presence in Australia represents a considerable opportunity for it to continue to grow personal lending originations through: • growing new originations via its customer acquisition strategy. The model proven in New Zealand has been tested in Australia and shown that it can scale efficiently with additional capital; • using the 3R model to provide the right offer at the right time to the existing customer base and increase the Customer Lifetime Value of each customer; and • developing new product features. Harmoney gets continuous customer feedback that enables it to consistently improve its offer to customers. Anticipated new features are co-borrower lending which will increase affordability and customer conversion in Australia, the automated prefill of customer financial data from bank transitions that will increase application speed and accuracy, and using the NPP (New Payments Platform) to get cash to borrowers instantly.	**Section 3.9.1**
Expand Harmoney's product range and total addressable market across New Zealand and Australia	Harmoney's proprietary loan management system, Stellare™, is architected in a manner which allows for the Company to adapt its core technology to support new credit products, enabling the Company to move into new credit adjacencies with modest incremental investment. Harmoney in leveraging the customer data from its approximately 560,000 existing accounts has identified new segments and market verticals for new credit adjacencies targeted at millennials and automotive loans. • Millennials – with over 63,000 existing millennial accounts, Harmoney has identified an opportunity to potentially originate up to 20,000 new loans which in value equate to $200 million. • Motor Direct – with over $33 million in existing loans being used to finance vehicles, Harmoney has identified an opportunity to offer these customers a superior automotive lending product.	**Section 3.9.2**
Shift from peer-to-peer funding model to warehouse funding model	The shift to the warehouse funding model affords Harmoney significant advantages in seeking to grow and scale its business, including in respect to: • funding, via the facilitation of access to deep and liquid wholesale funding markets and a wider universe of participants who can fund Harmoney's receivables at a quantum that it is material to Harmoney's present and future requirements; and • economic returns to Harmoney, through higher margins and loan unit economics, as demonstrated in Section 3.6. Prior to FY19, Harmoney's income was driven almost entirely by fees from peer-to-peer institutional funding agreements, received primarily upfront on loan origination. Harmoney's transition to warehouse funding in which it also assumes the risk for impairments, results in a net interest margin being received over the life of the loan, driving significantly greater income and profitability per loan to Harmoney.	**Section 3.9.3**

Topic	Summary	
Selective and opportunistic M&A	In addition to executing on its organic growth strategies, the Board and management of Harmoney believe that Harmoney's future growth profile may be augmented through targeted acquisitions. Harmoney's existing size, technology platform, scale efficiencies and funding facilities are supportive of its potential to act as a consolidator in the New Zealand and Australian personal lending market and broader provision of consumer credit. Such acquisition opportunities would be considered with regard to their potential strategic and financial contribution to Harmoney, and may, amongst other things, extend Harmoney's customer reach, product range, technology capabilities or geographical reach.	**Section 3.9.4**
Technology-driven trends in consumer credit	Harmoney operates in the New Zealand and Australian consumer credit markets, which, as discussed in Section 2, have demonstrated trends of consumers shifting away from traditional providers of credit to innovative technology-driven, online products such as Harmoney. Harmoney believes that these trends will continue as consumer preferences for faster and more convenient credit products, enabled through the use of technology, result in a superior customer experience. Further, in the Company's view, Harmoney's position as an online lender and its ability to increase its penetration of the credit market, is supported by the broader trend of the provision of products and services shifting from offline to online, and the increasing proportion of the population which is more inclined to look to online providers to meet their credit needs.	**Section 3.9.5**

1.4 Key strengths

Topic	Summary	
Fast-growing technology-driven online direct personal lender	Launched in August 2014, Harmoney has originated over $1.7 billion in personal loans, has served more than 46,000 borrowers across New Zealand and Australia and has grown its total loan book to $480 million at 31 August 2020. Harmoney's proven track record of originations, scale benefits achieved through its technology platform, and machine learning credit scorecard provide an advantage for it to emerge as a leader in the online direct consumer lending space.	**Section 3.1**
Scalable, highly automated technology platform	Stellare™ provides an agile, modern development environment, enabling it to readily innovate and bring new loan products and features to market. Furthermore, Harmoney has invested in data analytics and machine learning to refine its credit risk model and inform data-driven decision making. Harmoney can also make dynamic and real-time decisions about approving and pricing credit, allowing borrowers to receive funds sooner (time to benefit), at a customised price (rate-for-risk), with 'anytime, anywhere' convenience. The ability of Stellare™ to facilitate the lending process has enabled Harmoney to benefit from operating leverage. Stellare™ provides the ability for Harmoney to scale and service greater loan application processing without the requirement to add fixed overhead costs. An example of this operating leverage has been Harmoney's stable number of credit officers since 2015 despite the number of credit decisions increasing significantly.	**Section 3.3**

Topic	Summary	
High quality risk-based pricing	Harmoney believes that fair, risk-based pricing is a key factor creating value for borrowers. Harmoney launched with a proprietary credit scorecard with the capability to assess a customer's personal circumstances to price credit risk across 25 credit grades. Today, Harmoney's capability to price credit risk has improved into a more sophisticated calculation, utilising several data sources, key indicators and machine learning to determine a borrower's probability of default and accordingly determine an appropriate interest rate.	**Section 3.2.3**
Excellent customer experience	Harmoney's personalised risk-based pricing, fast credit assessment and loan fulfilment capabilities complement its streamlined online application process. It is the combination of these attributes leveraging its proprietary technology platform which supports the delivery of low friction products and engaging customer experience. As at September 2020, Harmoney had achieved a net promoter score (NPS) of 79[17], achieved an average Shopper Approved Rating of 4.7 out of 5.0 across more than 20,000 reviews[18], and an average Google Review of 4.7 out of 5.0 across more than 1,000 reviews[19]. NPS is a measure of customer loyalty captured through post-engagement surveys and a score of 79 is generally considered to be excellent.	**Section 3.4.2**
Direct distribution with no retail branch or broker expenses	Harmoney distributes its loan products by engaging prospective customers directly. Harmoney is 100% online and does not have a retail branch network or broker service. Harmoney believes that this direct to consumer strategy is important as it enables it to control the customer experience, and build long-term brand equity and Customer Lifetime Value.	**Section 3.5**
Innovative channel to market via collaboration with Google	Harmoney's collaboration with Google is innovative and a key differentiator. Harmoney provides a generalised target profile based on Customer Lifetime Value to Google which it analyses and matches with its users across its ecosystem (including Google Search, Google Gmail, YouTube, Google Maps and Google Play). Harmoney and Google then present optimised advertisements to those carefully targeted Google users. The Google referred applicants are then assessed in real-time, with the results flowing into a data feedback loop, to further improve and refine Harmoney's proprietary models and matching algorithms. The benefit of this is that the acquisition budget is reserved for attracting applicants that are likely to meet Harmoney's credit criteria and the matching algorithm learns to exclude applicants that are not likely to meet Harmoney's credit criteria. Through this process, Harmoney also introduces its brand advertising to users whom Google has determined to have intent in the short-term future to search for a personal loan. Google Smart Bidding accounted for approximately one third (35%) of new loan originations website traffic in New Zealand and Australia in FY20.	**Section 3.5.2**

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[17] Net promoter score of funded borrowers as at 13 September 2020.

[18] Shopper Approved Rating as at 13 September 2020.

[19] Google Review as at 13 September 2020.

1 Investment overview

Topic	Summary	
Data led and scalable marketing strategy	Harmoney's marketing strategy allows it to generate and convert leads at a low cost and in a scalable manner. Harmoney's marketing strategy is data led, with extensive analysis of target customer characteristics and the optimal means by which Harmoney might engage, which allows Harmoney to identify the ideal audiences for its marketing. In addition, Harmoney has both strong visibility and measurability of marketing performance.	**Section 3.5.3**
Attractive loan economics with high Customer Lifetime Value	Customer Lifetime Value is an important measure of customer profitability which considers initial customer acquisition costs, customer retention, and funding profitability. While Harmoney incurs costs acquiring customers, the success of Harmoney's 3R business model has resulted in the average customer taking 1.9 loans, which creates value by amplifying Customer Lifetime Value without incurring additional marketing spend. The initial loan value for a warehouse loan is expected to be $1,900 in New Zealand and approximately $1,200 in Australia. The 3Rs amplify the Customer Lifetime Value in New Zealand to approximately $4,600 and in Australia approximately $4,000, through Harmoney's ability to drive repeat loan activity and successfully retain attractive borrowers.	**Section 3.6.2**
Diverse funding platform with capacity to support growth	Harmoney's existing funding sources include: • warehouse facilities; • institutional peer-to-peer lenders; • retail peer-to-peer lenders (closed to new investors from April 2020); and • cash. As at 30 September 2020, Harmoney had: • $20 million of unutilised funding headroom in the New Zealand Warehouse Trust's $153 million facility; and • A$85 million of unutilised funding headroom in the Australian Warehouse Trust's A$115 million facility. To support the projected growth in its loan book, Harmoney engaged a number of potential funding partners to establish a second Warehouse Facility in New Zealand. In September 2020, Harmoney received credit committee approval from a global asset manager for up to $200 million to establish a second Warehouse Facility in New Zealand.	**Section 3.7**
Experienced Senior Management and Board	Harmoney is led by a senior management team which has significant experience in financial services, and ASX listed companies. Senior Management is supported by the Board with relevant demonstrated experience.	**Sections 6.1 and 6.2**

1.5 Key risks

There are a number of risks associated with Harmoney's business, the industry in which it operates and general risks associated with investment in Harmoney that may affect Harmoney's business, financial position, operating and financial performance, growth, price and/or value of Shares and return on investment for Shareholders. The following table is a select summary of certain key risks that Harmoney is exposed to. Further details about what Harmoney and SaleCo believe to be the key risks specific to an investment in Harmoney and the general risks associated with an investment in Harmoney are set out in Section 5.

An investment in an early stage company such as Harmoney is speculative (in particular, see the Business maturity risk summarised in Section 5.2.12) and you should consult your professional advisors before deciding whether to apply for Shares.

Topic	Summary	
Borrowers may default on loans	If Harmoney's exposure to credit loss as a result of Harmoney's customers failing to repay their obligations to Harmoney is higher than expected, it will have a material adverse effect on Harmoney's profitability. Customer default may be caused specifically by changes to a customer's personal circumstances (for example loss of employment) or as the result of a macroeconomic event (for example COVID-19). Any of these events could result in customers prioritising payments to other creditors or essential expenses ahead of repayments to Harmoney. If Harmoney's customers default on the repayment of loans that have been originated or acquired by the Warehouse Facilities, there is a risk that Harmoney may also suffer losses on the subordinated funding that it provides to the Warehouse Facilities. If losses on loans in the Warehouse Facilities are high, then such losses will be borne first by Harmoney from its 'first loss' position as the provider of the most subordinate ranking debt. Harmoney may also be required to repurchase underperforming loans.	**Section 5.2.1**
Breach of restrictions/ covenants under Warehouse Funding Documentation may lead to a loss of funding (or Harmoney contributing more capital)	The investors in the Warehouse Facilities provide funding in accordance with the documentation for the Warehouse Facilities. If Harmoney does not comply with the restrictions and covenants in the documentation for the Warehouse Facilities, (including that there has not been a breach of obligations, representations or warranties), Harmoney may be unable to draw on the Warehouse Facilities to originate new loans. A more serious event in a Warehouse Facility may cause an amortisation event or an event of default. Such an event may arise from Harmoney's breach of its servicing or management obligations or representations that Harmoney gives in connection with the origination of loans (such as in relation to compliance with its responsible lending obligations and other laws). These may also arise from factors outside Harmoney's control, such as a deterioration in the credit quality or performance of the pool of loans funded under the relevant Warehouse Facility. All of the above would have a material significant impact to Harmoney's income, profitability and overall financial position, impacting growth and the value of the Shares.	**Section 5.2.2**
Impact of changes to the regulatory environment	There is a risk that changes to laws or regulations (including their interpretation by courts or enforcement by regulators) or enhanced scrutiny in the financial services sector and consumer credit sector could impact Harmoney's business and/or increase compliance costs. Changes to laws, regulations and industry compliance standards obliging industry participants to proactively change their business models or product features, alter funding arrangements or change their disclosure practices, could have a material adverse effect on Harmoney's business, financial position, operating performance and growth. Overall, an increasing focus on data protection standards, and an evolving regulatory landscape regarding new technologies (including scoring and other assessment techniques), also make it likely that Harmoney will need to adapt its services, customer engagement model and compliance approach over time. The consequences of regulatory change include but are not limited to impediments to the current business model, limitations of product offerings or their features and higher operating costs, all of which can impact growth, profitability and ultimately shareholder value.	**Section 5.2.3**

Topic	Summary	
Reliance on third-party service providers for critical services	Any failure by a third party to deliver a reliable service of acceptable quality to Harmoney (for example, credit reporting data, banking and financial payments services, software and technology providers as well as data science and cloud hosting services) could result in disruption to Harmoney's business and may impact on customers' ability to transact with Harmoney. This may have a material adverse effect on Harmoney's business operations, ability to generate income and financial performance.	**Section 5.2.4**
Marketing and/or distribution channels may not operate effectively or may increase in cost	There is a risk that Harmoney's marketing strategy may become more expensive as a result of increased competition bidding higher prices for digital media. Harmoney's direct advertising and direct marketing channels may also become less effective if, for instance, mass-marketing becomes less effective or there are changes to the algorithms or terms of services for search engines (like Google), which may cause Harmoney to be ranked lower or excluded from search results. As a result, Harmoney may have to turn to more expensive forms of advertising and marketing in order to effectively communicate with and attract customers and may be unable to grow at the expected rate of profitability which would have a material adverse effect on Harmoney's business, financial condition, operating and financial performance and/or growth. In the instance where these risks eventuate, Harmoney will experience a material significant impact to the ability to generate customer volume, achieve profitable growth and ultimately deliver shareholder value.	**Section 5.2.5**
Non-compliance with laws, regulations, licensing conditions or applicable industry standards	Three broad categories of risk are discussed in further detail in Section 5.2.6. 1) Harmoney is operating within a highly regulated market, the consumer loans market, which also attracts close scrutiny from regulators. Harmoney may fail, or be perceived to have failed, from time to time to comply with all regulatory requirements and, as a result, could be subject to enforcement measures by the Commerce Commission or ASIC, or other regulators. Depending on the nature of the failure to comply with all regulatory requirements, this could result in fines or penalties or (for certain breaches of disclosure standards) being liable to refund payments of interest and fees to borrowers as well as reputational damage from public and media scrutiny. In addition, regulators could require that changes are made to Harmoney's business model or its offering to customers. Changes to Harmoney's business model or its offering to customers may have a material adverse effect on Harmoney's operating and financial performance (including costs, income and profitability), which could impact the value of the Shares; 2) Loss of Australian Credit Licence (ACL) could prevent Harmoney from operating. Harmoney relies on an ACL to conduct business as a consumer lender in Australia. Any breach of ACL conditions, consumer credit responsibilities and/or corporations law requirements could result in suspension or revocation of the ACL impacting Harmoney's ability to continue to operate its consumer loan business in Australia. New or modified licence conditions imposed on Harmoney could result in increased costs, and an inability to provide the same customer offering, which in turn could impact Harmoney's ability to meet growth objectives and have a material adverse effect on operating and financial performance; and	**Section 5.2.6**

Topic	Summary	
Non-compliance with laws, regulations, licensing conditions or applicable industry standards continued	3) All other regulations and risks of non-compliance could prevent Harmoney from operating or incur additional operating costs. Harmoney is subject to a range of laws, regulations and industry standards in addition to New Zealand and Australian consumer credit laws; including privacy law, AML and CTF law among others. If Harmoney fails to comply with any of its regulatory requirements, this could result in fines, penalties or reputational damage (including cessation of business activities, loss of investors or failure to attract new investors). In addition, Harmoney may be subject to increased costs (on an individual or ongoing basis) to remedy non-compliance or to resolve disputes, litigation proceedings or regulatory investigations. Any or all of these regulatory non-compliance risks, if they eventuated, could result in a material adverse effect on Harmoney's operating and financial performance and the value of the Shares.	**Section 5.2.6**
Harmoney may experience technology failure or technological obsolescence	Reliance on technology delivery also means there is risk associated with deficient performance through disruption or loss of functionality. The absence of the availability of Stellare™ through technology failure or technological obsolescence will result in reduced loan volume, missed growth targets, potential reputational damage, and higher credit loss through ill-informed credit decisions and overall affect Harmoney's ability to acquire new borrowers as well as service existing borrowers and retain customers. Any of these events could have a materially adverse impact on Harmoney's ongoing business, financial condition, operating and financial performance and value of the Shares.	**Section 5.2.7**
Exposure to a security or data breach (including cyberattack)	Hacking, cyberattacks, malware incursion or other exploitation of Harmoney's systems could result in loss, theft or corruption of data held by or on behalf of Harmoney. This could occur through deliberate malicious efforts to obtain sensitive customer information, human error, defects in technology or failure of third-party providers to comply with their contractual obligations. The loss, theft or corruption of data held by or on behalf of Harmoney may directly impact Harmoney's ongoing capability to generate income as a result of disruption in the availability of the Harmoney platform and inability of customers to access the Harmoney platform.	**Section 5.2.8**
Harmoney may not successfully execute its growth strategies	There is no guarantee that all or any of Harmoney's growth strategies will be successfully implemented, deliver the expected returns, or ultimately be profitable. There is also the risk that growth strategies might be impacted by unexpected delays and unexpected or prohibitive implementation costs. Factors that will impact Harmoney's ability to execute its growth strategies include macroeconomic environment change, change to the regulatory environment/regime, negative impacts to current product performance with the addition of a new product (either internally to Harmoney or externally by a competitor) and changing customer preferences in regard to product offerings.	**Section 5.2.9**

Topic	Summary	
Credit assessment process may not operate effectively	There is a risk that Harmoney's credit systems and process will not produce an accurate evaluation of a customer's credit risk. In relation to Harmoney's credit systems and process, Harmoney is at risk of any of the following occurring: inaccuracy of data provided by third parties (such as credit bureaus), human error by a credit officer or other employee, software bugs, technological failures, software configuration errors, and incorrectly understood statistical evaluations/algorithm errors. The above risks may eventuate and may have a material significant effect on loss rates, impairment expenses and/or movement in the expected credit loss provision and therefore on Harmoney's financial performance and ultimately the value of Shares.	**Section 5.2.10**
Inaccessibility of funding or new funding facilities	If Harmoney is not able to secure additional funding on satisfactory terms, it may not be able to provide loans to borrowers on competitive terms, or its ability to do so may be restricted. This could have a significant impact on Harmoney's income, profitability and overall financial position, impacting growth and the value of the Shares. Harmoney's ability to write new loans has a direct impact on its financial performance, including its ability to meet the Forecast Financial Information and the market relevance of Harmoney's products. Accordingly, if Harmoney is unable to access funding or funding is only available on terms that are unsatisfactory, it would have a material adverse effect on Harmoney's business, financial condition, results of operations, and/or growth.	**Section 5.2.11**
Business maturity	As Harmoney's business and the size of Harmoney's operations grow, there is an increased need to document and standardise processes. Failure to adequately manage these developments in an efficient manner or at all, may result in one or more of the risks noted in this Section 5 eventuating, which individually or in aggregate could have a material adverse effect on Harmoney's reputation, operations and financial performance. A lack of process maturity increases the risk of inconsistent outcomes, manual errors, inefficiencies and knowledge retention, which may lead to operational losses, which, in turn, can have both financial and non-financial impacts, including adverse effects on the profitability of the business and its reputation. A lack of maturity in sustaining a long-term relationship with Google and Harmoney's reliance on Google for customer acquisition might result in a failure to sustain acquisition such that customer growth, profitability and ultimately shareholder returns may be at risk.	**Section 5.2.12**
The emergence of alternative lending products and/or competitors in the market	The market is fertile for technological disruption and development of new product offerings that may markedly increase competitive pressures on Harmoney. Participants in the consumer loans sector may seek to imitate Harmoney's strategies and/or may attempt to take market share from Harmoney or may develop alternative products or have more effective consumer engagement which reduce Harmoney's competitiveness. Harmoney's customers have a range of credit alternatives (both bank and non-bank) in the New Zealand and Australian market and the emergence of alternative products or new competitors could affect Harmoney's ability to attract or retain customers and impact the growth of Harmoney's business.	**Section 5.2.13**

Topic	Summary	
Loss of Senior Management	Any loss of service from any member of Senior Management, or any delay in acquiring a comparable replacement may have an impact on Harmoney's growth and financial performance. The failure to attract and retain certain key management and employees may have a material adverse effect on Harmoney's business, increasing the costs of hiring suitable replacements and potentially impacting Harmoney's growth and future financial performance.	**Section 5.2.14**
Exposure to operational risk, conduct risk and fraud	Harmoney is exposed to operational and conduct risk resulting from a broad number of factors including human error, communication errors, processing errors and the failure of employees to responsibly carry out their duties. The failure of Harmoney's controls and procedures to manage operation risk could result in customer complaints, compliance failures or adverse customer outcomes. If any of these occur, there is the risk of compliance breaches by Harmoney, Harmoney incurring remediation costs, reputational damage to Harmoney and financial loss and increased costs to Harmoney.	**Section 5.2.15**
Protection of technology, intellectual property and intangible assets	There is a risk that Harmoney's intellectual property may be compromised in a number of ways, including through unauthorised use or copying of Harmoney's software, data, specialised technology or platforms. In addition, there is a risk that the validity, ownership or authorised use of intellectual property relevant to Harmoney's business may be successfully challenged by third parties. Any such breaches (including by way of employee fraud) or the introduction of competing technologies could erode Harmoney's competitive position, which could have an immediate material adverse impact on Harmoney's business, operating and financial performance, and/or growth. In addition, competitors may be able to work around any of the intellectual property rights used by Harmoney, or independently develop competing products or services that are not protected by Harmoney's intellectual property rights.	**Section 5.2.16**
Brand or reputational damage	There is a risk that unforeseen issues or events may adversely impact Harmoney's reputation, whether founded or not. The strength of Harmoney's reputation is an important part of retaining and growing its customer bases and, accordingly, an event that has a negative impact on Harmoney's brand could have a material adverse impact on the demand for Harmoney's products. This may adversely impact Harmoney's business, financial condition, operating performance, and/or growth.	**Section 5.2.17**
Litigation, claims and disputes	There is a risk at any time that Harmoney may become the subject of litigation and disputes which could materially and adversely affect Harmoney's business, reputation, financial position, and operating performance for reasons not limited to remediation and the cost of settling claims or disputes. See Section 9.8 for litigation matters.	**Section 5.2.18**

Topic	Summary	
Exposure to movements in foreign exchange rates	Adverse movements in the exchange rate between the New Zealand dollar and the Australian dollar will affect, among other things, the New Zealand dollar amount of Harmoney's income and expenses, which may impact Harmoney's future financial performance and cash flows which may adversely affect Harmoney's ability to pay dividends. The proceeds of the Offer will be received in Australian dollars and consequently will be at the risk of any adverse movement in the exchange rate between the New Zealand dollar and the Australian dollar exchange rate between the pricing of the Offer and the closing of the Offer. If the Australian dollar falls during this period, the net proceeds of the Offer, after being converted to New Zealand dollars will be reduced, meaning Harmoney will have less money to spend on the purposes set out in Section 7.1.2.	**Section 5.2.19**
Ability to refinance debt or access capital markets on attractive terms	Harmoney's inability to secure adequate financing in the future, may negatively impact its future growth, business, financial performance and operations. Harmoney's ability to obtain financing depends on a number of other factors, many of which are outside its control, such as interest rates and national and local business conditions. If the cost of obtaining needed equity or debt financing is too high or the terms of such equity or debt financing are otherwise unacceptable in relation to the strategic opportunity Harmoney is presented with, Harmoney may be unable to take advantage of new opportunities or take other actions that otherwise might be important to Harmoney's business or prospects. Harmoney can give no assurance that it will obtain the needed financing or that it will obtain such financing on attractive terms.	**Section 5.2.20**
Ability to scale business	The ability of Harmoney to increase income and achieve profitability is dependent on its ability to profitably scale its business in its key markets, particularly, Australia. While Harmoney has been successful in achieving a market leading position in New Zealand in a short timeframe, there is no guarantee that Harmoney will be able to achieve the same level of growth in Australia. The ability to rapidly scale Harmoney's business in Australia and other markets is dependent on increases in growth in its customer base. Failure to grow its customer base may materially and adversely impact Harmoney's ability to increase income, achieve economies of scale, optimise its systems and expand its operations, which may have a negative impact on Harmoney's profitability.	**Section 5.2.21**

Topic	Summary	
Interest rates	Interest rates may fluctuate over time due to a broad range of factors, ranging from an economy-wide shift in interest rates as a result of monetary policy to respond to economic downturn (through changes to the official cash rate set by the RBNZ or RBA) or as a result of an increased supply of investor funds in a specific lending market. An increase in interest rates may make personal loans offered by Harmoney less attractive to borrowers if borrowers can obtain lower interest rates elsewhere. Although Harmoney hedges a portion of its funding liabilities against adverse movements in interest rates, an increase in interest rates may also increase the cost of funding available to Harmoney to fund its Warehouse Facilities, which is a key variable cost of the business.	**Section 5.3.1**
Economic and financial market conditions	Once Harmoney becomes a listed company, it will become subject to general market conditions and risks inherent to all entities whose securities are publicly listed on a securities exchange. General economic conditions (both domestically and internationally), long-term inflation rates, exchange rate movements, interest rate movements and movements in the general market for ASX and internationally listed securities may adversely affect the market price of Shares and the ability of Harmoney to pay dividends. **The COVID-19 pandemic** The full impact of the COVID-19 pandemic is inherently uncertain and there is a risk that the economic and financial markets and business conditions could further weaken. This could result in borrower default on existing loans. There is a risk that worsening economic conditions driven by COVID-19 could impact on the demand for Harmoney's products. This could impact Harmoney's future financial performance and the price or value of the Shares. Information on Harmoney's operational response to the COVID-19 pandemic is set out in Section 3.9.1. Harmoney has robust credit assessment processes and has increased risk provisioning to strengthen its ability to absorb the potential impact of COVID-19 on the economic environment.	**Section 5.3.2**
Sell down by Existing Shareholders	Escrowed Shareholders will be able to sell Escrowed Shares once they are released from the voluntary escrow arrangements described in Section 7.10. A significant sale of Shares by some or all Existing Shareholders, or the perception that such sale may occur at the end of an Escrow Period, could adversely impact the price of Shares. Conversely, the absence of any significant sell down of Escrowed Shares may cause or contribute to a diminution in the liquidity of the market for the Shares.	**Section 5.3.6**

1.6 Directors and Senior Management

Topic	Summary	
Who are the Directors of Harmoney?	• David Flacks (Independent Chairman) • David Stevens (Chief Executive Officer and Managing Director) • Neil Roberts (Founder, Chief Product Officer and Executive Director) • Tracey Jones (Independent Non-Executive Director) As at the Prospectus Date, there are two independent Non-Executive Directors and two Executive Directors. It is proposed that following Completion of the Offer, Harmoney will undertake a search to identify and select an appropriate candidate to be appointed as a third independent Non-Executive Director. It is proposed that the Board will appoint the selected candidate as a Director once that person has been identified and selected following Completion of the Offer. That person would then hold office as a Director until Harmoney's next annual general meeting, where they would be eligible for re-appointment as a Director.	**Section 6.1**
Who are the key management of Harmoney?	• David Stevens (Chief Executive Officer and Managing Director) • Simon Ward (Chief Financial Officer) • Brad Hagstrom (Chief Operating Officer) • Neil Roberts (Founder, Chief Product Officer and Executive Director) • Duncan Gross (Group Treasurer) • Andrew Bates (Chief Technology Officer) • David Nesbitt (Chief Risk Officer) • Amanda Donaldson (Head of Human Resources) • Glen Mackellaig (Head of Digital Marketing) • Mike Travis (General Counsel)	**Section 6.2**

1.7 Significant interests of key people and related party transactions

Topic **Summary**

Who are the Existing Shareholders and what will their interest be at Completion of the Offer?

Section 7.2

	Pre-restructure shareholdings		Shares held immediately prior to Completion		Shares held on Completion	
	#	%	#	%	#	%
Neil Roberts Trustee Company Limited as trustee of the Neil Roberts Business Trust[20]	**Shares:** 19,766,152	27.5%	19,766,152	24.4%	18,611,152	18.4%
Michael Lookman and 187 Bridge Trustees 53 Limited as trustees of the Lookman Family Trust	**Shares:** 3,249,311 **Series C shares:** 5,820,307	12.6%	9,069,618	11.2%	9,069,618	9.0%
Kirwood Capital Partners IB Pty Limited as trustee of the Kirwood Capital Partners Fund IB Trust	**Series C shares:** 8,730,461	12.1%	8,730,461	10.8%	8,730,461	8.7%
Heartland Group Holdings Limited	**Shares:** 6,552,309 **Series B shares:** 1,966,555	11.8%	8,518,864	10.5%	8,518,864	8.4%
Trade Me Limited	**Shares:** 726,901 **Series A shares:** 6,564,032 **Series B shares:** 330,026	10.6%	7,620,959	9.4%	7,620,959	7.6%
Alternative Credit Investments PLC	**Shares:** 3,933,109	4.9%	3,933,109	4.9%	3,933,109	3.9%
David John Stevens & CR Trustees Limited as trustees of Liquid Asset Trust[21]	**Shares:** 408,673 **Performance rights:** 2,383,067	0.6%	2,791,740	3.5%	1,870,465	1.9%
Other Existing Shareholders	**Shares:** 11,510,633 **Series B shares:** 6,272,657 **Performance rights:** 6,631,640	19.9%	20,481,821	25.3%	16,129,524	16.0%
New Shareholders acquiring Shares under the Offer	-	-	-	-	26,428,572	26.2%
Total	**Shares:** 42,213,979 **Series A shares:** 6,564,032 **Series B shares:** 8,569,238 **Series C shares:** 14,550,768 **Performance rights:** 9,014,707	**100%**	**80,912,724**	**100.0%**	**100,912,724**	**100.0%**

The Selling Shareholders will each sell a portion of their Shares into the Offer through their arrangements with SaleCo (see Section 9.3).

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[20] These are entities affiliated with Neil Roberts, who is a Director.

[21] These are entities affiliated with David Stevens, who is the Chief Executive Officer and Managing Director.

<table>
<tr><th>Topic</th><th>Summary</th><th></th></tr>
<tr><td>What significant benefits and interests are payable to Directors and other persons connected with Harmoney or the Offer and what significant interests do they hold?</td><td>
<table>
<tr><th></th><th colspan="2">As at Prospectus Date</th><th colspan="2">At Completion of the Offer</th></tr>
<tr><th>Directors</th><th>Shares</th><th>Performance rights issued under the Existing Incentive Plan</th><th>Shares</th><th>Performance rights issued under the Existing Incentive Plan</th></tr>
<tr><td>David Flacks
Independent Chairman</td><td>1,162,470</td><td>–</td><td>816,354</td><td>–</td></tr>
<tr><td>David Stevens
Chief Executive Officer and Managing Director</td><td>2,791,740</td><td>–</td><td>1,870,465</td><td>–</td></tr>
<tr><td>Neil Roberts
Founding Executive Director</td><td>19,766,152</td><td>–</td><td>18,611,152</td><td>–</td></tr>
<tr><td>Tracey Jones
Independent Director</td><td>559,494</td><td>–</td><td>431,111</td><td>–</td></tr>
</table>
Directors and Senior Management are entitled to remuneration and fees on commercial terms as described in Section 6.3.2 and 6.3.3.
Advisers and other service providers will receive fees for services on the terms set out in section 6.3.1.</td><td>Section 6.3.2.6</td></tr>
<tr><td>Will any Shares be subject to restrictions on disposals following Completion of the Offer?</td><td>The Escrowed Shareholders have entered into voluntary escrow arrangements with the Company under which they will be prevented from selling or otherwise dealing in tranches of their Escrowed Shares during the applicable Escrow Period subject to certain permitted exceptions as set out in their voluntary escrow arrangements. The Escrowed Shares will comprise approximately 72% of the total Shares outstanding at Completion of the Offer. The Company's free float at the time of Listing will not be less than 20% for the purposes of ASX Listing Rule 1.1 Condition 7.
Affiliated Shareholders will have their Escrowed Shares subject to escrow restrictions on and from Completion until 4.15pm on the Trading Day following the day on which the Company's full year results for the financial year ending 30 June 2022 are released to ASX and NZX, subject to certain earlier partial release dates.
Unaffiliated Shareholders will have their Escrowed Shares subject to escrow restrictions on and from Completion until 4.15pm on the Trading Day following the day on which the Company's results for the financial half year ending 31 December 2021 are released to ASX and NZX, subject to certain earlier partial release dates.</td><td>Section 7.10</td></tr>
</table>

1.8 Overview of the Offer

Topic	Summary	
What is the Offer?	The Offer comprises an initial public offering of 26.4 million Shares comprising 20.0 million New Shares and up to 6,428,572 Sale Shares raising proceeds of up to A$92.5 million[22] at the Offer Price of A$3.50 per Share. The Offer is an invitation to apply for: • 20.0 million New Shares offered by the Company to raise proceeds of A$70.0 million; and • up to 6,428,572 Sale Shares offered by SaleCo to raise proceeds of A$22.5 million. The Shares being offered under the Offer will represent 26% of the Shares on issue at Completion. The total number of Shares on issue at Completion will be 100.9 million and all Shares on issue will rank equally with each other.	**Section 7.1**
Who are the issuers of this Prospectus?	Harmoney Corp Limited (NZCN 5177041, ARBN 645 036 595) and Harmoney Share Sale Company Limited (NZCN 8129511, ARBN 645 035 678).	**Important Notice**
What is SaleCo?	SaleCo is a special purpose vehicle which has been established to facilitate the sale of some of the Existing Shares held by the Selling Shareholders.	**Section 9.3**
Who are the Selling Shareholders?	The Selling Shareholders are employees and directors and Unaffiliated Shareholders who are Existing Shareholders who have each agreed to sell a portion of their Existing Shares to SaleCo prior to Listing.	**Section 9.3**
What is the proposed use of funds raised under the Offer?	The Offer is being conducted to: • provide Harmoney with capital to fund growth opportunities, including the transition from peer-to-peer lending to a 100% warehouse funding model; • provide Harmoney with access to capital markets, which it expects will better allow it to pursue future growth opportunities to improve its financial flexibility; • provide a liquid market for the Shares and an opportunity for other investors (beyond the Existing Shareholders) to invest in Harmoney; • allow employee and director shareholders to sell a portion of their Shares earned in the course of their employment, through SaleCo, for the dominant purpose of enabling them to cover income tax liabilities associated with those Shares; and • pay the costs of the Offer. At this stage, Harmoney anticipates that the primary proceeds of the Offer will: • provide Harmoney with capacity (in addition to the Warehouse Facilities) to fund growth in its personal loan originations for a period of at least 12 months following the Offer Date, and to fund related marketing costs; and • be used to pay the costs of the Offer.	**Section 7.1.2**

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[22] Subject to the Australian dollar/New Zealand dollar foreign exchange rate fluctuations between 7:00pm AEDT on the Closing Date and Settlement in respect of the proceeds received from Applicants in New Zealand dollars only.

1 Investment overview

Topic	Summary	
What are the components of the Offer?	The Offer comprises: • the Broker Firm Offer which is only open to retail clients of participating Brokers (see Section 7.5 for detail); and • the Institutional Offer which is open to Institutional Investors in Australia, New Zealand and Other Permitted Jurisdictions (see Section 7.7 for detail). No general public offer of Shares will be made under the Offer.	**Sections 7.5 and 7.7**
Will Harmoney be adequately funded on Completion of the Offer?	The Directors believe that on Completion, the Company will have sufficient funds available from the proceeds of the Offer and its operations to fulfil the purposes of the Offer and meet its stated business objectives.	**Section 7.1.3**
Is the Offer underwritten?	Yes. The Offer is fully underwritten by the Joint Lead Managers.	**Section 7.9**
Who are the Joint Lead Managers on the Offer?	The Joint Lead Managers are Jarden Australia Pty Ltd (ABN 33 608 611 687) and Ord Minnett Limited (ABN 86 002 733 048).	**Section 7.4**
Will the Shares be quoted on ASX?	Yes. The Company will apply to ASX within seven days of the Prospectus Date for its admission to the Official List and quotation of Shares (under the code "HMY"). The issue and allotment of Shares is conditional on ASX approving this application. If approval is not given within three months after such application is made (or any later date permitted by law), the Offer will be withdrawn and all Application Monies received will be refunded (without interest), as soon as practicable in accordance with the requirements of the Corporations Act.	**Section 7.4**
Will the Shares be quoted on NZX?	Yes. Harmoney will apply for listing with NZX as a foreign exempt issuer and for quotation of the Shares on the NZX Main Board. Failure to achieve admission to the NZX Main Board will not, of itself, prevent the Offer from proceeding and the Offer will not be withdrawn. In that situation, there will be no active trading market in the Shares on NZX, thereby potentially decreasing the overall liquidity of the Shares.	**Section 7.4**
What is the allocation policy?	The allocation of Shares between the Broker Firm Offer and Institutional Offer was determined by the Joint Lead Managers, in consultation with the Company, having regard to the allocation policies outlined in Sections 7.5.4 and 7.7.2.	**Section 7.4**

Topic	Summary	
Is there any brokerage, commission or stamp duty payable by Applicants?	No brokerage, commission or stamp duty is payable by Applicants on acquisition of Shares under the Offer.	**Section 7.4**
What are the tax implications of investing in the Shares?	Summaries of certain Australian and New Zealand tax consequences of participating in the Offer and investing in Shares are set out in Sections 9.12. The tax consequences of any investment in Shares will depend upon an investor's particular circumstances. Applicants should obtain their own tax advice prior to deciding whether to invest.	**Section 9.12**
When will I receive confirmation that my Application has been successful?	It is expected that initial holding statements will be dispatched to Successful Applicants by standard post on or about Wednesday, 18 November 2020.	**Section 7.4**
What is the minimum Application size?	The minimum Application under the Broker Firm Offer is as determined by the Applicant's Broker. There is no maximum Application under the Broker Firm Offer.	**Section 7.4**
How can I apply?	Broker Firm Offer Applicants may apply for Shares by completing a valid Broker Firm Offer Application Form attached to or accompanying this Prospectus and lodging it with the Broker who invited them to participate in the Broker Firm Offer. The Joint Lead Managers separately advised Institutional Investors of the Application procedure under the Institutional Offer.	**Section 7.5**
When are the Shares expected to commence trading?	It is expected that trading of the Shares on ASX and NZX will commence on or about Thursday, 19 November 2020 on a normal settlement basis once the Company has advised ASX that initial holding statements have been dispatched to Successful Applicants. **It is the responsibility of each Applicant to confirm their holding before trading in Shares. Applicants who sell Shares before they receive an initial holding statement do so at their own risk.** The Company, SaleCo, the Share Registry and the Joint Lead Managers disclaim all liability, whether in negligence or otherwise, to persons who sell Shares before receiving a holding statement, even if that person received confirmation of their allocation from the Harmoney IPO Offer Information Line or confirmed their firm allocation through a Broker.	**Section 7.4**

Topic	Summary	
What rights and liabilities attach to the Shares being offered?	A description of the Shares, including the rights and liabilities attaching to them, is set out in Section 7.15.	**Section 7.15**
Can the Offer be withdrawn?	Harmoney may withdraw the Offer at any time before the issue of New Shares or sale of Sale Shares to Successful Applicants under the Offer. If the Offer, or any part of it, does not proceed, all relevant Application Monies will be refunded (without interest).	**Section 7.4**
Where can I find out more information about this Prospectus or the Offer?	All enquiries in relation to this Prospectus should be directed to the Harmoney IPO Offer Information Line on: • within Australia: 1800 817 266; or • outside Australia: +61 1800 817 266, from 8.30am to 5.30pm (AEDT), Monday to Friday. If you have any questions about whether to invest, you should seek advice from your accountant, financial advisor, stockbroker, lawyer or other professional advisor before deciding whether to invest in Harmoney.	**Section 7.4**

Section 2

Industry overview

2 Industry overview

2.1 Introduction

Harmoney operates in the personal lending segment of the Australian and New Zealand consumer credit sector, which forms part of the Australian and New Zealand financial services industry.

Personal loans in this segment of the market:

- are typically used by borrowers for purposes such as consolidating debt, financing home renovations, vehicle purchases or holidays, and funding other life events;
- are typically for principal amounts varying between $2,000 and $70,000 in New Zealand and A$2,000 and A$70,000 in Australia; and
- typically have maturities ranging from two to seven years.

The interest rates charged in the industry vary significantly depending on the credit profile of the borrower, and, for personal loans, whether the loan is secured or unsecured. Generally, loans secured with an asset are offered at lower interest rates but registering security over a loan comes with administrative overhead and cost, which may be passed on to the borrower.

Personal loans are regulated (refer to Sections 2.6 and 2.7). Personal loans are not small amount credit contracts (also known as 'payday loans'), which are typically offered for amounts under $2,000 in New Zealand and A$2,000 in Australia for terms up to one year, and are distinct from 'buy now, pay later' products, which fund an upfront purchase made by a customer with the merchant and require the borrower to repay the purchase amount in instalments.

Providers of personal loans generate income through interest charged on outstanding balances, establishment fees, and other fees and charges, including ongoing loan service fees.

2.2 Overview of the personal lending segment

Although bank lenders hold the majority share of personal lending credit exposure in both New Zealand and Australia, their share of the personal lending market has been decreasing in recent years. Harmoney believes the historic market share of bank lenders was sustained by high barriers to entry, including their long-standing customer relationships, branch networks, economies of scale and large deposit bases which have assisted bank lenders through access to lower cost funding.

However, it is Harmoney's view that the shifting trend in personal lending from bank lenders to non-bank lenders is due to the following factors:

- consumer demand for convenient access to online financial services, with technology-driven non-bank lenders seeking to positively differentiate their offering via their digital customer experience, including speed of loan decisioning;
- decreased barriers to entry supporting the entrance of non-bank lenders has encouraged competition in the personal lending market, giving customers greater flexibility on lenders;
- greater access to consumer credit data from credit providers which provide technology-driven lenders like Harmoney with enhanced information to assess a potential customer's credit capacity and credit worthiness, thus supporting more bespoke lending solutions;
- increased scrutiny and regulation of bank lenders which has made areas of the personal lending segment less attractive than they were historically both in absolute terms and relative to other lending areas in which bank lenders operate (such as mortgages); and
- willingness by consumers to try digital non-bank lenders, such as Harmoney.

While the direct exposure of bank lenders to personal lending has declined, they still retain indirect exposure as major providers of wholesale funding to non-bank lenders.

2.2.1 Key players in the personal lending segment

2.2.1.1 Bank lenders

In New Zealand, bank lenders are those registered by the RBNZ. Personal lenders among New Zealand banks include ANZ, ASB, BNZ and Westpac.

In Australia, bank lenders include authorised deposit-taking institutions (traditional banks), credit cooperatives, building societies and rural financial counselling services. Personal lenders among Australian bank lenders include ANZ, CBA, NAB and Westpac.

2.2.1.2 Non-bank lenders

In New Zealand, non-bank lenders are financial institutions with total assets of $5.0 million or more at the consolidated group level, whose principal business is credit provision and borrowing money from the public and/or other sources.

In Australia, non-bank lenders are lenders that are not authorised deposit-taking institutions and that have total assets greater than A$50.0 million.

2.2.1.3 Traditional non-bank lenders

Traditional non-bank lenders are a subset of non-bank lenders that provide loans to a broader range of borrowers than bank lenders, including borrowers who may have lower credit scores. Harmoney believes some traditional non-bank lenders rely solely on third-party vendors to provide technology platforms, rather than having developed their own proprietary technology platforms, as Harmoney has done.

Some of Harmoney's competitors among New Zealand traditional non-bank lenders include Marac Finance, Avanti Finance, UDC and FlexiGroup.

Some of Harmoney's competitors among Australian traditional non-bank lenders include FlexiGroup, Latitude Financial Services, Liberty Financial and Pepper Money.

2.2.1.4 Technology-driven non-bank lenders

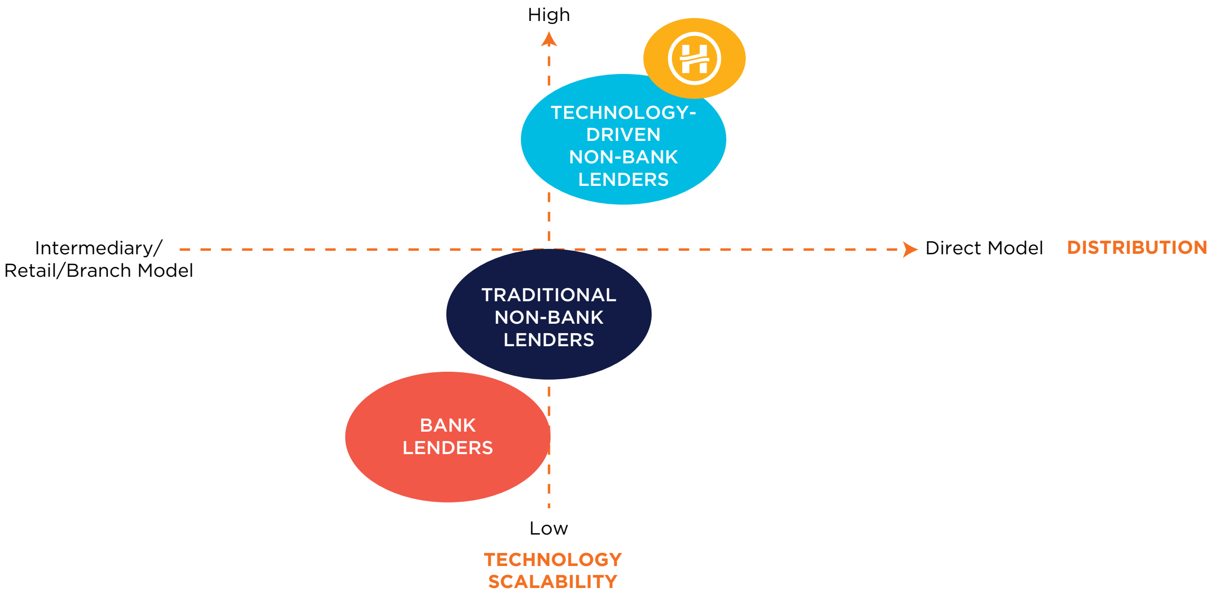
Technology-driven non-bank lenders are a subset of non-bank lenders that utilise technology in the provision of their credit products to address the financing needs of consumers. Harmoney is a technology-driven non-bank lender.

Within this subset, there are a number of different business models:

- 'balance sheet lending', involves utilising warehouse funding to fund the provision of credit products to consumers. Warehouse funding is a funding model where a line of credit is typically provided by a financial institution in the form of an institutional warehouse or funding facility, to a lender (such as Harmoney) which enables them to provide loans;
- 'peer-to-peer lending', involves a non-bank institution acting as an intermediary in facilitating the matching of individual lenders with individual borrowers seeking personal loans, typically using technology via a digital platform; and
- 'buy now, pay later', involves an alternative form of technology-driven balance sheet lending where companies fund an upfront purchase to a merchant on behalf of a consumer who will then repay the purchase amount in instalments that usually do not carry any upfront fees or interest. Income is earned by the company through a merchant fee.

Some of Harmoney's competitors among technology-driven non-bank lenders include MoneyMe, SocietyOne, Plenti, Zip Co, Splitit, Laybuy and Afterpay.

Figure 1: Positioning in the cross-section of distribution and scalability: Harmoney well-positioned with a direct model and high scalability



2.2.2 Key characteristics of personal lenders

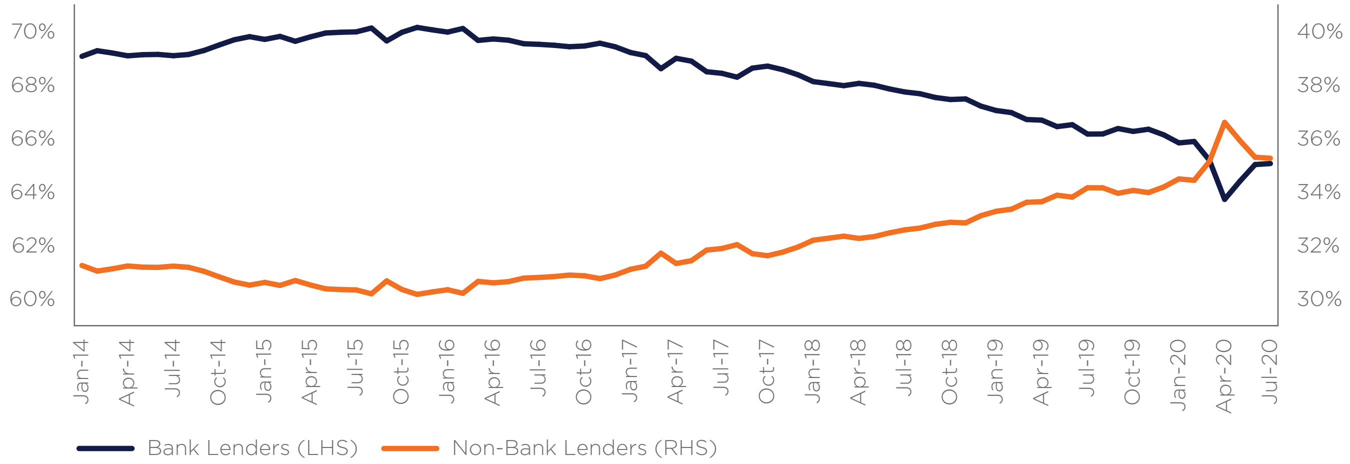
The following table sets out the key characteristics of personal lenders.

Key characteristic	Description
Customer acquisition model	Direct model: customers are acquired through a digital marketing channel such as search engine marketing, display advertising, social media, affiliate partners and email. Broker model: customers are acquired through a broker (for a fee), which acts as an intermediary between the lender and the customer and facilitates the transaction. Point of sale model: customers are acquired through a retailer at the point of sale. For example, when a customer purchases a product, the retailer may direct the customer to consider using credit to pay for the product via instalments.
Funding model	Warehouse funding is a funding model where a line of credit is typically provided by a financial institution in the form of an institutional warehouse or funding facility, to a lender (such as Harmoney) which enables them to provide loans. The lender bears the possibility of a loss resulting from a borrower's failure to repay a loan (**credit risk**). Interest income and expenses are recognised by the lender. Peer-to-peer funding involves a non-bank institution acting as an intermediary in facilitating the matching of individual lenders with individual borrowers seeking personal loans, typically using technology via a digital platform. The non-bank institution typically bears no credit risk and receives a fee for facilitating the matching of lenders with borrowers. Lenders can be retail (individuals) or institutions.
Product offerings	Personal loans: a personal loan is a form of credit typically used for a specific purpose, such as consolidating debt, financing home renovations, vehicle purchases or holidays, and funding other life events. It can be secured or unsecured against an underlying asset. Automotive loans: an automotive loan is a personal loan for a new or used personal vehicle. Point of sale financing: a type of consumer credit that allows the buyer to apply for a loan or line of credit that finances a specific purchase or allows the customer to purchase up to a set limit with a single retailer and pay it off over time. Credit cards: a payment card issued to users (cardholders) to enable the cardholder to pay a merchant for goods and services based on the cardholder's promise to subsequently pay the card issuer for the amounts plus the other agreed charges.
User experience	Lenders may seek to differentiate themselves from competitors through superior customer service and favourable customer experience, including risk-based interest rates.

2.3 Key industry developments in New Zealand

In New Zealand, the total addressable personal lending market as at July 2020 was $14.9 billion.[23] Since 2014, non-bank lenders have increased their share of the personal lending segment from bank lenders. The estimated aggregate loan book for non-bank lenders as at July 2020 was $5.2 billion, representing a market share of approximately 35%, up from $4.1 billion representing a market share of 31% as at January 2014.[24]

Figure 2: New Zealand personal lending volumes – market share (%)[25]



A number of factors have contributed to the increased market share of non-bank lenders in the personal lending segment, including:

- consumer preferences for faster and more convenient credit products, enabled through the use of technology, resulting in a superior customer experience;
- customers having enjoyed favourable experiences with non-bank lenders;[26]
- some non-bank lenders offering lower interest rates relative to those of bank lenders;
- more stringent regulations (see Sections 2.6 and 2.7), which have resulted in bank lenders prioritising core asset classes that are more consistent with their targeted returns profile, such as residential mortgages; and
- bank lenders becoming more risk averse with lending, likely due to the requirements imposed by the RBNZ on bank lenders to hold more capital.

2.4 Key industry developments in Australia

In Australia, the total addressable personal lending market as of July 2020 was approximately A$150.1 billion.[27] Since 2015, non-bank lenders have increased their share of the personal lending segment from bank lenders. The estimated market share of personal lending captured by non-bank lenders has grown from 9.2% in May 2015 to 46.9% in November 2018 (refer to Figure 3)[28]. Although this data is not available beyond November 2018, it is the Company's view based on industry observations at the time and in the intervening period, that the current ratio of bank personal lending to non-bank personal lending would not have reversed.

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[23] RBNZ, 'Sector Lending (Registered Banks and Non-Bank Lending Institutions) – C5' – https://www.rbnz.govt.nz/ statistics/c5. Note: Personal loans are defined as personal or consumer loans which are not fully secured on residential property including overdrafts, credit cards, and term loans.

[24] RBNZ, 'Sector Lending (Registered Banks and Non-Bank Lending Institutions) – C5' – https://www.rbnz.govt.nz/ statistics/c5.

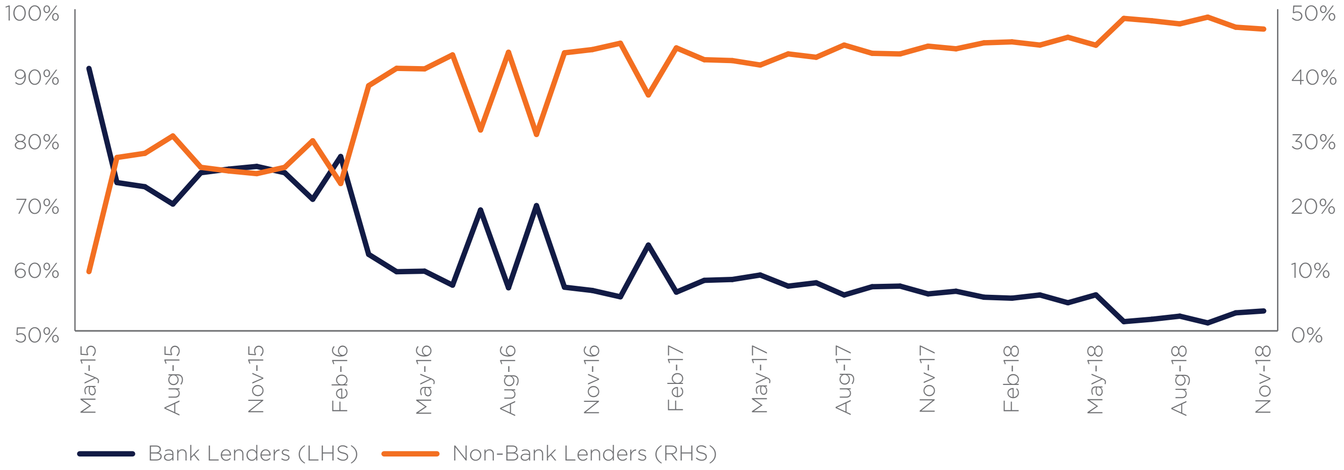
[25] RBNZ, 'Sector Lending (Registered Banks and Non-Bank Lending Institutions) – C5' – https://www.rbnz.govt.nz/ statistics/c5.

[26] KPMG, 'Non-Bank Financial Institutions Performance Survey – Review of 2019' – Figure 13.

[27] RBA, 'Lending and Credit Aggregates – D2' – https://www.rba.gov.au/statistics/tables/.

[28] ABS, 'ABS 5671.0 – Lending Finance, Australia, November 2018 – Table 52' applies a different definition of 'personal lending' to 'RBA, 'Lending and Credit Aggregates – D2'. Therefore, data from Figure 3 should not be applied to the total addressable lending market.

Figure 3: Australian personal lending volumes – market share (%)[29]



Harmoney believes that the trend towards non-bank lenders in Australia is driven by the following factors:

- consumer preferences for faster and more convenient credit products, enabled through the use of technology, resulting in a superior customer experience;
- bank lenders becoming more risk averse with lending, likely due to increased regulation and scrutiny following the Banking Royal Commission;
- the ongoing shift to Open Banking through the introduction of consumer data rights. By allowing consumers to share their data with other financial service providers Open Banking improves consumers' ability to compare and switch between providers, of financial products;
- introduction of the New Payments Platform, which enables real-time payments between accounts at participating financial institutions;
- the move to Comprehensive Credit Reporting which provides lenders with more extensive loan applicant data;
- banks decreasing their focus on personal lending; and
- the growing prominence of the online channel which has negated the need for a branch network and enabled technology-driven lenders to reach mass customer audiences in a cost-efficient manner.

2.5 The impact of COVID-19

2.5.1 New Zealand

The onset of COVID-19 initially prompted a significant downturn in New Zealand's personal loan activity. Between 16 and 31 March 2020, new personal loan enquiries decreased approximately 50% from pre-COVID-19 levels[30], as New Zealand consumers grappled with concerns on many fronts, including income, and employment stability. Following the easing of restrictions, there has been a strong recovery in consumer credit enquiries and the average credit score[31] (refer to Figure 4) along with an improvement in consumer confidence[32]. The main factors which are believed to have contributed to and aided in the recovery of consumer confidence and credit enquiries include the New Zealand Government's introduction of the Wage Subsidy Scheme and other non-government financial support measures, in response to COVID-19.

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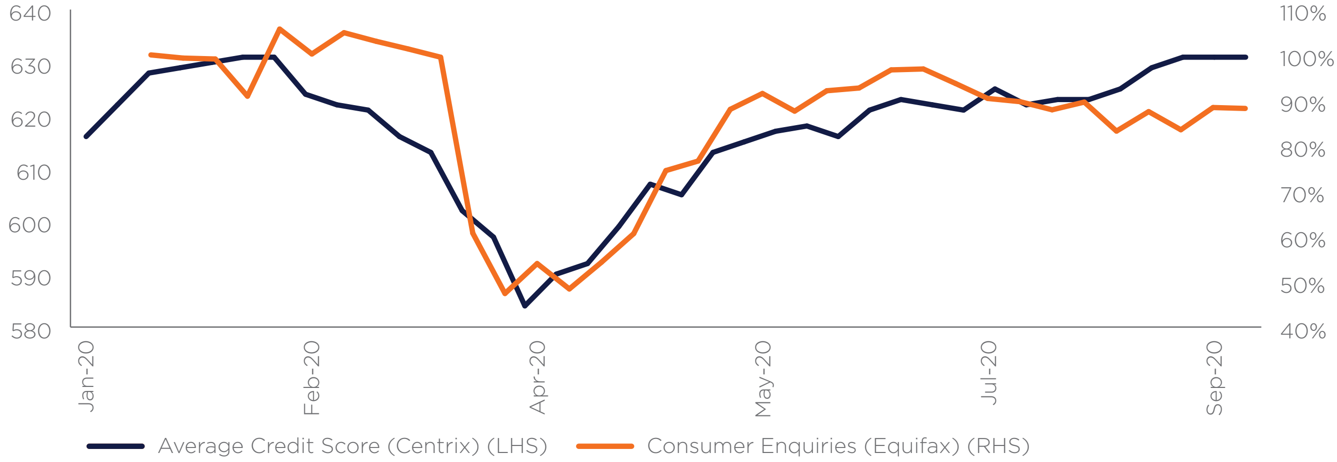
[29] ABS, 'ABS 5671.0 – Lending Finance, Australia, November 2018 – Table 52'. Note: data in 'Personal Finance': 1. Motor vehicles; 2 Boats, caravans and trailers; 4. Unsecured loans for owner occupied housing; 5. Household goods; 6. Debt consolidation; 7. Travel and holidays; 9. Other. 8. Refinancing was omitted from 'Personal Loans' because, in this dataset, refinancing includes refinancing for secured housing. 3. Individual residential blocks of land was omitted because it included financing for secured housing.

[30] illion, 'Kiwis avoid new debt as uncertainty lingers' – https://www.illion.co.nz/2020/07/29/kiwis-avoid-new-debt-as-uncertainty-lingers/. Measured as a decline from January 2020 to April 2020.

[31] Centrix, 'Market Insights Report Consumer Credit Risk' – September 2020.

[32] Bloomberg, New Zealand Roy Morgan Consumer Confidence Index Total Index.

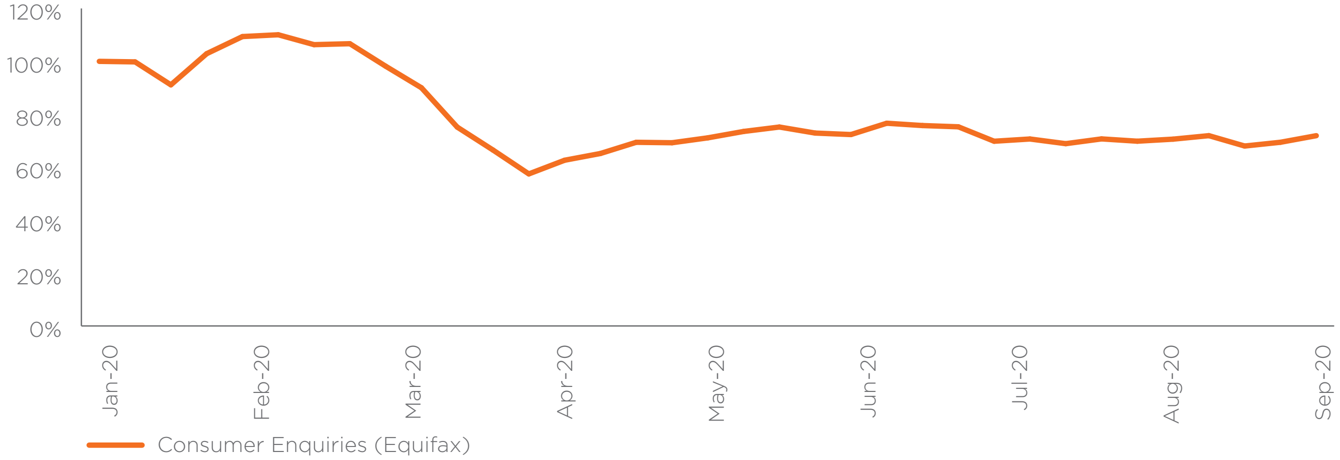
Figure 4: New Zealand consumer credit enquiries[33]



2.5.2 Australia

As in New Zealand, the onset of COVID-19 had a negative impact on Australia's personal loan activity. Between 22 February and 11 April 2020, new personal loan enquiries decreased more than 50% from pre-COVID-19 levels[34], but have since begun to recover in line with consumer confidence in the ensuing months (refer to Figure 5).[35] The recovery in Australia is believed to have been supported by stimulus measures such as JobKeeper and JobSeeker which were introduced by the Australian Government in response to COVID-19.

Figure 5: Australian consumer credit enquiries[36]



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[33] illion, 'COVID-19: tracking economic impacts in a time of crisis'.

[34] illion, 'COVID-19: tracking economic impacts in a time of crisis'.

[35] Bloomberg, National Australia Bank Business Indicators Business Confidence SA Index.

[36] illion, 'COVID-19: tracking economic impacts in a time of crisis'.

2.6 Regulatory landscape in New Zealand

Overview of key New Zealand requirements

The key regulatory and legal requirements which apply to Harmoney in New Zealand are summarised below.

Credit Contracts and Consumer Finance Act 2003 (**CCCFA**) and the *Responsible Lending Code* (**Lending Code**) and related regulations

Harmoney is a provider of consumer credit in New Zealand and as such is regulated by the CCCFA. The purpose of the CCCFA is to protect the interests of consumers in connection with credit contracts, consumer leases, and buy-back transactions of land, as well as to promote consumers' confident and informed participation in markets for credit. The CCCFA seeks to achieve this by requiring providers of credit to (among other things):

- disclose certain information to consumers under consumer credit contracts;
- observe rules about interest charges, credit fees, default fees, and payments in relation to consumer credit contracts. This includes ensuring such fees are not unreasonable and providing specific limits on the calculation of certain credit and default fees (such as prepayment fees);
- not act in an oppressive way when entering into a loan or when exercising any powers under it or allow the terms of its loans to be oppressive;
- comply with the lender responsibility principles set out in the CCCFA, guidance for which is provided in the Lending Code;
- allow borrowers to cancel their credit contract within a short period after receiving disclosure, prepay in full what they owe on their contract and request a variation to the loan terms if they are suffering unforeseen financial hardship; and
- exercise the care, diligence, and skill of a responsible lender when advertising credit or finance, and before and after providing consumer credit or finance and taking a relevant guarantee.

The CCCFA is enforced by the Commerce Commission and has been the subject of recent reforms, with amendments anticipated to come into effect between 2021 and 2023.

Financial Markets Conduct Act 2013 (**FMCA**)

Harmoney is licensed under the FMCA to provide peer-to-peer lending services. Harmoney no longer accepts new retail loans on its peer-to-peer marketplace but maintains its FMCA licence in relation to the existing portfolio of retail peer-to-peer loans.

The purpose of the FMCA is to promote the informed participation of businesses, investors and consumers in financial markets, and the development of fair, efficient and transparent financial markets. As part of that, licensing of peer-to-peer providers allows offers of loans through licensed providers to be made without being subject to the normal regulated disclosure regime for offers of debt securities under part 3 of the FMCA.

Harmoney is also subject to the broking regime in the *Financial Advisers Act 2008* (**FAA**) on the basis that it holds client money on trust under the peer-to-peer funding model. Brokers are subject to ongoing conduct obligations under the FAA. The FAA will be repealed on 14 March 2021 and the broking regime will then form part of the FMCA.

The FMCA is enforced by the FMA.

Financial Service Providers (Registration and Dispute Resolution) Act 2008 (**FSPA**)

In accordance with the FSPA, Harmoney is registered on the Financial Service Providers Register in relation to the financial services that it provides. The register enables consumers and regulators to see information about businesses providing financial services.

Harmoney is a member of an external, independent dispute resolution scheme operated by Financial Services Complaints Limited.

Anti-Money Laundering and Countering Financing of Terrorism Act 2009 (**AML/CFT Act**) and related regulations

Harmoney is a 'reporting entity' for the purposes of the AML/CFT Act. This means that Harmoney must:

- have conducted an AML/CTF Risk Assessment of its business, having regard to its types of customers, jurisdictions, and specific product risks;
- have an AML/CTF Compliance Program in place;
- have appointed an AML/CTF Compliance Officer;
- undertake customer due diligence (including identification and verification) prior to carrying out a regulated activity;
- monitor transactions, being vigilant for, and reporting on, suspicious activity and prescribed transactions; and
- annually review and report on its compliance.

Privacy Act 1993 (**NZ Privacy Act**) and the Information Privacy Principles (**Principles**)

Harmoney collects information relating to individuals who are users of the Harmoney Platform (**personal information**). The collection, use, access, storage and disclosure of personal information by Harmoney is subject to the NZ Privacy Act.

The Credit Reporting Privacy Code 2004 under the NZ Privacy Act is also relevant to Harmoney. It applies further controls on credit reporters' collection, use, and disclosure of credit information about individuals and also extends to use of credit reporters' services by Harmoney.

The NZ Privacy Act and Credit Reporting Privacy Code will soon be replaced by the Privacy Act 2020 and the Credit Reporting Privacy Code 2020.

2.7 Regulatory landscape in Australia

Overview of key Australian requirements

As a participant in the Australian credit industry, Harmoney is subject to a range of licensing and regulatory requirements, with the key regulations summarised below.

Australian credit licensing regime

Harmoney is required to hold an Australian Credit Licence (ACL) as it engages in activities to which the National Credit Code (NCC) applies, being the provision of credit to a consumer wholly or predominantly for personal, domestic or household purposes, for which a fee may be charged.

Harmoney was granted an ACL on 8 September 2015 under which it is authorised to carry on a business of providing credit in relation to a credit contract to which the NCC applies.

Harmoney's key obligations as an ACL holder include:

- demonstrating it has 'fit and proper' people to engage in credit activities, and that it maintains the competence to engage in the credit activities authorised by the ACL;
- complying with training and professional development requirements for its representatives;
- maintaining adequate arrangements and systems to ensure compliance with its obligations as a credit licensee, including annual audit and compliance requirements;
- maintaining an adequate professional indemnity insurance policy;
- implementing adequate arrangements to ensure that Harmoney's customers are not disadvantaged by any conflicts of interest arising in relation to credit activities engaged in by Harmoney or Harmoney's representatives;
- membership of the Australian Financial Complaints Authority (AFCA);
- submitting annual compliance certificates (reports) to ASIC detailing its compliance with its obligations as a credit licensee for the relevant year;
- complying with responsible lending obligations, including an obligation to conduct an assessment to ensure a credit contract is suitable for the consumer; and
- maintaining disclosure documents that comply with the form and content requirements prescribed by relevant legislation and ASIC guidance.

The *National Consumer Credit Protection Act 2009* (Cth) (including the NCC) (NCCP Act) imposes additional obligations on Harmoney.

For example, Harmoney must comply with responsible lending obligations set out in the NCCP Act which require consumer credit providers to make an assessment of a consumer's suitability for entry into a credit arrangement before providing a credit product. The NCC also includes highly prescriptive requirements as to the form and content of loan documents, as well as statutory disclosures and notices which must be made. The NCC provides mechanisms for enforcement of loans and dealing with hardship variations of contract requested by a debtor and regulates unjust terms of a loan agreement.

On 25 September 2020, the Australian Commonwealth Treasurer announced the Australian Federal Government's intended reform of access to credit for consumers and small businesses. Whilst the main objective of the reforms is to lighten the regulatory obligations associated with consumer lending, there are still a large number of responsible lending obligations that are not anticipated to be changed by the reform.

Some of the proposed changes may affect Harmoney. For example, it is proposed that lenders will be allowed to rely on information provided by a borrower unless there are reasonable grounds to suspect it is unreliable. Also, the proposed framework would not apply to any loan that has an element of business purpose, regardless of the proportion.

Ultimately, it will be crucial to consider the details of any draft legislation released and to follow any related further announcements and public consultation and parliamentary processes to be able to determine the effect of this reform on Harmoney, if any. It is also important to be aware that even if such changes proceed, the general licensee obligation to act "efficiently, honestly and fairly" remains, and is a civil penalty provision under the NCCP. This means that general principles of responsible lending will continue to be highly relevant to Harmoney.

Australian financial services licensing regime

Harmoney also holds an Australian Financial Services Licence (AFSL), which is regulated by ASIC and allows the business to assist in the operation of the Australian Warehouse Facility. Harmoney's AFSL is for wholesale investment purposes, and there are no retail investment authorisations. The AFSL allows Harmoney to:

- act as the trust manager of the Australian Warehouse Facility. This is currently Perpetual Limited, but Harmoney will transition to the role in January 2021;
- issue notes in respect of the Australian Warehouse Facility for funds disbursement; and
- issue derivatives in respect of the Australian Warehouse Facility relating to interest rate swaps.

Harmoney's key obligations as an AFSL holder include:

- providing financial services efficiently, honestly and fairly. This standard can be breached by conduct (objectively viewed) which is not criminal, but which is morally wrong in a commercial sense;
- having adequate arrangements to manage conflicts of interest. Some conflicts of interest would have such a serious potential impact on Harmoney or its customers that the only way to adequately manage those conflicts will be to avoid them. In other cases, Harmoney may provide financial services despite the existence of a conflict of interest if it takes proper steps to manage that conflict. The obligation is to ensure that the quality of financial services 'is not significantly compromised by conflicts of interest' and those services are not 'of materially lesser quality than Harmoney would have been likely to provide if they were not subject to the relevant conflict of interest';
- complying with dispute resolution requirements. Harmoney is required to have an internal dispute resolution procedure and obtain membership of the external dispute resolution procedure run by AFCA;
- having compensation arrangements. These arrangements are for compensating persons for loss or damage suffered because of breaches of the relevant obligations under the financial services regime; and
- holding professional indemnity insurance.

Consumer protection provisions under the ASIC Act

The provision of credit and financial services by a business is regulated as a "financial service" under Part 2 of the *Australian Securities and Investments Commission Act 2001* (Cth) (ASIC Act) which contains general consumer protection provisions such as prohibitions against misleading and deceptive conduct and unconscionable conduct and provisions which deem unfair contract terms to be void. The ASIC Act does not impose a licensing framework.

Anti-money laundering and counter-terrorism financing (AML/CTF)

An entity that provides 'designated services' with a geographical connection to Australia is a 'reporting entity' under the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* (Cth) (AML/CTF Act) and must enrol with the Australian Transaction Reports and Analysis Centre (AUSTRAC) and comply with the AML/CTF Act and Anti-Money Laundering and Counter-Terrorism Financing Rules Instrument 2007 (No. 1), unless an exemption applies.

Harmoney is a reporting entity as it provides loans in the course of carrying on a loan business and, as a lender, allows a customer to engage in a transaction in relation to a loan, which are 'designated services' under the AML/CTF Act. As such, Harmoney is a reporting entity and has obligations under the AML/CTF Act which include to:

- enrol or register with AUSTRAC;
- carry out an assessment of AML/CTF risks as directed by AUSTRAC;
- adopt and maintain an AML/CTF program that complies with the AML/CTF Act and is overseen by the Board to manage AML/CTF risks;
- undertake customer due diligence (including identification and verification) prior to providing a designated service;
- monitor transactions to detect suspicious activity; and
- report certain matters to AUSTRAC including an annual compliance report.

Harmoney is currently enrolled with AUSTRAC and has developed an AML/CTF program for Australia that outlines Harmoney's procedures it will follow to comply with its regulatory obligations in managing money-laundering and terrorism-financing risks.

Financial Sector (Collection of Data) Act 2001 (Cth) (FSCODA)

APRA has powers under the FSCODA which is intended to assist APRA in the collection of information relevant to financial sector entities. The FSCODA applies to corporations engaging in the provision of finance in the course of carrying on business in Australia. Under the FSCODA, APRA collects data from registered financial corporations, subject to asset value thresholds. Harmoney monitors this requirement and will start reporting once the threshold obligations have been met.

Privacy regulations

Harmoney is regulated by the *Privacy Act 1988* (Cth), including the Australian Privacy Principles (Privacy Act), with respect to credit reporting and the collection, storage, use and disclosure of personal information. Harmoney's obligations include:

- taking reasonable steps to protect personal information from unauthorised access or disclosure; and
- adhering to mandatory reporting obligations under notifiable data breach scheme.

The Privacy Act is enforced by the Office of the Australian Information Commissioner (OAIC), an independent national regulator for privacy and freedom of information.

Section 3

Company overview

3 Company overview

3.1 About Harmoney

3.1.1 Overview

Harmoney is one of the leading online direct personal lenders that operates across Australia and New Zealand, providing customers with unsecured personal loans that are easy to access, competitively priced (using risk-adjusted interest rates) and accessed 100% online. Harmoney's purpose is to help people achieve their goals through financial products that are fair, friendly, and simple to use. Harmoney's proprietary digital lending platform, Stellare™, facilitates its personalised loan product with applications processed and loans typically funded within 24 hours of acceptance by the customer. Stellare™ applies a customer's individual circumstance to its data-driven, machine learning credit scorecard to deliver automated credit decisioning and accurate risk-based pricing. Harmoney's algorithmic approach to risk provides a reliable, impartial assessment while also delivering a faster and seamless experience to its customers. The combination of Stellare™ and Harmoney's 3Rs business model which enhances Customer Lifetime Value, while also minimising distribution costs, positions Harmoney to achieve significant scale (refer to Sections 3.3.2 and 3.5.4).

Originating its first loan in August 2014, Harmoney has now originated over $1.7 billion in personal loans, has served more than 46,000 borrowers across New Zealand and Australia and has grown its total loan book to over $480 million at 31 August 2020. The changing nature of the New Zealand and Australian personal loan market (refer to Sections 2.3 and 2.4) continues to present an attractive market opportunity, and Harmoney's proven track record of originations, scale benefits achieved through its technology platform, and machine learning credit scorecard provides an advantage for it to emerge as a leader in the online direct consumer lending space.

Headquartered in Auckland, New Zealand, Harmoney established an office in Sydney in 2017 to support its expansion into Australia. Harmoney currently employs 60 full time employees across its New Zealand and Australian operations that support the business' activities.

3.1.2 Company history

Harmoney's journey over the past six years has been one of innovation and growth.

Technology-led start up

Harmoney was founded in Auckland in July 2013 by Neil Roberts with a small group of staff and a vision to provide a better experience for borrowers. Assembling a team of five by January 2014, Harmoney set out to capitalise on the early trend of disintermediated lending and was granted New Zealand's first peer-to-peer licence from the FMA in July 2014. By August 2014, Harmoney had secured $85 million in wholesale funding and later that month, Harmoney accepted its first borrower onto its platform. This early momentum attracted a 10% equity investment from a leading New Zealand financial institution.

Throughout 2015, the key focus was to ensure the Harmoney brand was synonymous with a great online loan experience. As volumes grew, Auckland staff numbers grew, and a contact centre was established in Fiji. A large New Zealand e-commerce company also joined the share register. On its first anniversary, Harmoney announced that it had achieved $100 million in total lending volume. Work then began to expand into Australia, with licence applications for lending underway.

2016/2017 saw major improvements in Harmoney's core system, Stellare™, such as credit decisioning, and a focus on reducing friction in the borrowers' application process. The number of retail lenders continued to grow organically through word-of-mouth, and by Harmoney's second anniversary, total lending volume had more than tripled to over $300 million.

Growth in the New Zealand market and entering the Australian market

In February 2017, after obtaining Australian regulatory approvals, Harmoney started a pilot program in Brisbane to test its offering in the Australian personal loan market with funding coming from local and global financial institutions and investment funds. Harmoney celebrated its third anniversary by achieving over $500 million in total lending volume in New Zealand, a successful Australian pilot program and the introduction of a second-generation credit scorecard.

3 Company overview

Maturing technology and Australian expansion

2018 saw continued improvements in automation on Harmoney's platform. Even though volumes grew significantly over the four years, staff numbers remained steady due to operational leverage delivered through gains in digitisation and straight-through processing (an automated loan process requiring no human involvement from application to decision; refer to Section 3.3.2). Key milestones by the end of 2018 included celebrating $1 billion in total lending volume, and the signing of Harmoney's first Warehouse Facility in New Zealand, enabling a significant improvement in Customer Lifetime Value (refer to Section 3.6.2).

The introduction of additional improvements across Harmoney's automated loan processes and real-time machine learning algorithms, saw total lending volumes exceed $1.5 billion by November 2019. By the end of 2019, Harmoney successfully raised approximately $25 million in equity from two Australasian-based investors and executed a A$10 million Corporate Debt Facility with an Australian investment fund.

Harmoney's emerging Australian presence led to the decision in January 2020 to execute a A$115 million Australian Warehouse Facility with a major Australian bank to help fund its Australian growth plans. Harmoney grew to over A$200 million in total lending volume in Australia by early 2020.

In February 2020, Harmoney announced it would be closing its New Zealand peer-to-peer marketplace to retail peer-to-peer lenders on 1 April 2020 to focus on innovating the borrower experience and accelerating the transition to warehouse funding.

At approximately the same time, Harmoney ceased offering its repayment waiver service (Payment Protect), an optional service that New Zealand borrowers could previously add to their loan when they accepted the loan offer, and which provided variable levels of cover (death, terminal illness, disability and redundancy). Although no longer offered, there are legacy loans to which this repayment waiver service still applies.

Today, Harmoney has originated over $1.7 billion in total lending volume and is poised to continue its growth trajectory as it pursues its vision of creating a truly differentiated and seamless experience for customers through technology.

Figure 1 details Harmoney's key milestones to date.

Figure 1: Harmoney's key milestones

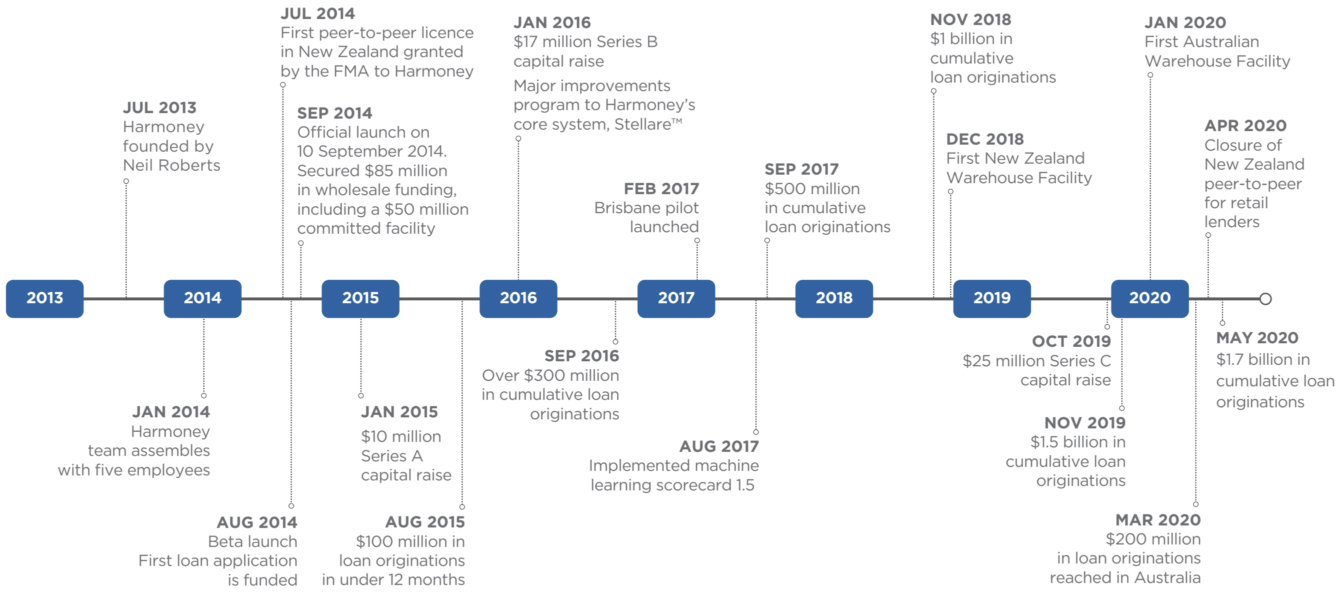
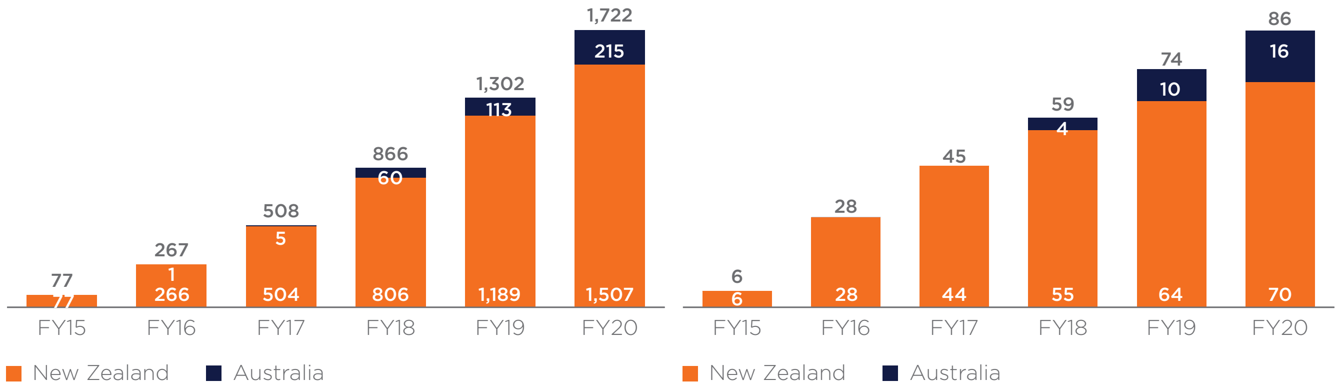
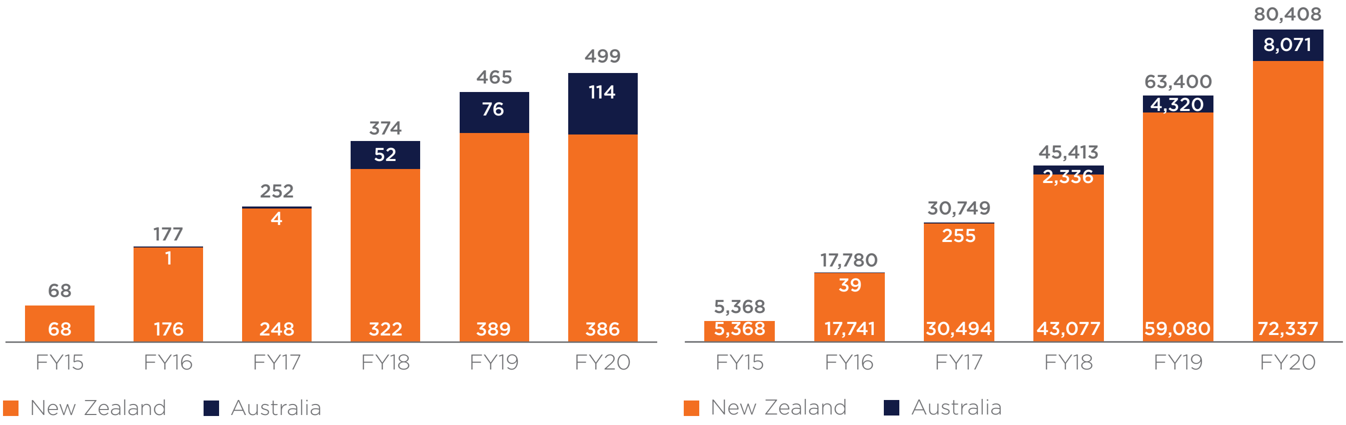


Figure 2: Harmoney's operating metrics

Cumulative origination volumes ($ million) | Pro forma total income ($ million)



Loan book by year ($ million) | Cumulative loan volumes by count



3.1.3 People and culture

Harmoney's experienced management team has a track record of accomplishment in the financial services industry, having worked together on several successful consumer finance businesses.

The management team's expertise across financial services, technology, and risk management is supported by its team members, each of whom are integral in shaping the customer experience and growth of Harmoney.

Harmoney's values are the foundation of the way it operates as a team and how it treats its customers and the community. While Harmoney's loan product relies heavily on technology and data science to help make decisions, its values are the heart of business operations. Harmoney's core business values are presented in Table 1 below.

3 Company overview

Table 1: Harmoney core business values

Empathy	Harmoney values empathy as it is key to developing relationships with its colleagues and customers. These relationships form the basis by which Harmoney delivers for its customers, and colleagues, the effects of which extend to the wider community.
Pioneering	Harmoney values the pioneering spirit as it is the fuel of dreams and ambition. Pioneers leave behind the known to discover the new. Pioneers establish their own path if needed, to discover places unseen. They not only imagine the future, they create it.
Impact	Harmoney values making a true positive impact on people's lives and the communities in which it lives and serves. Harmoney's obsession with numbers, data and process only count if they make an impact.
Integrity	Harmoney values integrity because it is the foundation for building and maintaining trust and respect and encompasses responsibility and accountability.
Consistency	Harmoney values consistency as it reflects the stability and reliability it creates in the minds of anyone it interacts with. Consistency creates confidence, and with confidence Harmoney can do great work.

Guided by its core values, Harmoney embraces a culture of learning, passion and pride, and demonstrating empathy towards others, especially its team.

Harmoney works on building this culture in the workplace by focusing on the development of its staff. Harmoney cares for its people by recognising talent, rewarding loyalty and providing a broad range of benefits that appeal to its diverse staff demographic.

Harmoney's working culture provides the overarching framework under which the business operates. This has strongly resonated with staff identifying Harmoney as having an enriching workplace environment.

3.1.4 Awards

Figure 3: Harmoney Awards

2015	2016	2017	2018	2019	2020
(NZ) Fast 50 – Rising Star – Auckland and Upper North Island	(NZ) Canstar Outstanding Excellence Awards for Personal Loan	(AU) Mozo Experts Choice Award for Excellent Credit Unsecured Personal Loan	(AU) Mozo Experts Choice Award for Excellent Credit Unsecured Personal Loan	(AU) Finder Gold Award for Best Personal Loan (Risk-based)	(AU) RateCity Gold Award 2020 for Category: Unsecured Personal Loan (Excellent Credit Rating) (Three-Year Term)
(NZ) Canstar Outstanding Excellence Awards for Personal Loan	(NZ) NZ Innovators Award: Innovation in Financial and Professional Services	(NZ) NZ HiTech Awards: Emerging Company of the Year Finalist	(NZ) Canstar Outstanding Excellence Awards for Personal Loan	(NZ) IAB New Zealand Awards for Best Use of Search Engine Marketing and/or Search Engine Optimisation Award	(NZ) NZ HiTech Awards 2020: Finalist in Category: Company of the Year
	(NZ, AU) TechPioneers Top 50 Finalist: 15th Place	(NZ) Canstar Outstanding Excellence Awards for Personal Loan		(NZ) Canstar Outstanding Excellence Awards for Personal Loan and Car Loan	(NZ) MoneyHub Editor's Choice Awards for Best Lending Innovation

3.2 Customer loan product

3.2.1 Loan product

Harmoney offers unsecured personal loans of up to $70,000 in New Zealand and A$70,000 in Australia for a term of three or five years.

Harmoney aims to differentiate its loan product through building better customer experiences and offering competitive interest rates through its scalable, digital platform and rate for risk-pricing. Further details on Harmoney's value proposition are provided in Section 3.4.2. Table 2 presents the key characteristics of Harmoney's personal loan product.

Table 2: Key characteristics of Harmoney's personal loan product

	New Zealand	Australia
Principal[37]	$2,000 – $70,000	A$2,000 – A$70,000
Tenor	Three or five years	Three or five years
Fixed interest rate	6.99% – 24.69% per annum	6.99% – 25.69% per annum
Establishment fees	$200[38]/$450	A$275[39]/A$575
Repayments	Weekly, fortnightly, monthly	Weekly, fortnightly, monthly
Security	Unsecured	Unsecured

[37] This upper end of the range is only applicable to a repeat loan and is capped at $50,000 for new loans in New Zealand and A$50,000 for new loans in Australia.

[38] This fee applies to a loan less than $5,000.

[39] This fee applies to a loan less than A$5,000.

3.2.2 Loan book characteristics

Harmoney's platform has served over 46,000 borrowers, representing a diverse demographic covering age, geography and employment types who borrow for purposes such as consolidating debt, financing home renovations, vehicle purchases or holidays, and funding other life events.

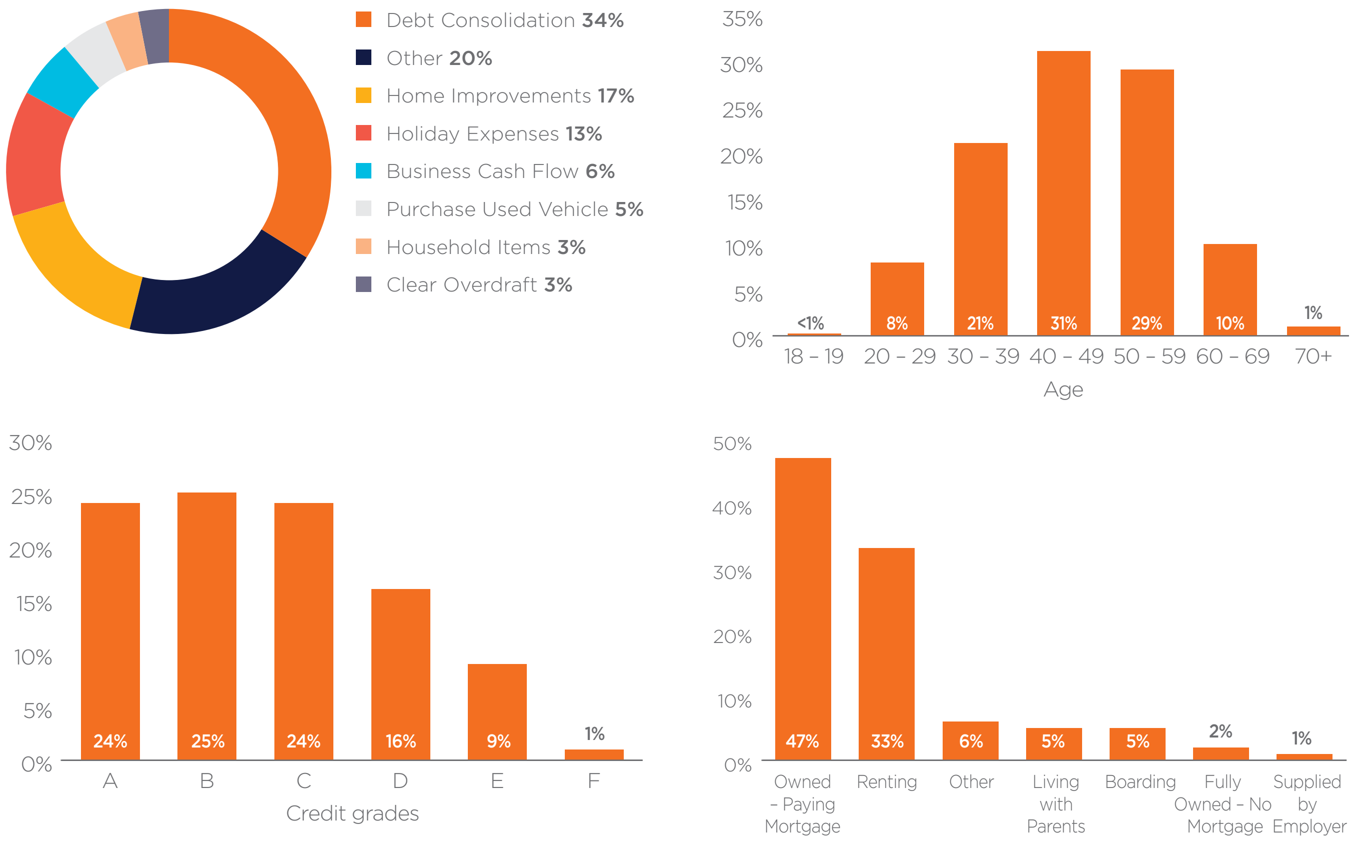
Harmoney's loan book is diversified across geographic regions within New Zealand and Australia, with loan exposure being roughly aligned to the respective population dispersion in each of these countries. Harmoney's customers tend to hold stable incomes with over 70% having office, professional or trade occupations and are represented across multiple age ranges.

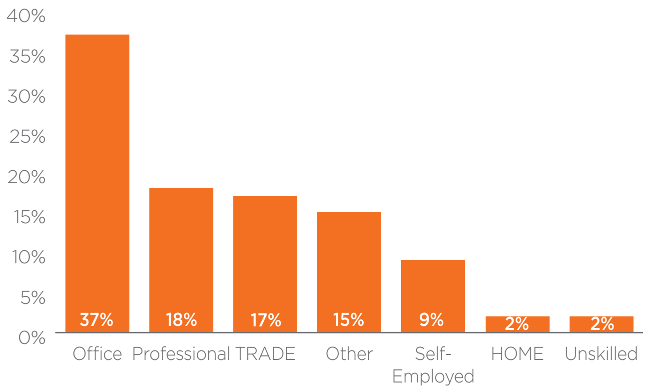
Historically, most of the growth in Harmoney's loan book has been driven by the New Zealand market. As Harmoney continues to accelerate its expansion into the Australian market, it believes the growth in its Australian loan book will replicate the growth experienced in New Zealand. Harmoney also expects the proportion of repeat loans, which was only introduced into Australia in July 2019, and the quality of the loan book, to improve.

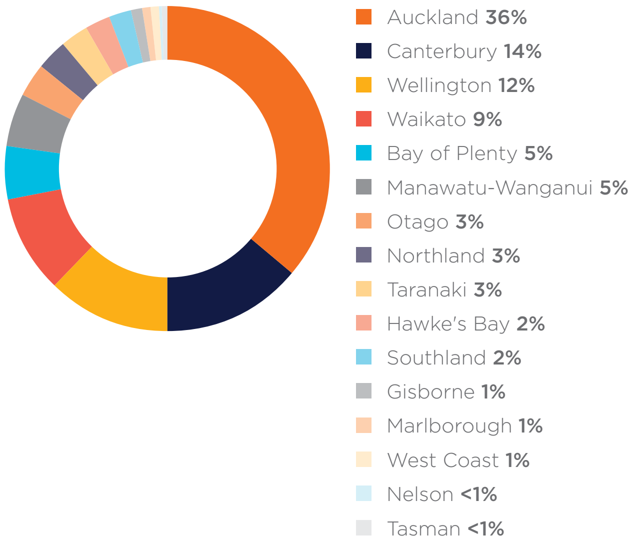
3.2.2.1 New Zealand – loan book characteristics

As at 31 August 2020, the value of the New Zealand loan book was $373 million. Harmoney seeks to maintain a loan book with loans provided to a diversified customer base. The typical Harmoney customer takes out a loan with Harmoney for the purpose of debt consolidation or home improvements, is 40 – 49 years of age, is a property owner, and works in office-based employment.

Figure 4: New Zealand – loan book characteristics (as at 31 August 2020)



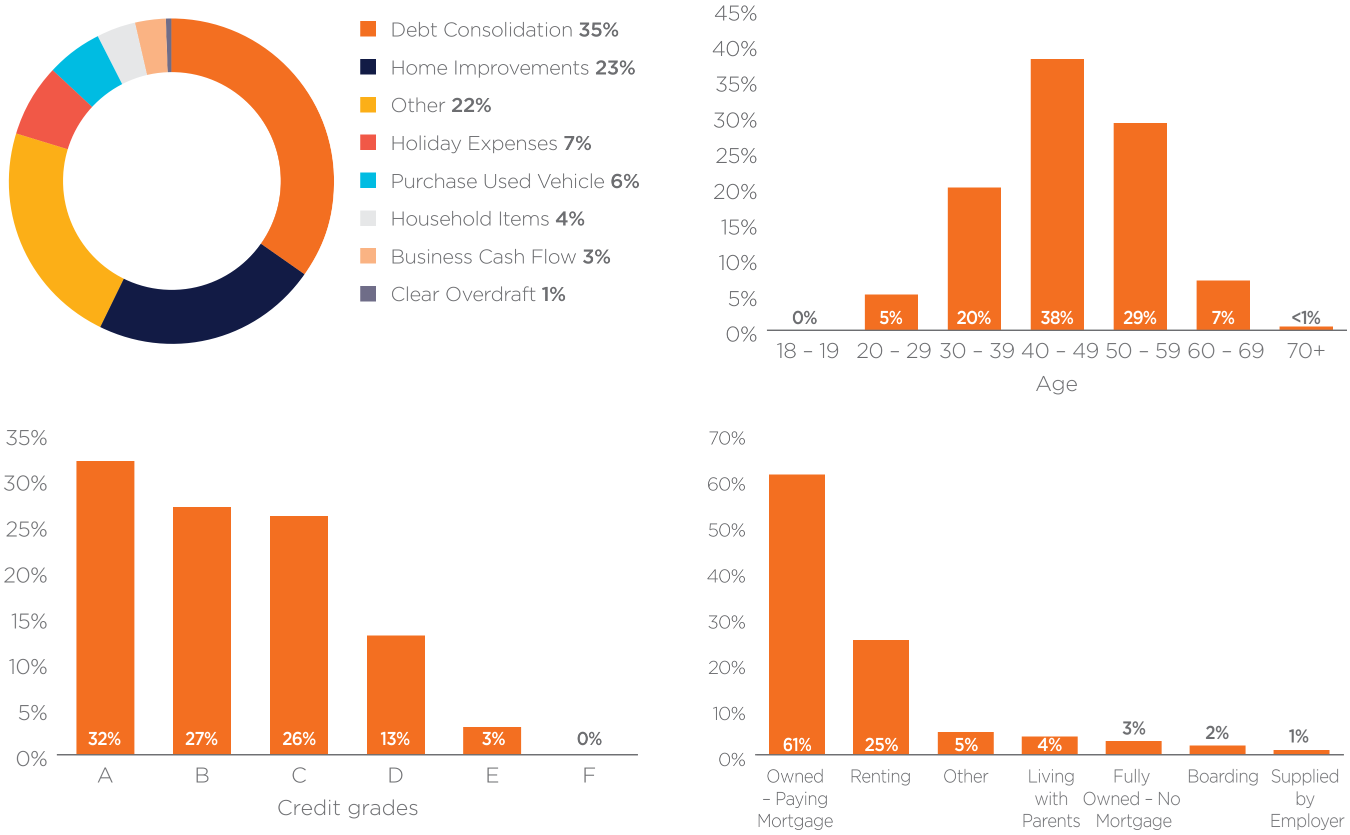


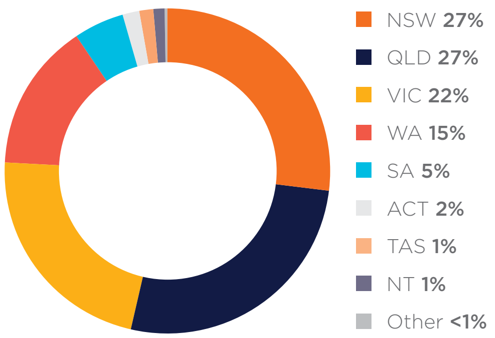


3.2.2.2 Australia – loan book characteristics

As at 31 August 2020, the value of the Australian loan book was A$100 million. The customers in the Australian loan book has generally similar characteristics to that of the New Zealand loan book. However, a larger portion of Australian customers are owners of a residential property than New Zealand customers. The Australian loan book is also geographically diversified with loans spread across the States and Territories broadly consistent with the national population and GDP contribution.

Figure 5: Australia – loan book characteristics (as at 31 August 2020)

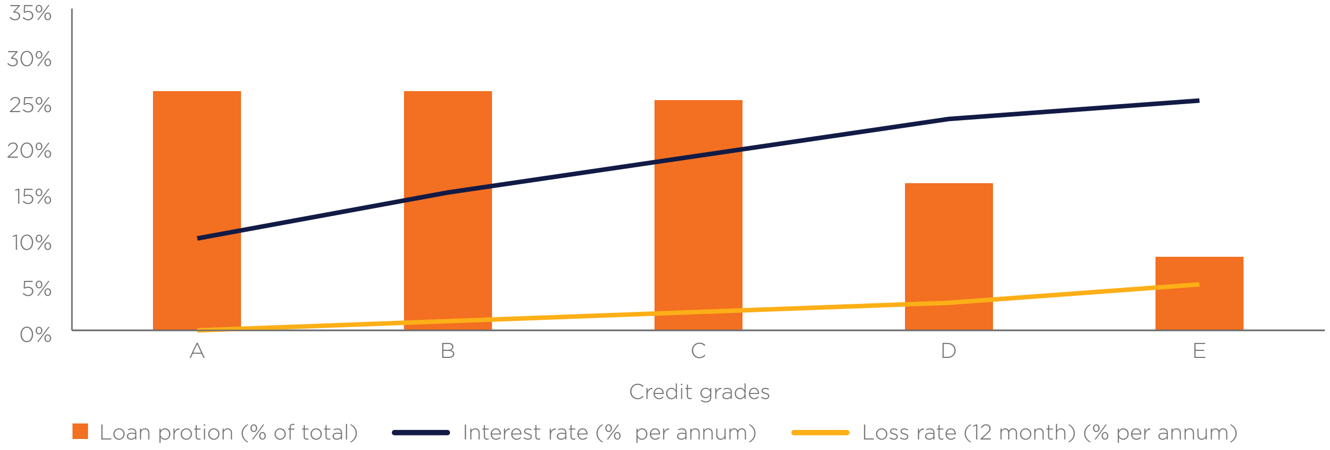




3.2.3 Risk-based pricing

Harmoney believes that fair, risk-based pricing is a key factor creating value for borrowers. Harmoney launched with a proprietary credit scorecard with the capability to assess a customer's personal circumstances to price credit risk across 25 credit grades in New Zealand and 20 in Australia. Today, Harmoney's capability to price credit risk has improved into a more sophisticated algorithm, utilising several data sources, key indicators and machine learning to determine a borrower's probability of default and accordingly determine an appropriate interest rate. See Figure 6 below which illustrates Harmoney's originations by credit grade from 2017 onwards and the enviable corresponding yield margin.

Figure 6: Harmoney yield margin by credit grade



3.3 Harmoney's proprietary technology platform, Stellare™

3.3.1 Stellare™ architecture

Harmoney's direct lending operations and automated borrower experience are underpinned by its proprietary technology platform, Stellare™.

Developed and refined over the last six years, Stellare™ combines data analytics, machine learning, custom-built applications, and in-house industry knowledge to create a truly digital lending platform.

Stellare™ has specifically been developed to:

- deliver a low friction, engaging digital customer experience anytime, anywhere;
- utilise data analytics to produce impartial, data-driven credit assessment and pricing;
- incorporate machine learning algorithms to support continuous improvements in the credit underwriting process;
- deliver a high degree of automation and straight-through processing to drive operational scale and efficiencies;
- provide flexibility through modular design that supports continuously refining and improving platform components in response to new growth initiatives;
- support New Zealand and Australia from a single platform, whilst supporting local regulatory differences;

- acquire applicants who have been identified as more likely to have an intent on acquiring a personal loan by Google and other digital advertising platforms which have been integrated into Stellare™'s ecosystem; and
- ensure compliance with all lending regulation, privacy, and data security policies.

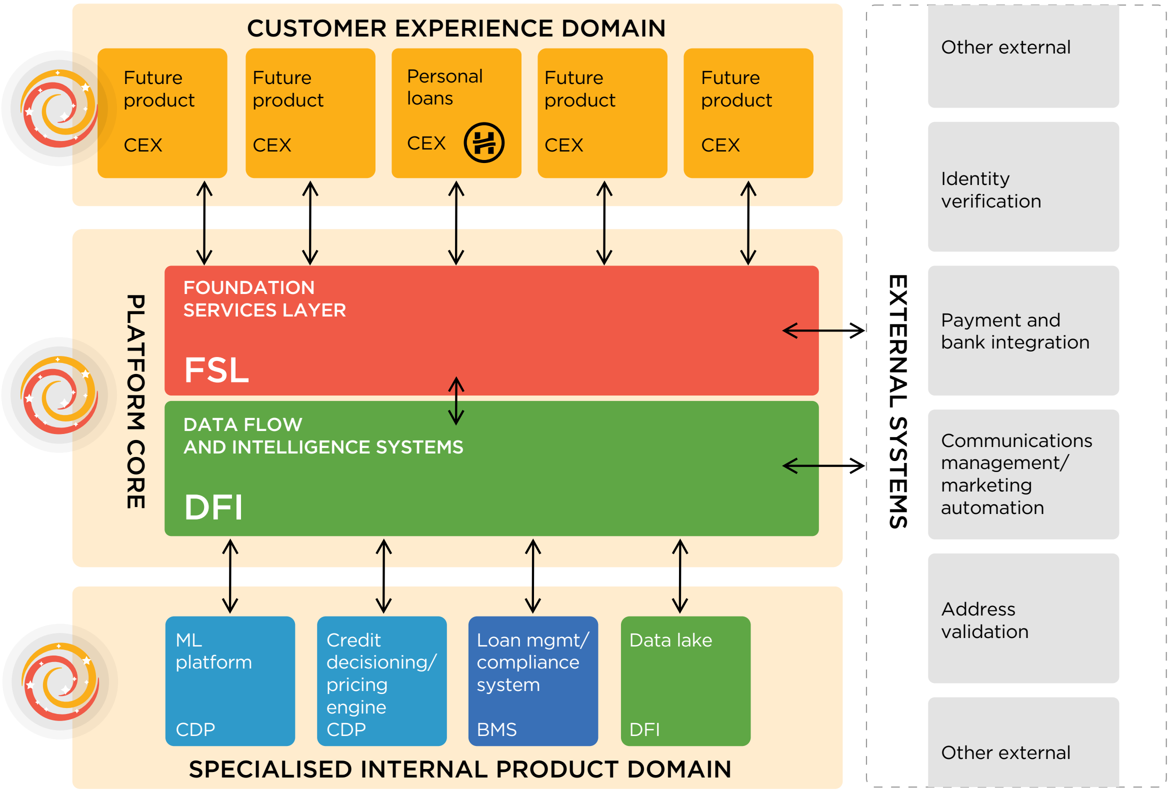
Stellare™ comprises five integrated systems, which provide specialised services to the platform. These systems have been developed in-house, leveraging third-party components such as Software-as-a-Service (Salesforce), Platform-as-a-Service (Heroku/Salesforce) and Infrastructure-as-a-Service (Amazon AWS) that provide underlying infrastructure and cloud hosting. Additional third-party components such as postal address, email validation, and credit bureau data providers are accessed via application programming interface (**API**) calls.

Stellare™'s microservice event-based architecture and integrations to third parties provide data to its rules engine and proprietary credit decisioning system. The rules and algorithms that underpin Stellare™ have been developed by Harmoney, ensuring greater control over its credit underwriting and loss performance.

Stellare™ provides an agile, modern development environment, enabling Harmoney to readily innovate and bring new loan products and features to market. Furthermore, Harmoney has invested in data analytics and machine learning to refine its credit risk model and inform data-driven decision making. Harmoney can also make dynamic and real-time decisions about approving and apply credit grades, allowing borrowers to receive funds sooner (time to benefit), at a personalised price (rate-for-risk), with 'anytime, anywhere' convenience.

Figure 7 details the Stellare™ systems configuration.

Figure 7: Stellare™ system configuration



3 Company overview

The Table below outlines each of Stellare™'s core systems in further detail.

Table 3: Stellare™ core systems

System	Key functions and services	Processes
Customer Experience System (CEX)	• Customer experience system that supports customer onboarding, enquiries and collection activities. • Manages a customer's information including financial and risk profiles. • Provides inbound and outbound customer communications via SMS, email, instant messaging, voice channels, and mail houses.	• Customer communications. • Customer credit and financial profile. • AML/KYC identity management. • Compliance.
Foundation Services Layer (FSL)	• Leverages global technology providers to support platform scalability enabling 'anywhere at anytime' processing. • Underlying platform services deliver the infrastructure, messaging, and rules engine to the broader Stellare™ platform. • Provides our application build, deploy, operations and systems monitoring tools.	• Core platform services. • Infrastructure.
Data Flow and Intelligence Systems (DFI)	• Real-time data flow and intelligence engine that transforms raw data into actionable insight. • Combination of database systems and messaging pipelines to store and process data for business intelligence, decision making and support automated marketing and customer acquisition processes. • Integrates with third-party API including credit bureaus, bank statements, government and Identity verification databases, property ownership registers and other systems.	• Data flow, processing, and storage.
Credit, Decision and Pricing System (CDP)	• Purpose-built flexible credit and pricing rules system incorporating machine learning models. • Integrates Harmoney's lending rules, machine learning algorithms and proprietary credit scorecard model to deliver an automated, data-driven credit assessment. • Rules-based approach configured to adhere to responsible lending legislation across both New Zealand and Australia.	• Credit decisioning. • Compliance.
Borrower Management System (BMS)	• Loan management system which tracks originated loans from disbursements through to repayment schedules and payment settlements. • Integrates into multiple banking and payment systems across Australia and New Zealand. • Implements the Harmoney collections policy and facilitates customer communications as required.	• Funding. • Disbursements and payments. • Collections.

Harmoney employs 30 technology staff, covering engineers, product managers and data scientists. All are based in the Auckland office supporting the refinement and advancement of Stellare™.

Stellare™ has been designed with process automation as a key objective, and for this reason has been built as a cloud-based modular system. This platform architecture supports agility to add or change platform components quickly, based on business strategy and evolving industry requirements.

Harmoney is continually extending and improving the Stellare™ platform, taking key customer insights to further enhance the platform and is well placed with its modular event-driven architecture to respond well to macroeconomic events (such as COVID-19) as well as future market opportunities. To date, Harmoney has processed approximately, $6.3 billion in lending decision volume comprised of approximately 877,000 credit files and approximately 394,000 customer lending applications.

Stellare™ is periodically reviewed by an external vendor for system reliability, and cybersecurity (including penetration testing) to provide assurance that its platform and customer data are guarded against technology risks.

3.3.2 Stellare™'s scale and efficiency

The ability of Stellare™ to facilitate the lending process has also enabled Harmoney to benefit from operating leverage. Stellare™ provides the ability for Harmoney to scale and service greater loan application processing without adding fixed overhead costs. An example of this operating leverage has been Harmoney's stable number of credit officers since 2015 despite the number of credit decisions increasing significantly (refer to Figure 8).

As further detailed in Figure 9, Harmoney's straight-through processing rate has increased to 62%, meaning that approximately two in three loans require no human interaction from initial application through to credit decision.

Figure 8: Decoupling of credit decisions and credit officer headcount

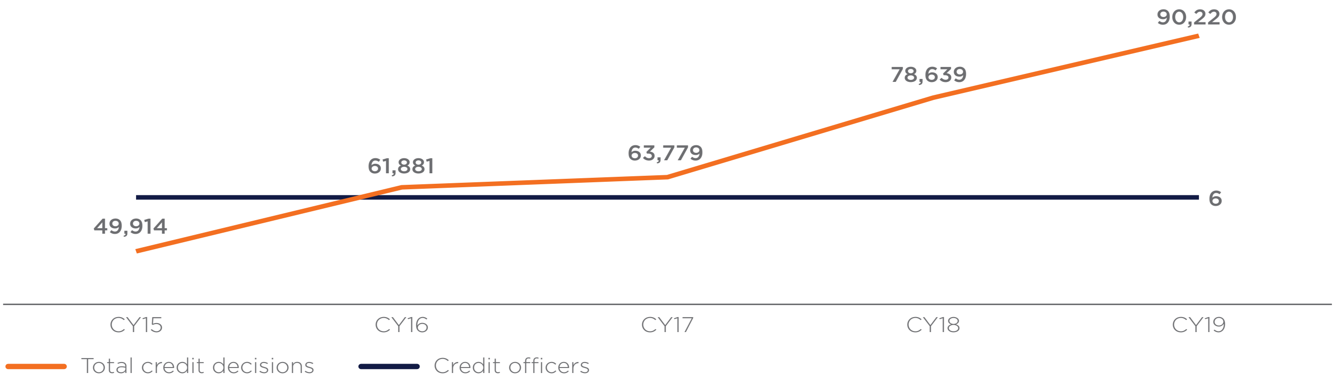
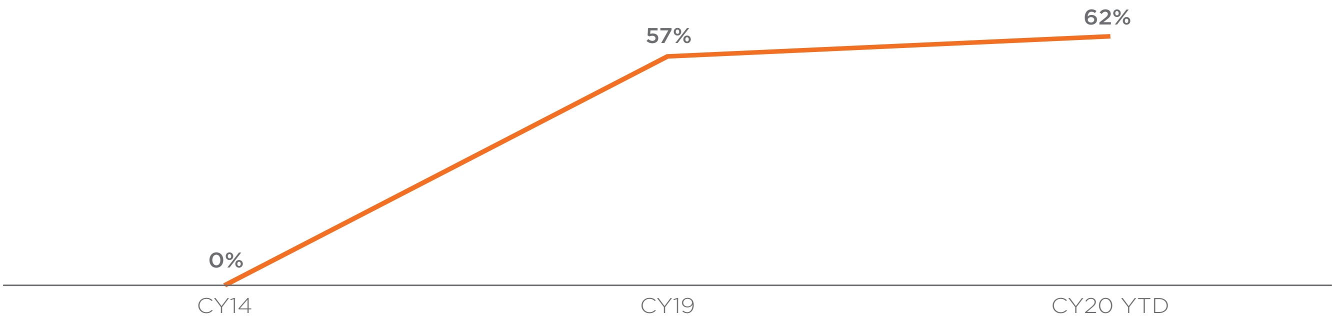


Figure 9: Straight-through loan processing rate



3.4 Customer experience

3.4.1 Application process

Harmoney believes there is a significant opportunity to utilise its technology and online capabilities to service consumers underserviced by banks and other traditional lenders in New Zealand and Australia.

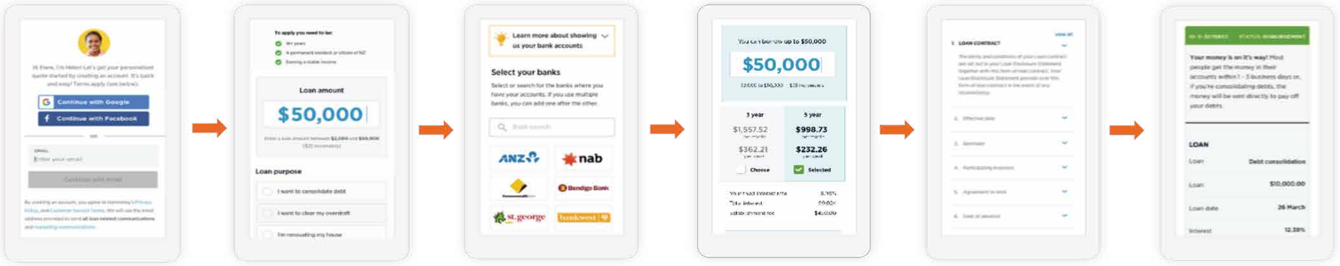
Harmoney's personalised risk-based pricing, fast credit assessment and loan fulfilment capabilities complement its streamlined online application process. It is the combination of these attributes leveraging its proprietary technology platform which supports the delivery of low friction products and engaging customer experience.

The Stellare™ powered application process can be completed in less than ten minutes and is accessible online at any time via mobile phone, PC, or tablet, with loans typically funded within 24 hours of acceptance by the customer.

The four key steps to completing Harmoney's personal loan application and funding are below and illustrated in Figure 10:

1. **Getting to know the customer** – customers create an account and provide details about themselves, and the size and purpose of their loan;
2. **Understanding the customer's finances** – customers share information about their finances and employment;
3. **Providing a competitive and personalised quote** – a tailored quote is automatically generated for credit approved customers based on their credit score, affordability and borrowing objectives; and
4. **Depositing of funds** – subject to the customer accepting the terms of the loan, the funds are typically deposited into the bank account of the customer within 24 hours.

Figure 10: Harmoney application process



1 Create a Harmoney account and tell us about you and your loan

2 Share your financial and employment information

3 View your personalised loan options and choose the loan amount and term

4 Read and agree on the loan contract and receive confirmation of disbursement

During the process, Stellare™ is in the background collecting, verifying, and validating the data and building a customer behavioural and risk profile and automating the customer experience whilst building a customer profile.

3.4.2 Customer value proposition

Harmoney believes that the online borrowing process should be simple, fast and fair and provide the best possible outcome for the borrower. To deliver this experience, Harmoney uses a combination of user centred design, data science and credit automation enabled by the Stellare™ platform.

Harmoney's risk-based pricing means the interest rate applied to each borrower is based on their individual circumstances and behaviours and is competitively priced for creditworthy borrowers when compared with other lenders with static rate cards.

Table 4: Harmoney customer value proposition

Risk-based pricing[40]	Personalised fixed rates based on customer credit characteristics
Unsecured personal loans[41]	Loans of up to $70,000 in New Zealand and A$70,000 in Australia with terms of three or five years
Automated application process[42]	Highly automated simple and streamlined process
Fast funding	Customers typically receive funds within 24 hours of acceptance
CCCFA/NCCPA compliant	Loans are compliant with applicable regulations in New Zealand and Australia
Transparent fee structure	Transparency around loan interest rates and fees. No pre-payment fees – only a single establishment fee

Since inception, Harmoney has been focused on optimising and enhancing the customer experience through its technology-driven capabilities. It considers the impact this has had on the customer experience to be positive as reflected in its customer feedback. As at September 2020, Harmoney had achieved a net promoter score (NPS) of 79[43], achieved an average Shopper Approved Rating of 4.7 out of 5.0 across more than 20,000 reviews[44], and an average Google Review of 4.7 out of 5.0 across more than 1,000 reviews[45]. NPS is a measure of customer loyalty captured through post-engagement surveys and a score of 79 is generally considered to be excellent. Figure 11 summarises Harmoney's average review scores across a number of review platforms.

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[40] Risk-based pricing is enabled through Harmoney's proprietary credit scorecard. Fixed interest rates range between 6.99% – 24.69% per annum in New Zealand, and 6.99% – 25.69% per annum in Australia.

[41] This upper end of the range is only applicable to a repeat loan and is capped at $50,000 in New Zealand and A$50,000 in Australia for new loans.

[42] Fully automated application process, 62% straight-through processing.

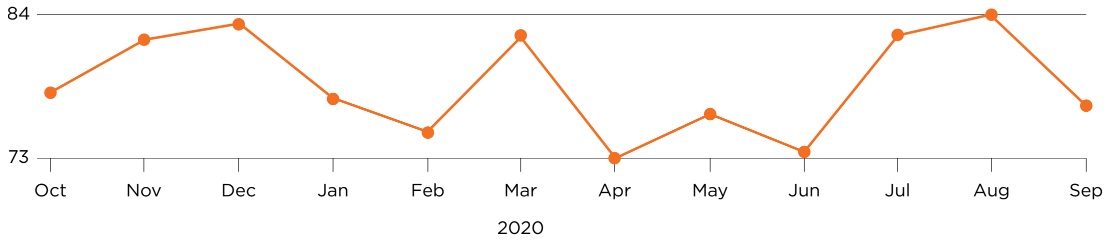
[43] Net promoter score of funded borrowers as at 13 September 2020.

[44] Shopper Approved Rating as at 13 September 2020.

[45] Google Review as at 13 September 2020.

Figure 11: Summary of Harmoney customer review scores

NPS: 79 as at 13 September 2020



79

Shopper Approved Rating:

4.7
★★★★⯪

New Zealand

4.7 based on 22,573 customer ratings as at 13 September 2020

4.7
★★★★⯪

Australia

4.7 based on 4,988 customer ratings as at 13 September 2020

Google Review:

4.7
★★★★⯪

New Zealand

4.7 based on 865 customer ratings as at 13 September 2020

4.5
★★★★⯪

Australia

4.5 based on 225 customer ratings as at 13 September 2020

3.5 Distribution

Harmoney distributes its loan products by engaging prospective customers directly. Harmoney is 100% online and does not have a retail branch network or broker service. Harmoney believes that this direct to consumer strategy is important as it enables it to control the customer experience, build long-term brand equity, and Customer Lifetime Value.

3.5.1 Marketing strategy

Harmoney utilises a variety of advertising channels to maximise market penetration and diversify its customer acquisition capabilities. These channels include search engine marketing, comparison websites, display advertising, social media, online video platforms, direct mail campaigns, TV, radio, digital radio and native display advertising as illustrated in Figure 12.

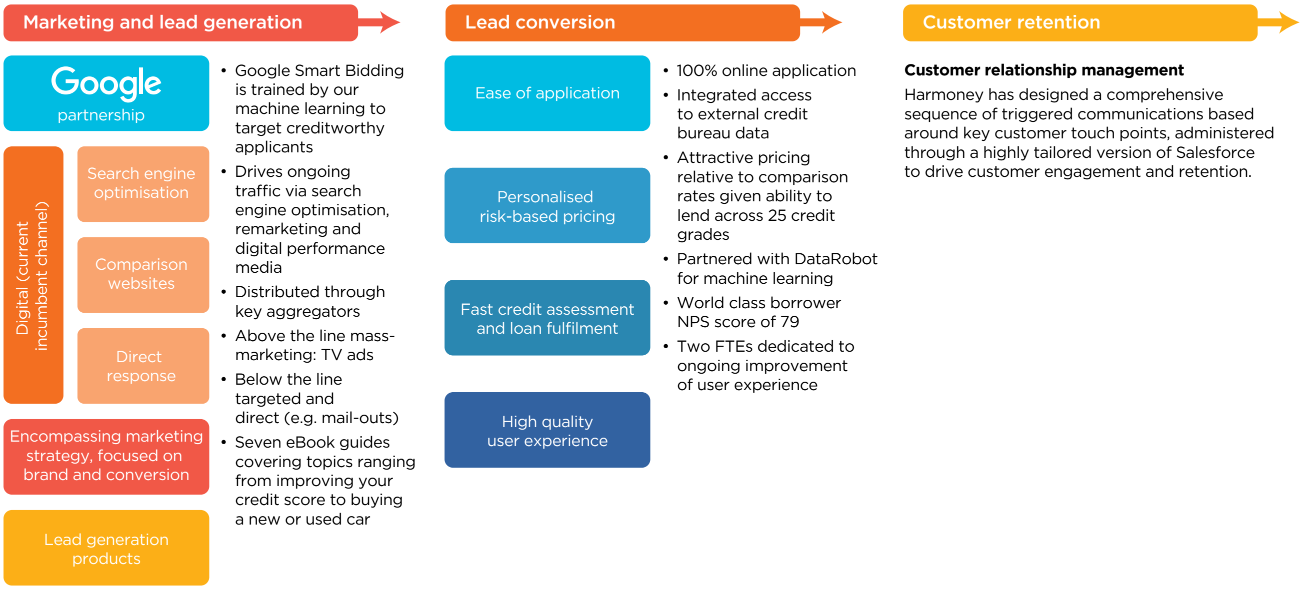
One element of Harmoney's online customer acquisition strategy is its partnership with Google. Through Google Smart Bidding machine learning, Harmoney's Stellare™ technology platform integrates with Google's algorithms to attract the ideal in-market audience, showcasing targeted advertising that is optimised for customer conversion. The Google Smart Bidding algorithm seeks the characteristics and customer behaviour of prime target audiences across Google's platforms. This sophisticated partnership has attracted more qualified loan applicants and has improved Harmoney's return on advertising spend over time. This is discussed further in Section 3.5.2.

Consistent with its 100% online strategy, Harmoney seeks to maximise qualified traffic to its website whilst also optimising the cost of attracting this traffic. To this end, in New Zealand where Harmoney has operated since inception, the Company considers it a considerable cost advantage that approximately half (50%) of new loan originations traffic to its website is via low or no-cost online channels. These low or no-cost channels incorporate direct traffic (arriving at the Harmoney site without going via a search engine or clicking a link, and thus evidencing brand awareness and/or intent), organic search (traffic from a free – as opposed to paid – listing on a search engine, where the results are ranked by relevance) or search engine brand marketing (a user searches on the term 'Harmoney' – again demonstrating brand awareness – which has a cost per click materially lower than a generic category search term like 'personal loan').

Harmoney also engages several prominent comparison websites, including Finder, Mozo and RateCity, to support its digital marketing strategy. In Australia, where Harmoney has established a presence more recently, there is naturally a greater current focus on comparison websites. However, over time Harmoney will endeavour to grow the proportion of its customer engagement via low or no-cost online channels.

Content marketing on social media and native advertising of eBook guides (covering topics such as credit score improvement) have also enabled Harmoney to acquire large volumes of leads, and support customer acquisition. An overview of Harmoney's marketing and customer acquisition strategy is presented in Figure 12.

Figure 12: Harmoney marketing and customer acquisition strategy



Marketing and lead generation

Google partnership

Digital (current incumbent channel)

Search engine optimisation

Comparison websites

Direct response

Encompassing marketing strategy, focused on brand and conversion

Lead generation products

- Google Smart Bidding is trained by our machine learning to target creditworthy applicants
- Drives ongoing traffic via search engine optimisation, remarketing and digital performance media
- Distributed through key aggregators
- Above the line mass-marketing: TV ads
- Below the line targeted and direct (e.g. mail-outs)
- Seven eBook guides covering topics ranging from improving your credit score to buying a new or used car

Lead conversion

Ease of application

Personalised risk-based pricing

Fast credit assessment and loan fulfilment

High quality user experience

- 100% online application
- Integrated access to external credit bureau data
- Attractive pricing relative to comparison rates given ability to lend across 25 credit grades
- Partnered with DataRobot for machine learning
- World class borrower NPS score of 79
- Two FTEs dedicated to ongoing improvement of user experience

Customer retention

Customer relationship management

Harmoney has designed a comprehensive sequence of triggered communications based around key customer touch points, administered through a highly tailored version of Salesforce to drive customer engagement and retention.

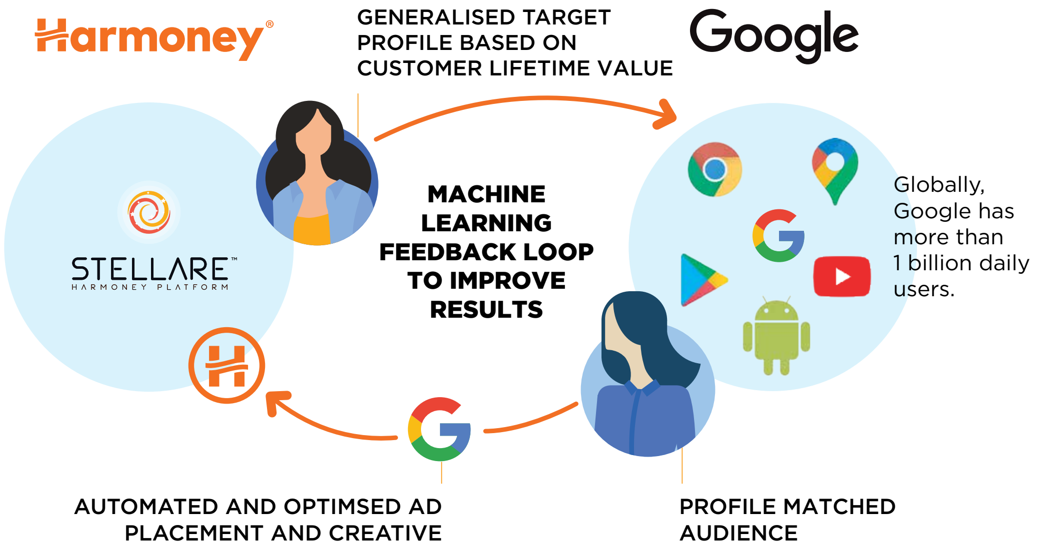
3.5.2 Harmoney's collaboration with Google

Harmoney's collaboration with Google is innovative and a key differentiator. Harmoney provides a generalised target profile based on Customer Lifetime Value to Google which it analyses and matches with its users across its ecosystem (including Google Search, Google Gmail, YouTube, Google Maps and Google Play).

Harmoney and Google then present optimised advertisements to those carefully targeted Google users. The Google referred applicants are then assessed in real time, with the results flowing into a data feedback loop, to further improve and refine Harmoney's proprietary models and matching algorithms. The benefit of this is that the acquisition budget is reserved for attracting applicants that are likely to meet Harmoney's credit criteria and the matching algorithm learns to exclude applicants that are not likely to meet Harmoney's credit criteria. Through this process, Harmoney also introduces its brand advertising to users whom Google has determined to have intent in the short-term future to search for a personal loan. Google Smart Bidding accounted for approximately one third (35%) of new loan originations in New Zealand and Australia in FY20.

Figure 13 presents Harmoney's collaboration and feedback loop with Google.

Figure 13: Harmoney’s collaboration and feedback loop with Google



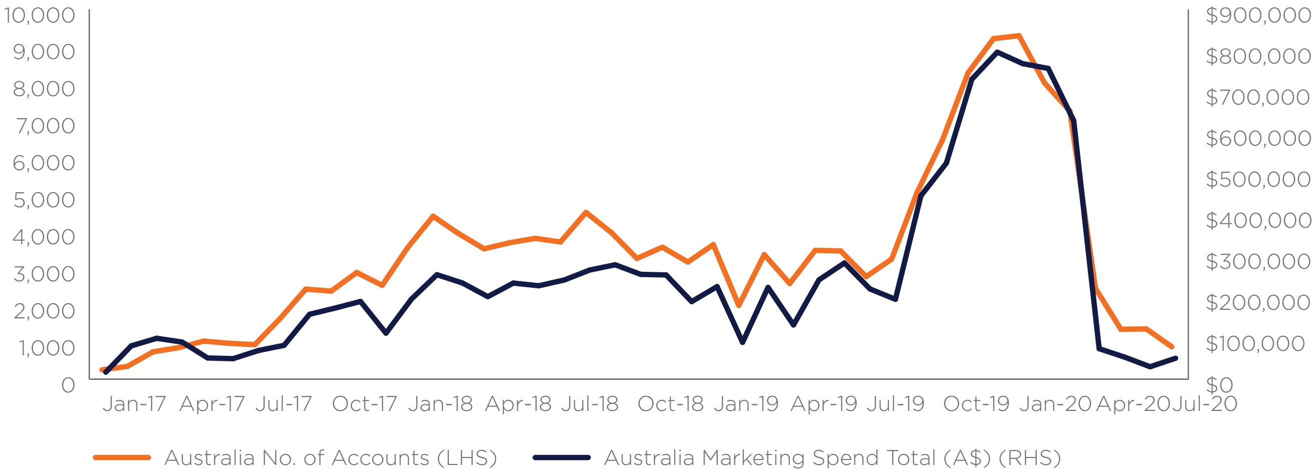
3.5.3 Scalable marketing spend

Harmoney’s marketing strategy allows it to generate and convert leads at a low cost and in a scalable manner. Harmoney’s marketing strategy is data led, with extensive analysis of target customer characteristics and the optimal means by which Harmoney might engage, which allows Harmoney to identify the ideal audiences for its marketing. In addition, Harmoney has both strong visibility and measurability of marketing performance.

Figure 14 illustrates the strong connection between marketing spend and account growth in Australia. This causal relationship provides flexibility to Harmoney to efficiently and effectively adjust its marketing spend depending on business priorities and market conditions.

In late 2019, Harmoney completed a Series C capital raising. Following that capital raising, Harmoney strategically accelerated marketing spending in Australia to drive account growth, and between October 2019 and February 2020 had grown loan originations by 168% on the prior comparable period. In the months that followed, Harmoney considered it prudent to significantly reduce marketing spend in response to the COVID-19 pandemic.

Figure 14: Australian marketing spend versus account growth



Harmoney has been successful in developing and refining its customer acquisition strategy, thus increasing the efficiency of its marketing expenditure over time through better audience targeting and arrangements with media providers based on performance goals such as account conversion.

Harmoney’s Stellare™ machine learning algorithms generate greater insights as the application database grows, as it is better able to understand the attributes, such as source, and time of day or device. This, in turn, enables Harmoney to better attract the potential customers with the greatest lifetime value.

Across New Zealand and Australia, lead conversion on loans has improved almost 40% from 9.5% in FY15 to 13.2% in FY20, with Harmoney's marketing cost per fully funded loan falling in New Zealand from $698 in FY15 to $491 in FY20, a decrease of 30%, and for Australia, falling from A$3,937 in FY16 to A$1,392 in FY20, representing a decrease of 65%, as depicted in Figures 15 and 16.

Figure 15: Marketing spend per fully funded loan – New Zealand

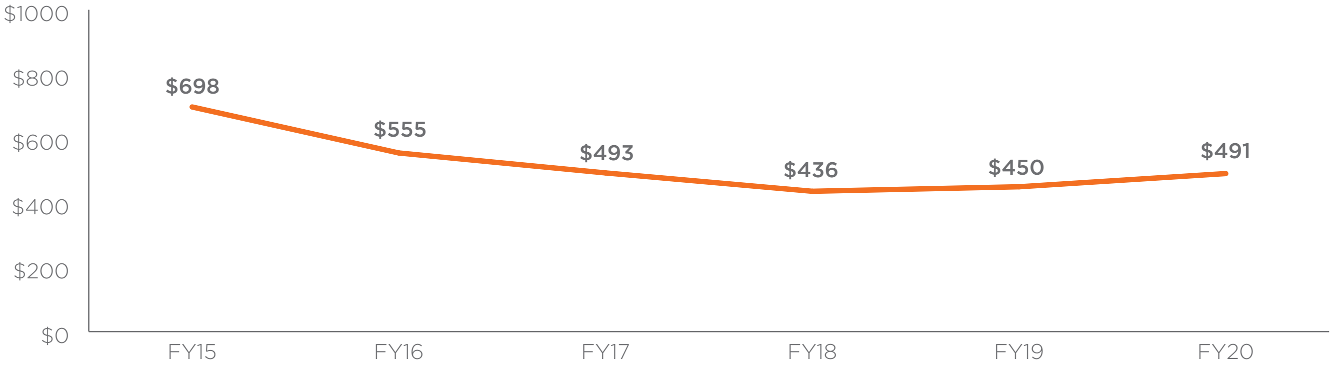
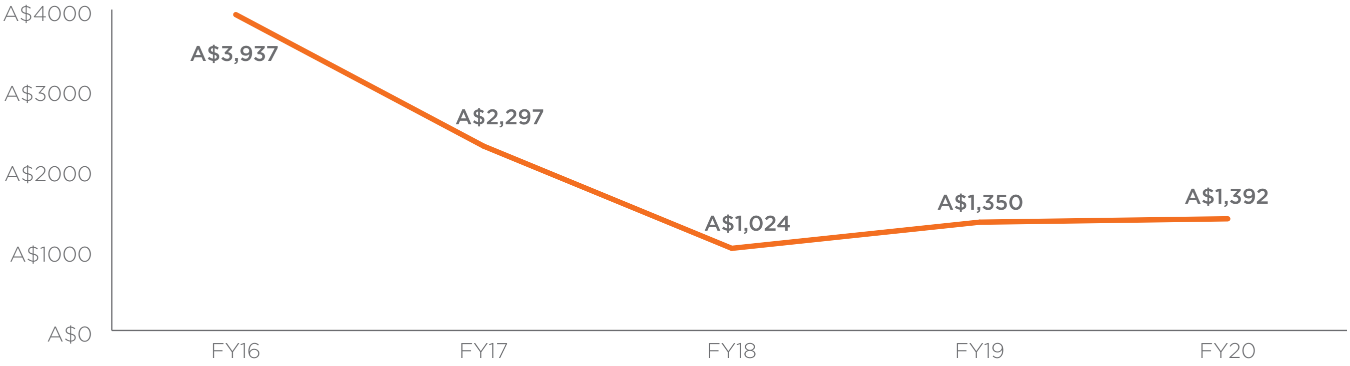


Figure 16: Marketing spend per fully funded loan – Australia



3.5.4 3Rs – repeat, return, renew

Harmoney utilises three specific strategies to maximise customer retention and lifetime value, which are presented in Table 5 below.

Table 5: Harmoney's 3R business model

RP	REPEAT: Harmoney offers customers with an active loan who have a proven history of on time and in full repayments and additional repayment capacity, to borrow additional funds.
RT	RETURN: Customers who have repaid their loan with Harmoney return for a new loan. Typically, these customer return to Harmoney as life event has created a borrowing requirement.
RN	RENEW: A retention strategy for an existing customer with an active loan. This strategy is typically used to retain quality borrowers that have been identified as at risk of being refinanced by another lender.

Central to this strategy are Harmoney's Repeat offers. Repeat offers are extended to existing customers whom Harmoney considers have capacity to make higher repayments associated with larger loans. On average, customers who accept Repeat offers increase their loan size by 55% of their loan balance at the time the Repeat offer is made.

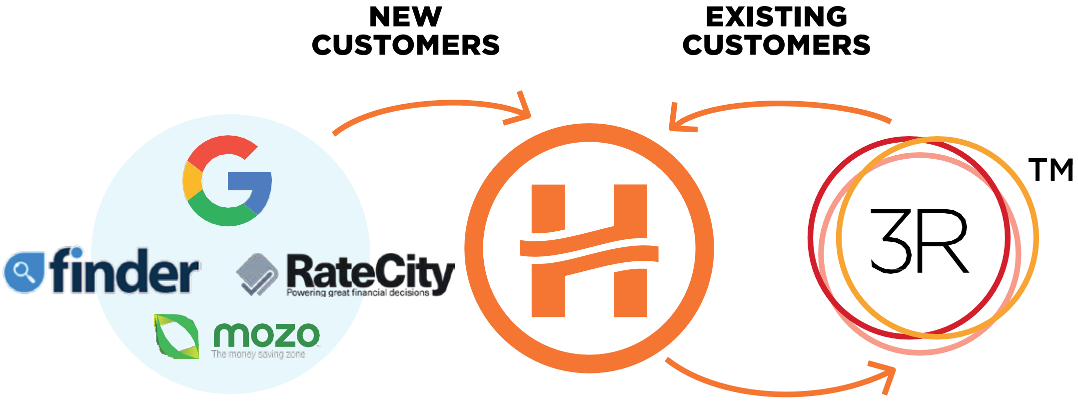
Returning customers are customers that have repaid their loan with Harmoney but have new borrowing needs and return to Harmoney for a new loan. Harmoney understands that these customers return due to their positive customer experience and competitive rates.

Renew is offered to customers as a retention tool and rewards customers for exemplary payment behaviour but who are not currently looking for additional funds.

The 3Rs strategy is designed to present offers on terms which Harmoney consider to be more attractive to the customer than they would typically be able to access in the broader market. The objective is that Harmoney retain a customer, rather than them potentially moving to a competitor and then incurring the cost of acquiring a new customer (or re-acquiring an existing customer).

In Harmoney's experience, customers engaged under the 3Rs strategy, also exhibit significantly stronger credit performance than newly acquired customers, with losses on repeat loans approximately 40% lower than first time loans.[46] Together, the lower customer acquisition cost and the more favourable loan loss characteristics of these customers result in more profitable loan unit profitability for Harmoney. Harmoney's 3R strategy is presented in Figure 17.

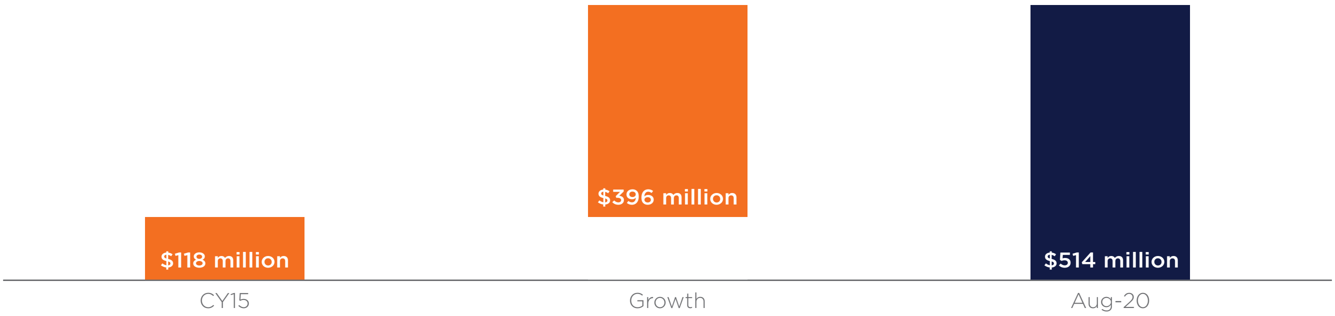
Figure 17: Repeat customer retention strategy



3.5.4.1 3Rs proven track record

The track record of the 3Rs is demonstrated by their ability to drive expanding loan volumes from a given group of customers and account holders. For example, the approximately 32,500 accounts created in CY2015 borrowed a total of $118 million in that year. By August 2020, more of these accounts became borrowers and loan originations amongst this cohort had expanded, helping volume from CY15 accounts grow by an additional $396 million.

Figure 18: 3Rs driving growth in loans (CY15 to August 2020)



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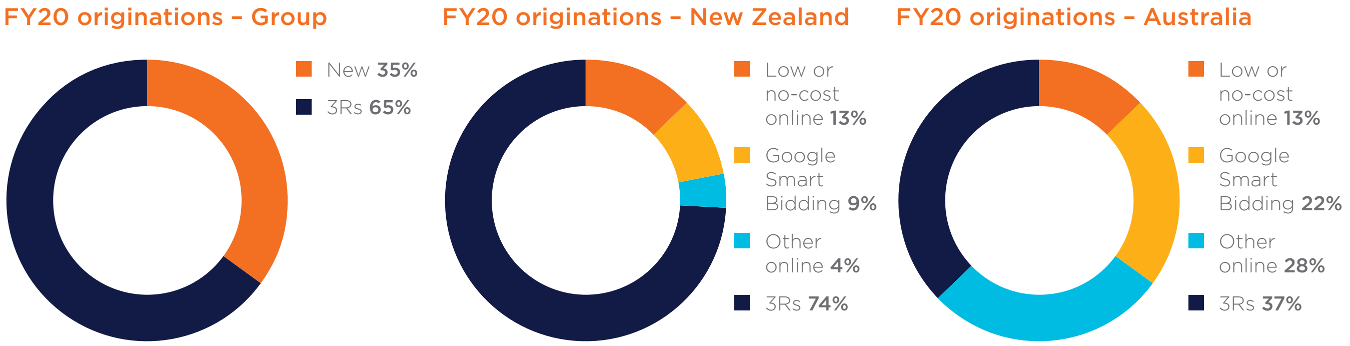
[46] Cumulative static loss rate (net of recoveries) for CY16–CY18 cohorts 24 months after loan inception.

The power of the 3Rs is also visible in the FY20 loan origination mix shown in Figure 19 below. In New Zealand, with its larger and more mature loan book, 3Rs comprised 74% of originations. At the beginning of the year, the Australian loan book was 80% smaller than New Zealand, in an effort to grow this, from October 2019, Harmoney accelerated its investment in new origination growth and in FY20, the 3Rs comprised 37% of originations. Harmoney plans to continue its investment in originating new borrowers in Australia, and as the Australian loan book and existing account base grow, Harmoney expects that the origination mix will begin to trend towards the New Zealand pattern, with the 3Rs becoming a more dominant driver of loan originations.

Figure 19: Power of the 3Rs business model



3.6 Earnings model

3.6.1 Income and costs

Harmoney currently operates two funding models, warehouse and peer-to-peer funding models. At the end of August 2020, warehouse funding comprised 33% of Harmoney's loan book, having commenced warehouse funding in December 2018. It is Harmoney's intention to increasingly fund its loan book through Warehouse Facilities, with the objective of transitioning to funding its loan book solely through its Warehouse Facilities. Prior to the commencement of warehouse funding in December 2018, Harmoney operated exclusively as a peer-to-peer lending intermediary.

Under the warehouse funding model, Harmoney generates income by charging its customers interest and fees for the provision of its loans. The key costs incurred by Harmoney in the provision of its loans under the warehouse funding model include borrowing costs, sales and marketing costs, support costs and loan impairments.

As Harmoney fully transitions to warehouse funding, fees generated under the peer-to-peer funding model are expected to progressively reduce to zero. Under the peer-to-peer funding model, Harmoney earns various fees, which include upfront origination fees, servicing fees, and performance fees. Some upfront origination fees are subject to partial rebate if the underlying loan closes early (due to prepayment or impairment). In some of these arrangements, servicing and performance fees are also subject to the underlying performance of the loan. The key costs incurred by Harmoney in the provision of loans under the peer-to-peer funding model include sales and marketing costs and support costs.

Table 6: Income and cost breakdown – warehouse funding versus peer-to-peer funding

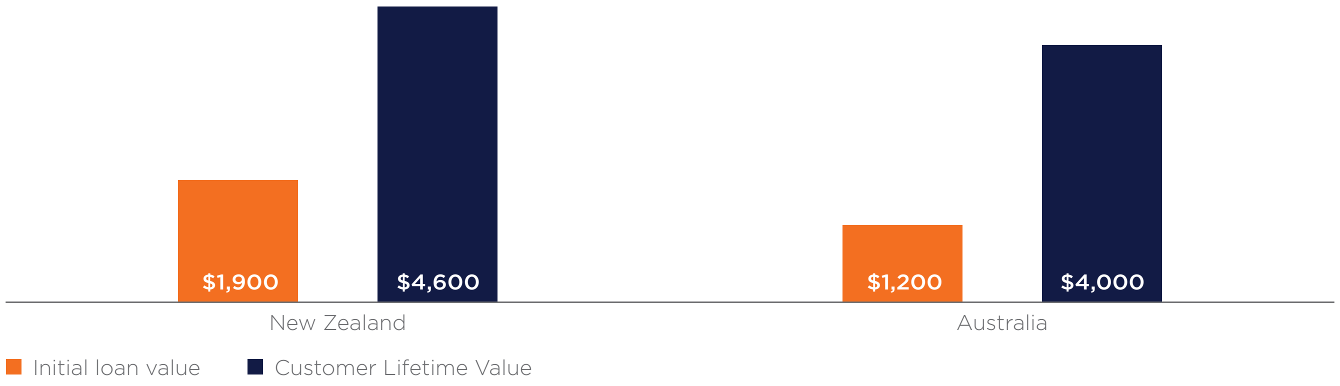
	Warehouse funding	Peer-to-peer funding
Total income	**Interest income** Contracted interest paid by the borrower to Harmoney	**Lender fee income** Fees paid by wholesale and retail lenders to Harmoney
	Fee income Fees charged for the establishment and collection of a personal loan that are paid by the borrower to Harmoney	**Fee income** Fees charged for the establishment and collection of a personal loan that are paid by the borrower to Harmoney
Attributable costs	**Sales and marketing costs** Advertising and marketing costs associated with acquiring customers	**Sales and marketing costs** Advertising and marketing costs associated with acquiring customers
	Support costs Costs associated with maintaining and developing the lending platform	**Support costs** Costs associated with maintaining and developing the lending platform
	Borrowing costs Cost of warehouse funding	
	Loan impairments The impairments for losses on loan receivables	

3.6.2 Customer Lifetime Value

Customer Lifetime Value is an important measure of customer profitability which considers initial customer acquisition costs, customer retention, and funding profitability. While Harmoney incurs costs acquiring customers, the success of Harmoney's 3Rs business model has resulted in the average customer taking 1.9 loans, which creates value by amplifying Customer Lifetime Value without incurring additional marketing spend.

Figure 20 below illustrates the initial loan value and the Customer Lifetime Value of loans across New Zealand and Australia. The initial loan value is expected to be approximately $1,900 in New Zealand and $1,200 in Australia. The 3Rs amplify the Customer Lifetime Value in New Zealand to approximately $4,600 and in Australia approximately $4,000, through Harmoney's ability to drive repeat loan activity and successfully retain attractive borrowers.

Figure 20: Customer Lifetime Value



Harmoney earns varying levels of income on each loan it issues based on how the loan is funded. Historically, Harmoney funded all loan receivables through its peer-to-peer funding model, where it received upfront fee income and/or service fees. With the intention of increasing its Customer Lifetime Value, Harmoney began to transition from its peer-to-peer funding model to warehouse funding. Under warehouse funding, the Customer Lifetime Value of loans in New Zealand and Australia has increased by approximately $2,900 and approximately $2,400 respectively. This increase was primarily due to the lower cost of funds available under the warehouse funding model relative to that under the peer-to-peer funding model. This can be seen in Figure 21 below.

Figure 21: Customer Lifetime Value by funding model

As described in Section 7.1, the net proceeds of the Offer for the Company will be applied to continue Harmoney's transition to a warehouse funding model as a strategy aimed to increase Harmoney's profitability.

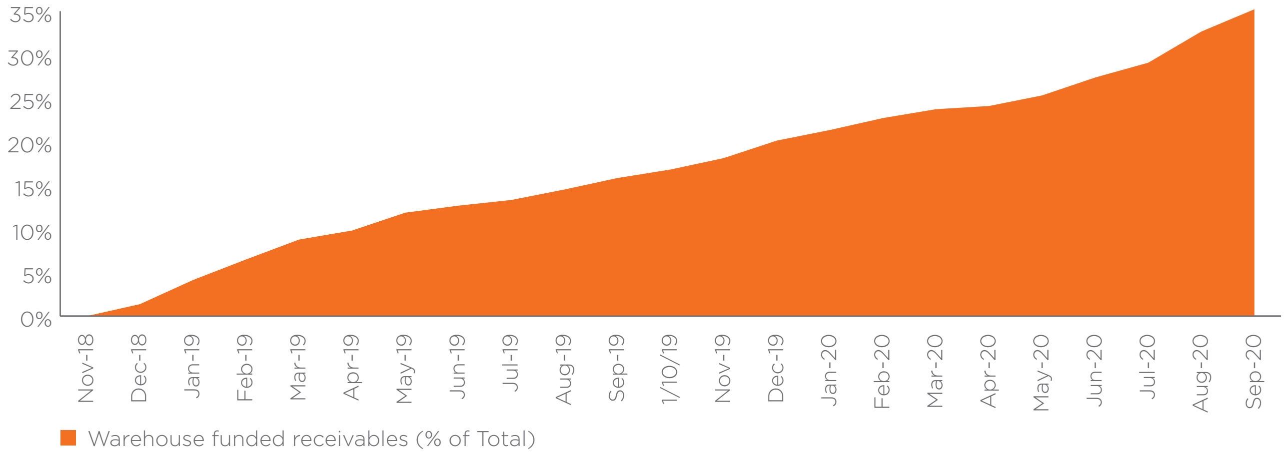
3.7 Funding

3.7.1 Strategy

Harmoney's funding model is transitioning from a peer-to-peer funding model to a warehouse funding model. Harmoney began the transition from a peer-to-peer funding model to a warehouse funding model in December 2018 with the establishment of its first New Zealand Warehouse Facility. In January 2020, Harmoney established its first Australian Warehouse Facility. The breakdown of the Customer Lifetime Value by funding channel is illustrated in Section 3.6.2.

As of 31 August 2020, 33% of Harmoney's receivables were warehouse funded, with the remaining 67% peer-to-peer funded. Harmoney anticipates the transition to a warehouse funding model will largely be complete in the next 12 – 18 months.

Figure 22: Warehouse funded receivables



3.7.2 Overview

3.7.2.1 New Zealand funding

Prior to its New Zealand launch, Harmoney was granted the first New Zealand peer-to-peer licence by the FMA in 2014, creating a peer-to-peer marketplace that enabled retail lenders to lend to creditworthy customers.

Alongside the launch of the peer-to-peer marketplace, Harmoney attracted $85 million of peer-to-peer funding from multiple institutional partners. The institutional peer-to-peer funding included a $50 million facility from a New Zealand bank. This institutional peer-to-peer funding, in conjunction with the peer-to-peer marketplace, allowed Harmoney to successfully demonstrate the viability of its peer-to-peer lending model.

Harmoney subsequently added three additional institutional peer-to-peer funders: a second New Zealand bank, a London Stock Exchange listed investment trust, and a New York-based asset manager. The terms of these commercial agreements vary but all compensate Harmoney with upfront fees paid by the peer-to-peer lender to Harmoney at the time the loan is funded. In addition, some peer-to-peer lenders also pay Harmoney a service fee and performance fee, with the potential for some of the upfront fees to be rebated by Harmoney to the peer-to-peer lender depending on the performance of the underlying receivables.

For the period the peer-to-peer marketplace was operating, approximately 20% of monthly New Zealand loan volumes were allocated to retail lenders, with the remainder, prior to the introduction of the warehouse funding model, being funded by institutional peer-to-peer funders. During this period, the retail peer-to-peer loan book grew to approximately $80 million, which was funded by approximately 10,000 retail lenders.

In December 2018, Harmoney established its second funding channel – the New Zealand Warehouse Trust. This limited recourse, revolving warehouse securitisation trust funds loan originations in the New Zealand market. Total warehouse funding on commencement of the New Zealand Warehouse Trust was $50 million, which was a combination of senior note and mezzanine note funding. The senior note funding is provided by a major bank, which initially subscribed to $35 million of senior notes. A large Australian asset manager subscribed to $9.75 million of the mezzanine notes.

The New Zealand Warehouse Facility limit was increased to $100 million in May 2019, $140 million in December 2019, and $153 million in September 2020 in order to support the continued growth in Harmoney's loan book. Harmoney has recently commenced a process to obtain a formal credit rating for the New Zealand Warehouse Trust with a global external credit rating agency. The senior financier has approved a further limit increase of the New Zealand Warehouse Facility to $200 million once the rating is obtained. Furthermore, in anticipation of establishing an Asset Backed Securitisation program, the rating will facilitate the ability to term out loan receivables to recycle warehouse capital.

In September 2020, Harmoney also received credit committee approval from a global asset manager for up to $200 million to establish a second Warehouse Facility in New Zealand.

In February 2020, Harmoney announced its strategic decision to close the retail peer-to-peer marketplace to any new retail lending from 1 April 2020. Harmoney continues to service the existing retail peer-to-peer loan book of $55 million as at 31 August 2020, which is in run-off.

3.7.2.2 Australia funding

Harmoney has two funding channels in Australia. Funding commenced with institutional peer-to-peer funders, including a New Zealand bank, a London Stock Exchange listed investment trust, and a New York-based mutual fund.

To support the expansion and growth into the Australian market, Harmoney created the Australian Warehouse Trust in January 2020 as its second funding channel in Australia. The senior note funding for the Australian Warehouse Trust is provided by a major bank with the same large Australian asset manager that holds the mezzanine notes in the New Zealand Warehouse Trust subscribing for the mezzanine notes in the Australian Warehouse Trust. The total issue size was A$115 million and included A$75 million of senior notes and A$27 million of mezzanine notes.

3.7.2.3 Corporate Debt Facility

Harmoney entered into a three-year, secured A$10 million Corporate Debt Facility in January 2020. Proceeds from the Corporate Debt Facility were used for general corporate purposes and working capital requirements. Repayment of the Corporate Debt Facility will occur prior to Completion of the Offer. Harmoney may enter into a new corporate debt facility post Listing.

3.7.2.4 Current funding sources

Table 7 below provides a summary overview of Harmoney's existing funding sources.

Table 7: Summary of Harmoney's existing funding sources

Type of Funding	Description
Warehouse Facilities	Revolving debt facilities that can be used by Harmoney for the purchase of receivables. The Warehouse Facilities can be drawn and repaid on an ongoing basis up to agreed facility limits, subject to compliance with the terms and conditions and eligibility criteria. The Warehouse Facilities consist of senior note funding, mezzanine note funding, and junior note funding, which provides 'first loss' capital to support the required credit subordination of the senior and mezzanine funders. Senior note funding in the New Zealand Warehouse Trust and Australian Warehouse Trust is provided by two major banks, whilst the mezzanine note funding is provided by a large Australian asset manager. In order to maintain the minimum agreed credit support, Harmoney holds the most junior note in both the New Zealand Warehouse Trust and Australian Warehouse Trust. The debt in each of the Warehouse Facilities has limited recourse to Harmoney.
Institutional peer-to-peer lenders and retail peer-to-peer lenders	Harmoney has institutional funding with a New Zealand bank and a New York-based asset manager across its New Zealand and Australia platforms. The arrangements provide Harmoney with the liquidity to scale lending quickly without investing capital into its balance sheet. Institutional funding agreements may be committed or uncommitted 'at-will' partnerships. Harmoney has chosen to enter into committed facility arrangements from time to time. Harmoney's strategy going forward is to continue its transition to a warehouse funding model and will continue to manage run-off loan books.
Cash	Harmoney expects to have between $70.0 million and $75.0 million of unrestricted cash at completion of the Offer which can be used for general corporate purposes, including working capital and the funding of loans via the contribution of the necessary capital to support the Warehouse Facilities.

3.7.2 Warehouse Facilities

Given the higher Customer Lifetime Value of funding through the Warehouse Facilities (refer to Figure 21), Harmoney will primarily fund its future loan originations through this channel in both New Zealand and Australia. Within each Warehouse Facility, Harmoney is required to hold the most junior ranking note or the 'first-loss' capital to satisfy its credit support requirements. Further details of the Warehouse Facilities are summarised below and in Table 8.

Table 8: Summary of the Warehouse Facilities

			As at 30 September 2020		
Trust	Lender	Legal maturity date	Unused	Utilised funds	Limit
New Zealand Warehouse Trust	• A major bank is the senior note funder • A large Australian asset manager is the mezzanine note funder	• Two years expiring December 2021 (with the option to be extended by agreement)	$20 million	$133 million	**$153 million**
Australian Warehouse Trust	• A major bank is the senior note funder • A large Australian asset manager is the mezzanine note funder	• Two years expiring January 2022 (with the option to be extended by agreement)	A$85 million	A$30 million	**A$115 million**

3.7.3 Capacity to support growth

As at 30 September 2020, Harmoney had $20 million of unutilised funding headroom in the New Zealand Warehouse Trust's $153 million facility and A$85 million of unutilised funding headroom in the Australian Warehouse Trust. Harmoney has recently commenced a process to obtain a formal credit rating for the New Zealand Warehouse Trust with an external credit rating agency. The senior financer has approved a limit increase of the New Zealand Warehouse Facility to $200 million once the rating is obtained. Furthermore, in anticipation of establishing an Asset Backed Securitisation program, the rating will facilitate the ability to term out loan receivables to recycle warehouse capital.

To support the projected growth in its loan book, Harmoney engaged a number of potential funding partners to establish a second Warehouse Facility in New Zealand. In September 2020, Harmoney received credit committee approval from a global asset manager for up to $200 million to establish a second Warehouse Facility in New Zealand.

Figure 23: Harmoney's New Zealand Warehouse Facility limits ($ million)

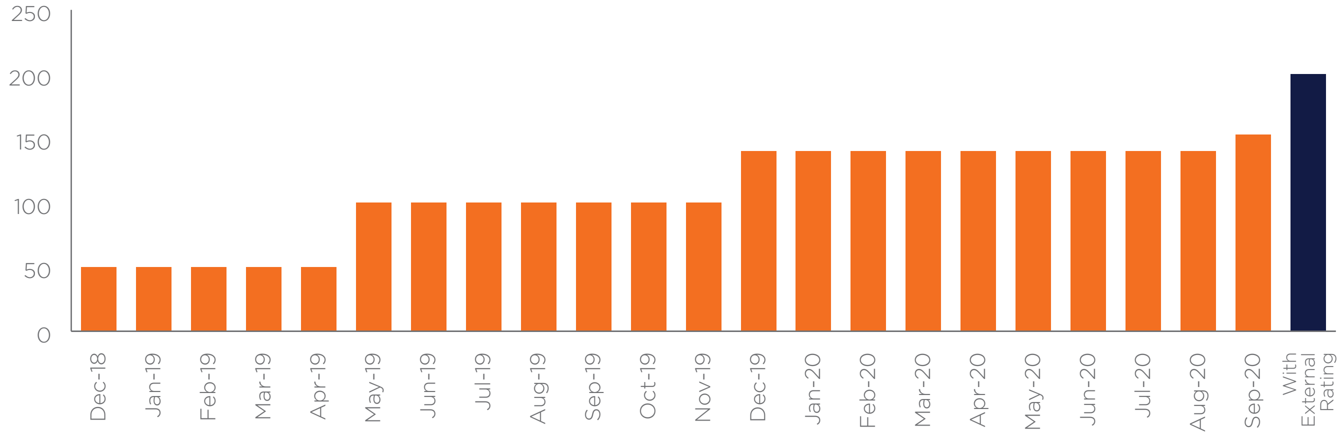
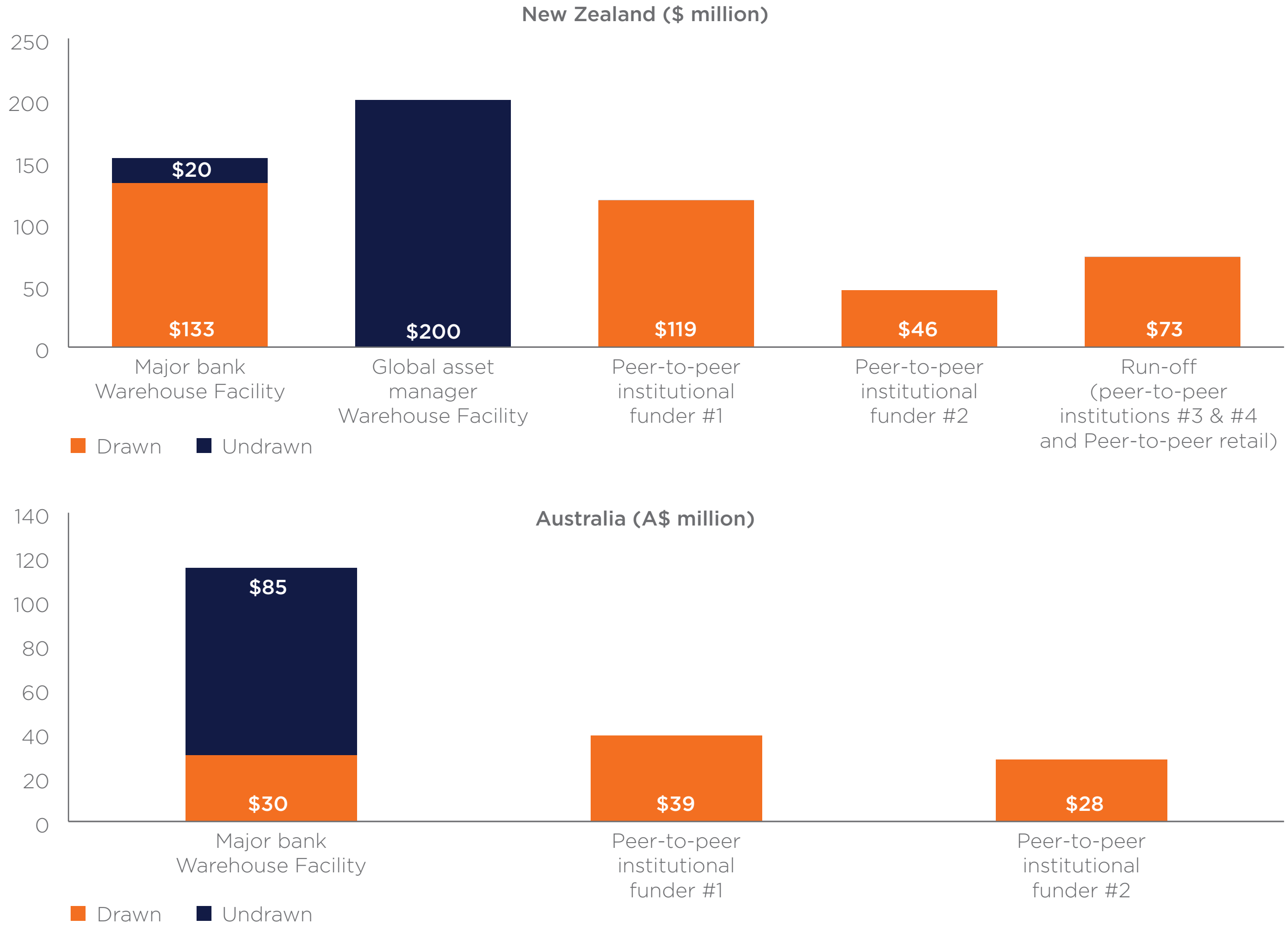


Figure 24: Harmoney funding channels by geography



3.8 Credit risk management

3.8.1 Approach to credit risk management

Since inception, Harmoney has adopted a stringent and disciplined approach to the management of credit risk. It has diligently and consistently applied its credit risk management framework across the origination of all loans, and throughout the collection process. This has enabled Harmoney to grow at significant scale, whilst concurrently minimising loss rates across both its New Zealand and Australian loan books.

Harmoney's 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.

The Chief Risk Officer oversees the Harmoney credit risk framework and is also the Chair of the Operational Credit Committee and the Assets and Liabilities Committee.

3.8.2 Stellare™'s credit risk systems

The Harmoney technology platform incorporates several components to assist with credit risk management including:

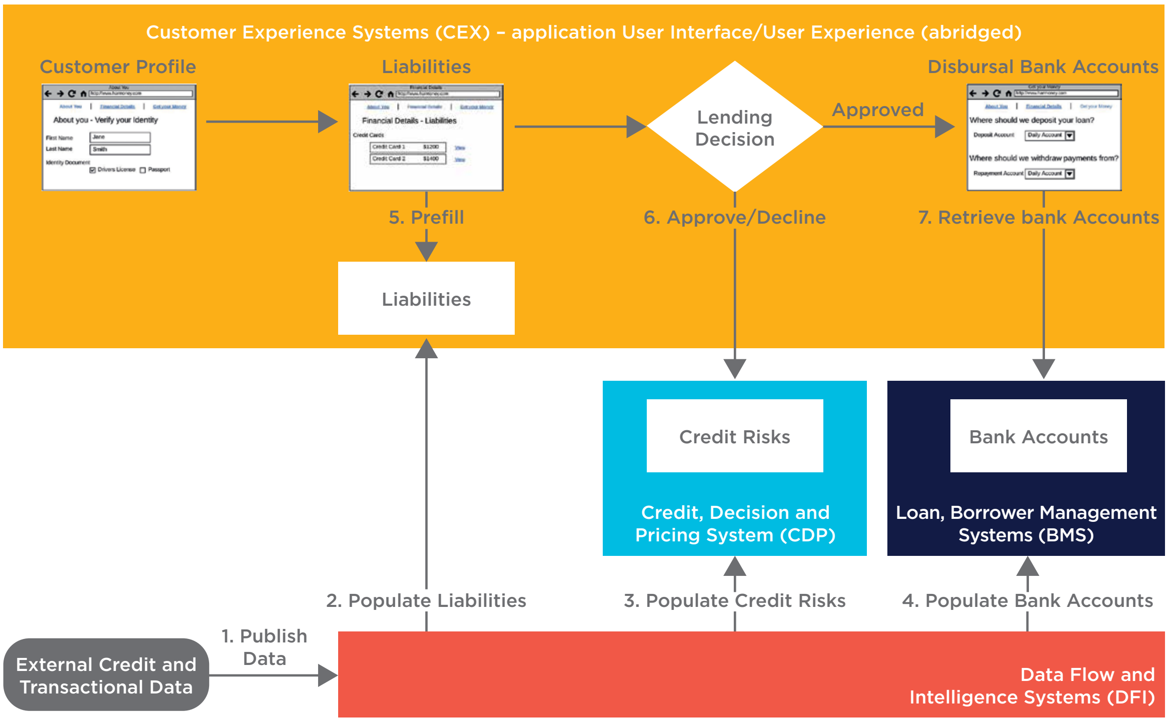
- Credit, Decision and Pricing System (CDP): utilises rich datasets from credit bureau and online bank statement providers via a data pipeline pre-populating data, validating customer inputs and identifying relevant credit risks;
- Borrower Management System (BMS): manages the loan from origination through its funding, disbursal, and onwards through its lifetime including payment processing, and if required, collection processes through to loan completion; and
- Data Flow and Intelligence System (DFI): real-time data flow and intelligence engine that supports the transformation of raw data to be processed into actionable insights. This process helps signal applicant credit risk and prevents customers from underrepresenting their liabilities.

3 Company overview

Figure 25 below shows a simplified example of Stellare™'s CDP, BMS and DFI. These process external datasets to detect various aspects of a customer's financial and credit profile. This supports the Harmoney credit policy and risk management approach, as well as showing some of the unique aspects of the Stellare™ platform (automation/prefill for customer and automated decision making for Harmoney).

Stellare™ also underwrites the credit eligibility decisioning for the 3Rs which are partially determined via a customer's behaviour on the Harmoney platform, including payment on time measures and regular updates from external datasets.

Figure 25: Delivery of the customer experience showing simple examples of credit risk management delivered by Stellare™ platform



Illustrative Example:

1. External data (credit files/bank transactions) arrive and are processed by DFI via its real-time data pipeline.
2. DFI populates discovered customer liabilities it finds into the customer's financial profile.
3. DFI populates CDP with any credit risks found on external data sources.
4. DFI populates BMS with a list of valid customer bank accounts.
5. The Customer Experience System (CEX) requests set of discovered liabilities to present to customer – which helps to mitigate one type of credit risk (undisclosed liabilities).
6. CEX asks CDP for a lending decision – CDP utilises credit risks and other decisioning tools (including machine learning scorecard, affordability etc.) to approve, decline or send loan application to manual verification.
7. Customer picks one of the valid bank accounts which covers another credit/regulatory risk – by ensuring funds are disbursed to a bank account associated with the customer (or third party for debt consolidation).

3.8.3 Credit process

Harmoney employs a hybrid credit underwriting method that relies on both its automated straight-through processing and credit officer entries and checks to assess a borrower's creditworthiness. With respect to present responsible lending requirements, the automated credit model (CDP) utilises a rules-based approach and uses applicant form responses (CEX), credit bureaus and financial institution data, and Harmoney's own aggregated data (DFI) to verify and assess a borrower's financial needs and requirements – similar to functions that would typically be conducted by credit officers in a manual underwriting application process. These rules have been built to capture all relevant details and regulatory provisions and are refined over time to meet changing regulation.

Where CDP identifies issues (such as data inconsistencies/incompleteness) it highlights these to Harmoney's credit officers who manually review the specific data point and perform an action on that data point. The Australian specific process has relatively tighter credit approvals reflective of the more mature/prescriptive regulatory regime in Australia versus the principles-based guidance provided in New Zealand. Harmoney draws on these calculated outcomes in circumstances where customers request a Written Suitability Assessment in Australia. Where viable and pragmatic, the New Zealand process has been changed to become more like the Australian process to streamline operations and adhere to higher regulatory standards, especially where they provide better customer outcomes.

Figure 26: Responsible lending process – assessing customers

INQUIRE about consumer's financial situation, requirements and objectives	• Collect personal identification information • Ask about income and expenses, and assets and liabilities • Ask loan purpose and goals
VERIFY the consumer's financial situation	• Verify consumer's personal identity from Government databases and bureaus • Obtain and use credit files from two credit bureaus • Obtain and use data from consumer's bank statements
ASSESS that the loan is "not unsuitable"	• Determine from credit file if consumer is in/at risk of financial hardship • Assess affordability of the loan • Assess whether requirements and objectives can be met
DOCUMENT the application and loan	• Obtain appropriate consumer consents • Provide accurate contracts and disclosures • Inform the customer of their rights and responsibilities

Explanation of key processes:

- **AML/CTF:** Harmoney consulted and engaged external AML consultants, to prepare its AML/CTF program. The resulting procedures are integrated into Harmoney's operating systems;
- **Initial onboarding/credit bureau checks:** Initial onboarding and registration steps are designed to ensure that the individual or entity seeking to become a customer can be identified. Customers must provide identity verification (either a driver's licence or passport) which is checked against credit bureau and government document verification services; and
- **Additional biometric matching:** This is an identification and verification service.

The background check and risk assessment process are outlined in Figure 27.

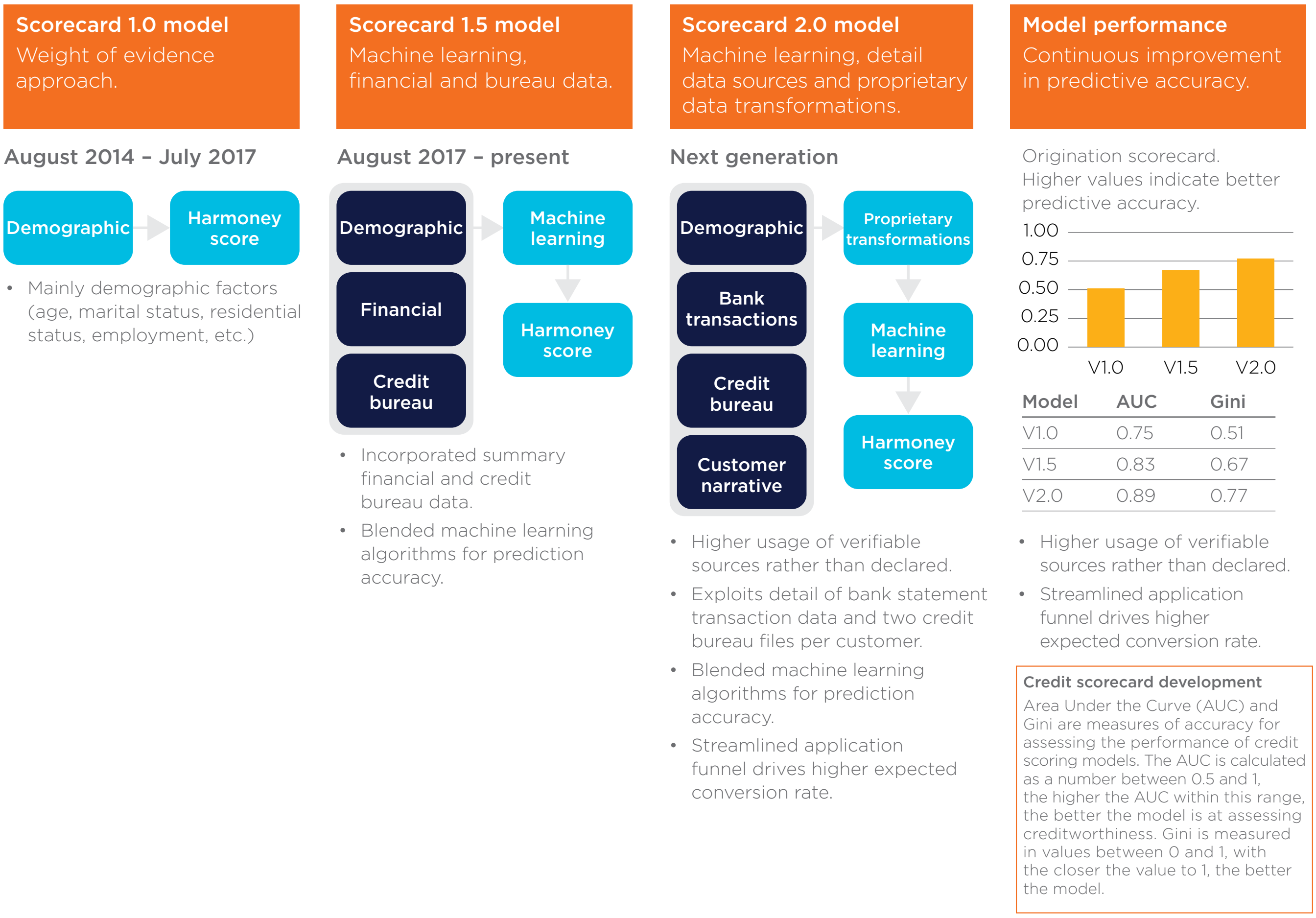
Figure 27: Onboarding new customers

Account creation	• harmoney.co.nz or harmoney.com.au
Identity verification	• Driver's license or passport linked to government databases • Face scanning technology (where necessary) • AML solutions prepared Harmoney's AML/CTF program
Credit reports	• Applications checked against two New Zealand and two Australian bureaus • Proprietary transformations and detailed analysis of the credit report data
Financial position	• 90 days of bank transaction data • Income and expenses confirmed • Assets and liabilities confirmed
Scorecard	• Proprietary scorecard applied • Scorecard determines risk grade and interest rates
Funding	• Funds advanced to customer's bank account

3.8.4 Credit assessment

Harmoney has invested in data science capability, software and technical skills, for building (and continual improvement) of a proprietary credit scorecard to assess potential customers. The credit scorecard assesses both: credit bureau data (positive and negative); and customer supplied information. The credit scorecard categorises customers across 25 credit grades in New Zealand, and 20 in Australia. From this, it is able to generate interest rates between 6.99 – 24.69% per annum (New Zealand) and 6.99 – 25.69% per annum (Australia) to optimise the risk-return profile of loans within its loan book. The improved performance of this proprietary intellectual property over time is demonstrated through its increasing predictive accuracy. As seen in Figure 28, Harmoney has continuously refined its credit scorecard to ensure that Harmoney is able to make calculated real-time decisions about approving and pricing lines of credit based on the available methodologies, technologies and customer data. The process from application to issuance of a loan can be seen in Figure 29.

Figure 28: Credit scorecard development



Scorecard 1.0 model
Weight of evidence approach.

August 2014 – July 2017

- Mainly demographic factors (age, marital status, residential status, employment, etc.)

Scorecard 1.5 model
Machine learning, financial and bureau data.

August 2017 – present

- Incorporated summary financial and credit bureau data.
- Blended machine learning algorithms for prediction accuracy.

Scorecard 2.0 model
Machine learning, detail data sources and proprietary data transformations.

Next generation

- Higher usage of verifiable sources rather than declared.
- Exploits detail of bank statement transaction data and two credit bureau files per customer.
- Blended machine learning algorithms for prediction accuracy.
- Streamlined application funnel drives higher expected conversion rate.

Model performance
Continuous improvement in predictive accuracy.

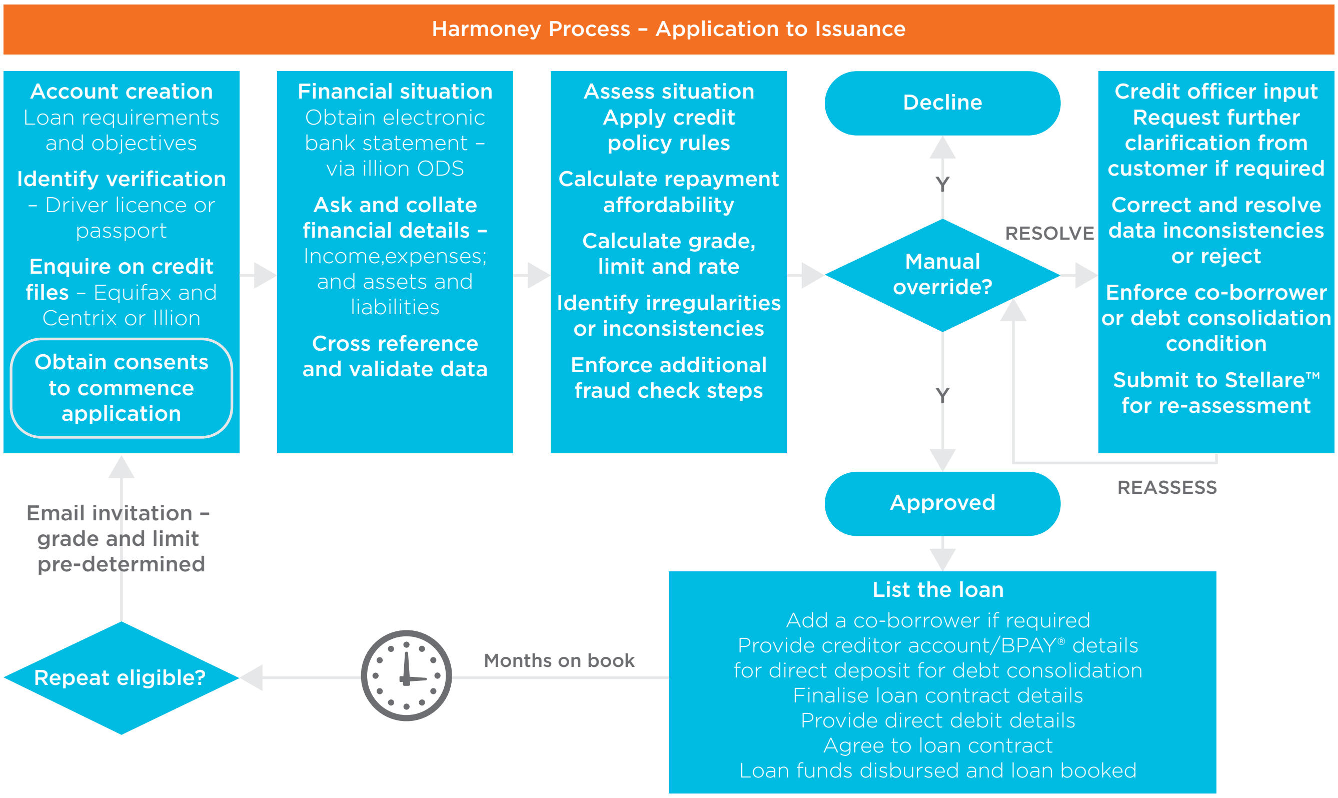
Origination scorecard. Higher values indicate better predictive accuracy.

Model	AUC	Gini
V1.0	0.75	0.51
V1.5	0.83	0.67
V2.0	0.89	0.77

- Higher usage of verifiable sources rather than declared.
- Streamlined application funnel drives higher expected conversion rate.

Credit scorecard development
Area Under the Curve (AUC) and Gini are measures of accuracy for assessing the performance of credit scoring models. The AUC is calculated as a number between 0.5 and 1, the higher the AUC within this range, the better the model is at assessing creditworthiness. Gini is measured in values between 0 and 1, with the closer the value to 1, the better the model.

Figure 29: Process from application to issuance



Harmoney Process – Application to Issuance

Account creation Loan requirements and objectives

Identify verification – Driver licence or passport

Enquire on credit files – Equifax and Centrix or Illion

Obtain consents to commence application

Financial situation Obtain electronic bank statement – via illion ODS

Ask and collate financial details – Income,expenses; and assets and liabilities

Cross reference and validate data

Assess situation Apply credit policy rules

Calculate repayment affordability

Calculate grade, limit and rate

Identify irregularities or inconsistencies

Enforce additional fraud check steps

Credit officer input Request further clarification from customer if required

Correct and resolve data inconsistencies or reject

Enforce co-borrower or debt consolidation condition

Submit to Stellare™ for re-assessment

List the loan
Add a co-borrower if required
Provide creditor account/BPAY® details for direct deposit for debt consolidation
Finalise loan contract details
Provide direct debit details
Agree to loan contract
Loan funds disbursed and loan booked

3.8.5 Credit outcomes

One key indicator Harmoney uses to evaluate its credit outcomes is the static loss rate. The static loss rate is calculated as the principal charged off less the amount of total recoveries divided by the total loan amount for any given cohort.

The static loss rate of repeat loans in New Zealand is 40% below that of new loans. Based on this, it is expected that the introduction of Repeat loans in Australia (July 2019) will significantly, if not equally improve the static loss rate for the Australian portfolio of loans as a whole.

Cohorts are well seasoned by month 30 with less than 20% of principal remaining.

Figure 30: Cumulative static loss rate by annual cohort (net of recoveries, CY. A – E grade) as at 30 June 2020 – New Zealand

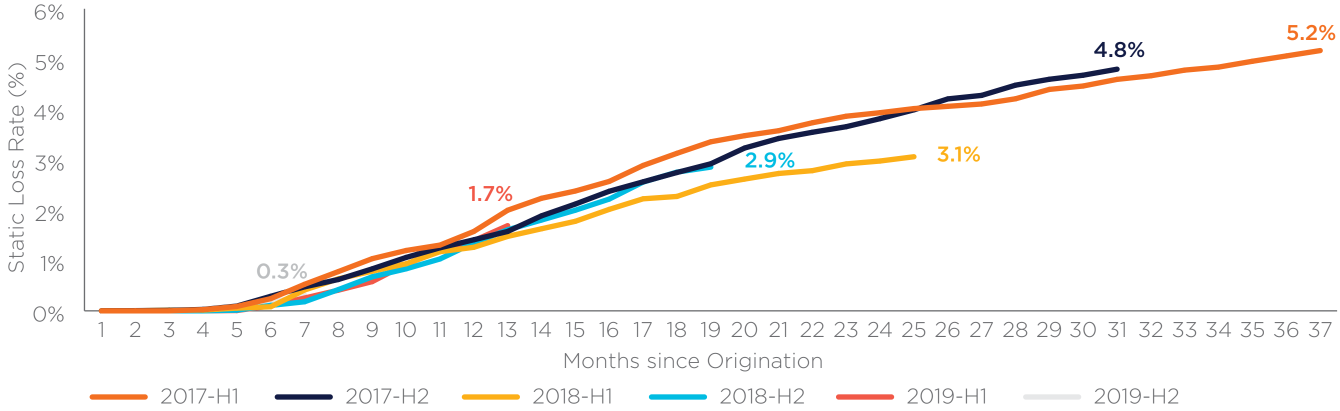
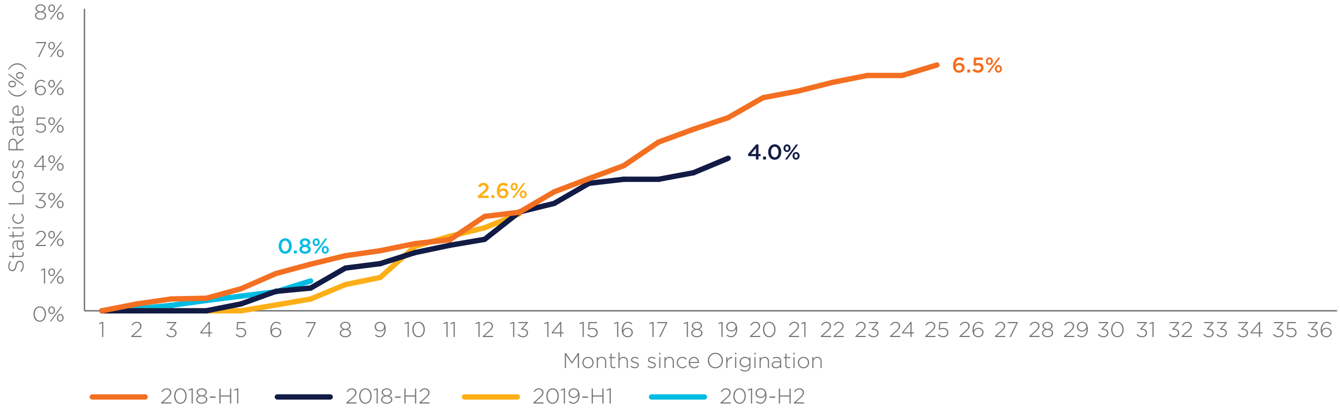


Figure 31: Cumulative static loss rate by annual cohort (net of recoveries, CY. A – D grade) as at 30 June 2020 – Australia



3.8.6 Collections and arrears management

Harmoney seeks to implement a robust and effective collections and recoveries policy to assist in minimising its net loss rates.

Stellare™ automates collections tasks (letters, SMS, and emails) and manages workflows throughout the collections process. It also tracks and counts communications to ensure compliance with legislation.

Table 9: Arrears management and the collection process

Days in arrears	Collection process
-5 days	Harmoney proactively starts communicating with customers five days prior to the due date for a repayment.
0 – 5 days	Harmoney understands there may be unexpected life events that can create disruptions and sometimes payments get missed. In the first five days, it will contact the delinquent customer via email (first written notice), SMS or phone. During this time, a member of Harmoney's collections team will be assigned to manage the delinquent customer.
5 – 15 days	Over this time period, further attempts will be made by the collections team to contact the customer and arrange for immediate repayment. During this period, a second written notice will be sent to the delinquent customer informing them of the consequences of late repayments. It is at this point that Harmoney will consider sharing the repayment delinquency with credit bureaus in New Zealand and Australia as part of Comprehensive Credit Reporting.
15 – 30 days	Over this time period, further attempts will be made by the collections team to contact the customer and arrange for immediate repayment. During this period, a third written notice will be sent to the delinquent customer informing them of the consequences of late repayments, including, but not limited to: written 'Letter of Notice', SMS, email and phone. Notice of adverse credit may also be passed to credit bureaus in New Zealand and Australia at this point.
30 – 60 days	The customer is informed that they are now in breach of their repayment obligations under their contract, and that Harmoney reserves the right to commence legal action. Further to this, a 'Notice of Demand' is issued to the customer. If no attempt at resolution is made by the customer, the case is handed to Harmoney's recovery team. However, at this point the aim is to continue with an attempt to collect the debt, and the collections team will continue to work with the customer to reach an amicable solution.
60 – 90 days	A second written 'Notice of Demand' is issued, as well as further attempts at resolution. This is the final opportunity for the customer to resolve the situation prior to further collections steps being taken. Failure to make payment at this stage may result in consideration of commencement of legal action and the lodgement of a default on the customer's credit file.
90 – 120+ days	This stage represents the last possible stage for a customer to make repayment before legal action is considered. If no attempt at remediation is made, the loan will move into a 'charged off' state post 120 days. The loan is then managed by a recoveries operator or sold to a debt purchaser.

The success of Harmoney's collection and arrears management process is demonstrated in Figure 32 and Figure 33, both of which highlight the consistency of arrears, subject to seasonality and a COVID-19 related downward trend from April 2020. This indicates that Harmoney can accurately predict the proportion of total receivables that will be paid over a two-month period.

Figure 32: New Zealand historical arrears

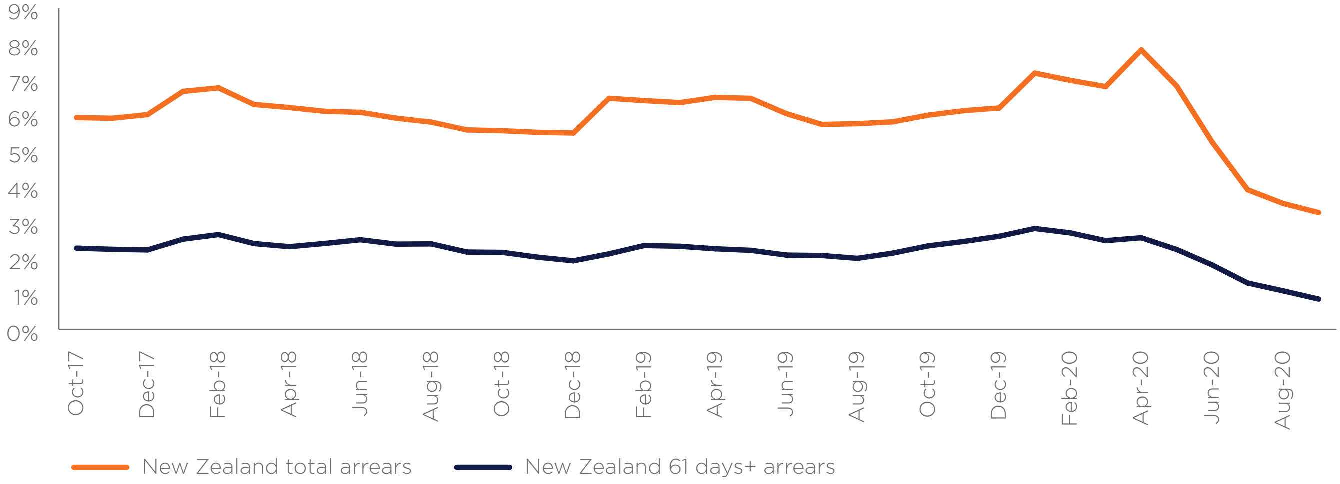
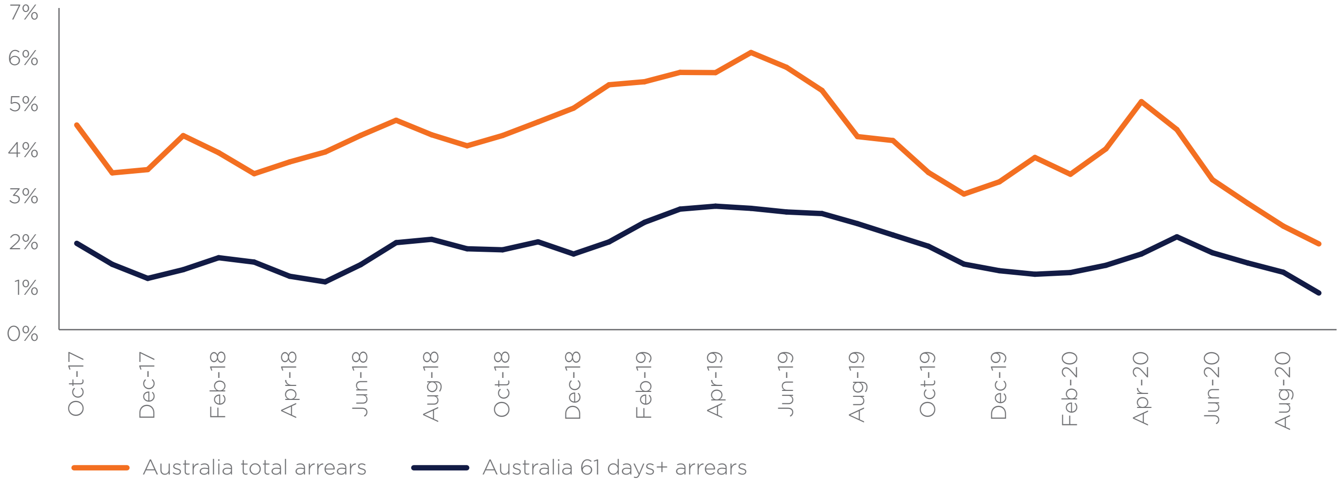


Figure 33: Australia historical arrears



Harmoney responded promptly to the emergence of COVID-19 in March 2020. The steps Harmoney took in response to COVID-19 are set out in the following table.

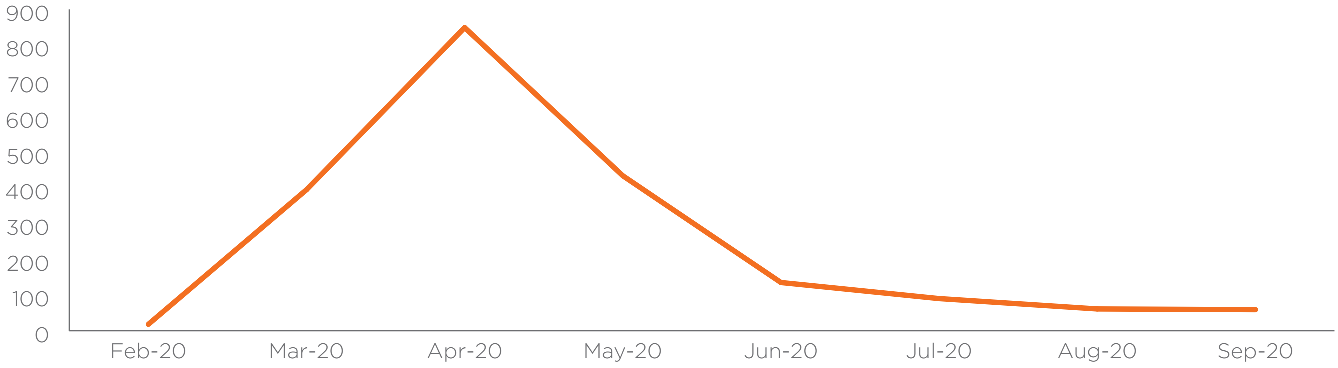
Table 10: COVID-19 operational approach

Changes to credit risk and underwriting policies	• ceased funding of higher risk grades; • raised credit bureau score cut-offs; • reduced credit limits; • stopped lending to customers employed in high risk industries such as tourism; and • implemented a review of automated decisions that are not occurring at the same time.
Enacted its business continuity plan	• all staff transitioned to working from home. Harmoney experienced little disruption to its day to day operations; • the Harmoney Board had weekly meetings for critical updates; • applied for and was entitled to the Wage Subsidy Scheme in New Zealand and JobKeeper in Australia; and • received a 50% rent abatement for April and May 2020 during the New Zealand Government imposed lockdown.
Optimisation of Company spend	• halted all marketing while assessing the impact on credit demand and quality; • as of August 2020, demand was recovering; however, Harmoney remains conservative around marketing spend to ensure its credit quality remains high; and • rationalised employee and rent costs.
Technology responses	• adopted system changes to support credit changes; and • implemented automation to manage communication to affected customers and to process payment holidays.

COVID-19 payment holidays

As at 28 September 2020, more than 90% of customers had recommenced payment of their loans following the expiration of payment holidays. The peak of payment holiday requests was received in April 2020 as shown in Figure 34. During this time of uncertainty induced by COVID-19, Harmoney adopted a proactive approach to reach out to its customer base and offered support in the form of payment holidays. Customers were able to take payment holidays of up to six months in length.

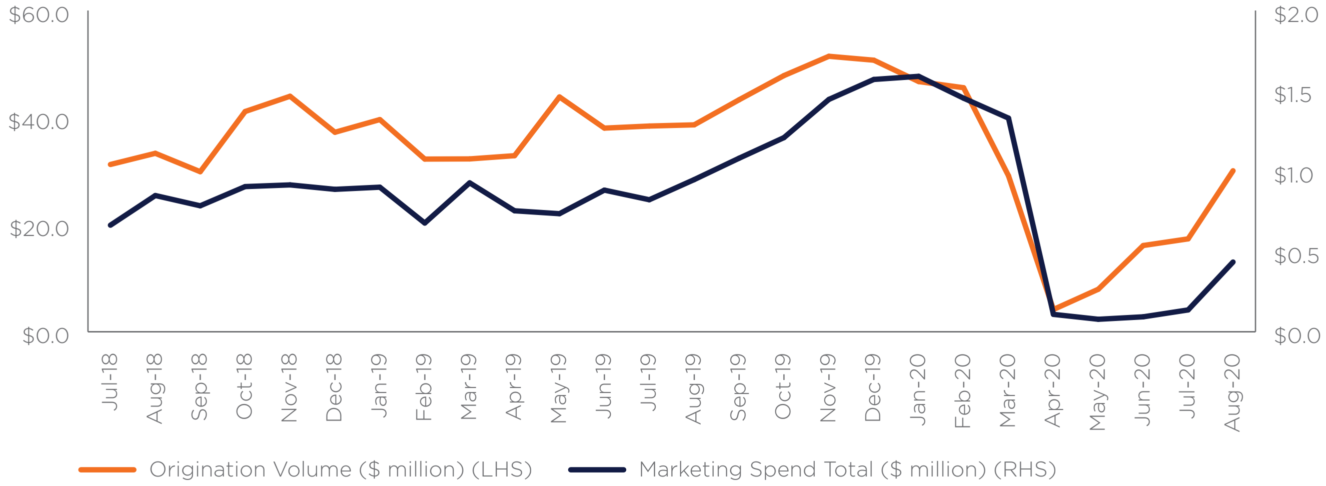
Figure 34: Payment holiday applications by month



COVID-19 origination volumes

As origination volumes trend back towards pre-COVID-19 levels, Harmoney has maintained a conservative outlook on marketing spend to ensure its credit quality remains high, as is shown in Figure 35.

Figure 35: Correlation of marketing spend to origination growth – Group response to COVID-19



3.9 Growth strategies

Harmoney's vision is to continue to increase its lending services to consumers in New Zealand and Australia. Harmoney intends to do this by growing its Australian presence, increasing its market penetration across New Zealand and Australia through product expansion, shifting from a peer-to-peer funding model to a warehouse funding model, growing through selective and opportunistic M&A, and leveraging Stellare™ to respond and adapt to changing trends in consumer credit.

3.9.1 Opportunity in Australian market

Harmoney only entered the Australian market in 2017. As at 31 August 2020, the Australian loan book was A$100 million in a market of A$150 billion.

Harmoney believes that its relatively small presence in Australia represents a considerable opportunity for it to continue to grow personal lending originations through:

- growing new originations via its customer acquisition strategy. The model proven in New Zealand has been tested in Australia and shown that it can scale efficiently. Figures 36 and 37 below demonstrate the impact on account and origination growth in Australia when Harmoney injected marketing spend following its successful Series C capital raise in October 2019. Between October 2019 and February 2020, loan originations grew by A$61 million, representing a growth rate of 168% on the prior comparable period. Marketing spend was subsequently halted in March 2020 due to COVID-19, but in recent months, Harmoney has started to increase marketing spend in Australia and expects to accelerate this further following completion of the Offer;
- using the 3Rs business model to provide the right offer at the right time to the existing customer base and increase the Customer Lifetime Value of each customer; and
- developing new product features. Harmoney receives continuous customer feedback that enables it to consistently improve its offer to customers. Anticipated new features are co-borrower lending which will increase affordability and customer conversion in Australia, the automated prefill of customer financial data from bank transactions that will increase application speed and accuracy of applications, and using the NPP (New Payments Platform) to get cash to borrowers faster.

Figure 36: Australian marketing spend versus account growth

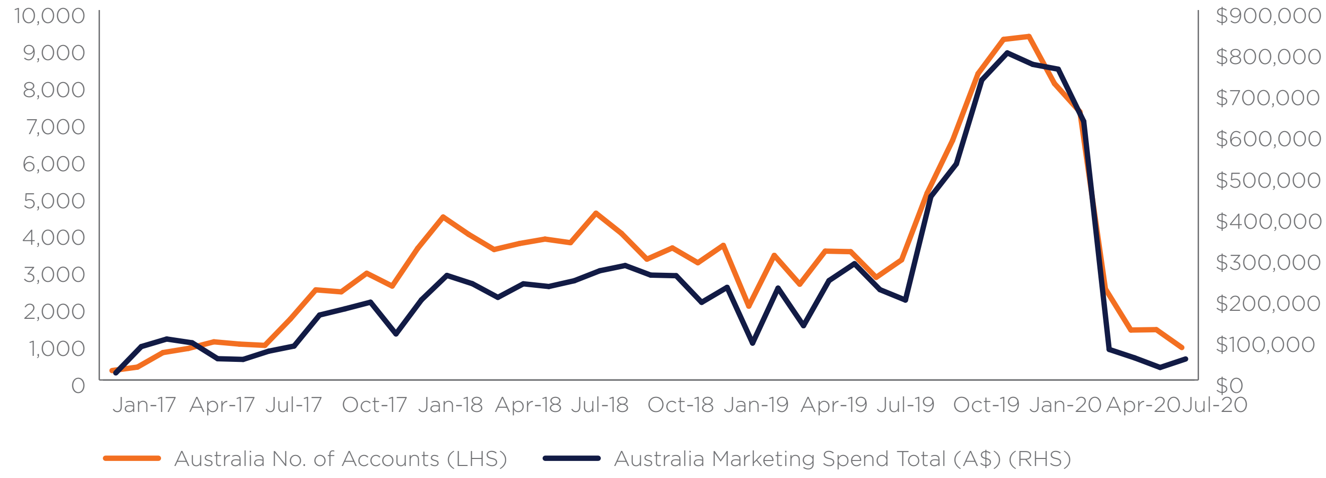
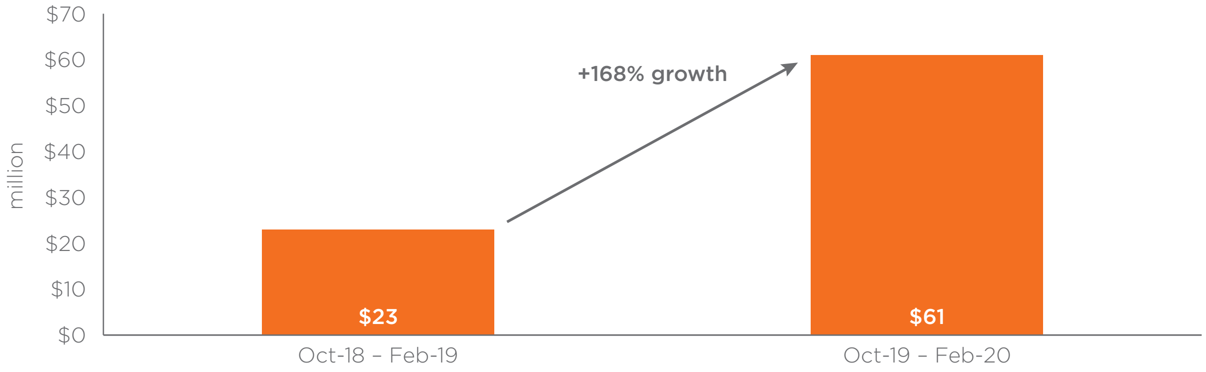


Figure 37: Loan origination growth chart



3.9.2 Expand Harmoney's product range and total addressable market across New Zealand and Australia

Harmoney has established itself as an online personal loan lender with an automated and scalable platform that provides positive customer outcomes as evidenced by its NPS of 79.

Harmoney believes it is well placed to successfully pursue growth by cross-selling to meet the wider financial needs of existing customers and reaching new customers with its existing loan products.

Harmoney's proprietary loan management system, Stellare™, is designed in a manner which allows for it to adapt its core technology to support new loan products, enabling it to move into new credit adjacencies with modest incremental investment.

By leveraging the customer data from its approximately 560,000 existing accounts, Harmoney has identified new segments and market verticals for new credit adjacencies targeted at millennials and automotive loans.

- Millennials – with over 63,000 existing millennial accounts, Harmoney has identified an opportunity to potentially originate up to 20,000 new loans which in value equate to $200 million; and
- Motor Direct – with over $33 million in existing loans being used to finance vehicles, Harmoney has identified an opportunity to offer these customers a superior automotive lending product.

3.9.3 Shift from peer-to-peer funding model to warehouse funding model

As discussed in detail in Section 3.7, Harmoney retired its retail peer-to-peer marketplace on 31 March 2020, in order to continue its transition to a warehouse funding model. This followed the establishment of its first Warehouse Facility in December 2018.

The shift to the warehouse funding model affords Harmoney significant advantages in seeking to grow and scale its business, including in respect to:

- funding, via the facilitation of access to deep and liquid wholesale funding markets and a wider universe of participants who can fund Harmoney's receivables at a quantum that it is material to Harmoney's present and future requirements; and
- economic returns to Harmoney, through higher margins and Customer Lifetime Value, as demonstrated in Section 3.6.2. Prior to FY19, Harmoney's income was driven almost entirely by fees from institutional peer-to-peer funding agreements, received primarily upfront on loan originations. Harmoney's transition to a warehouse funding model in which it also assumes the risk for losses, results in a net interest margin being received over the life of the loan, driving significantly greater income and profitability per loan to Harmoney.

3.9.4 Selective and opportunistic M&A

In addition to executing on its organic growth strategies, the Board and management of Harmoney believe that Harmoney's future growth profile may be augmented through targeted acquisitions.

Harmoney's existing size, technology platform, scale efficiencies and funding facilities are supportive of its potential to act as a consolidator in the New Zealand and Australian personal lending market and broader provision of consumer credit. Such acquisition opportunities would be considered with regard to their potential strategic and financial contribution to Harmoney, and may, amongst other things, extend Harmoney's customer reach, product range, technology capabilities or geographical reach.

3.9.5 Technology-driven trends in consumer credit

Harmoney operates in the New Zealand and Australian consumer credit markets, which, as discussed in Section 2, have demonstrated trends of consumers shifting away from traditional providers of credit, including to innovative technology-driven, online lenders such as Harmoney.

Harmoney believes that these trends will continue as consumer preferences for faster and more convenient loan products, enabled through the use of technology, result in a superior customer experience. Further, in Harmoney's view, its position as an online lender and its ability to increase its penetration of the credit market, are supported by the broader trend of the provision of loan products and services shifting from offline to online, and the increasing proportion of the population which is more inclined to look to online providers to meet their credit needs.

Section 4

Financial information

4 Financial information

4.1 Introduction

The financial information of Harmoney contained in this Section 4 includes:

1. historical consolidated statutory financial information for the 12 months ended 31 March 2018 (**12M to Mar18**) and 31 March 2019 (**12M to Mar19**), as well as the 15 months to 30 June 2020 (**15M to Jun20**);
2. historical consolidated pro forma financial information for the financial years ended 30 June 2018 (**FY18**), 30 June 2019 (**FY19**) and 30 June 2020 (**FY20**), which has been restated on a consistent financial year basis for comparison purposes, as well as for the four months to 31 October 2019 (**4M to Oct19**); and
3. forecast consolidated financial information for the four months to 31 Oct 2020 (**4M to Oct20F**).

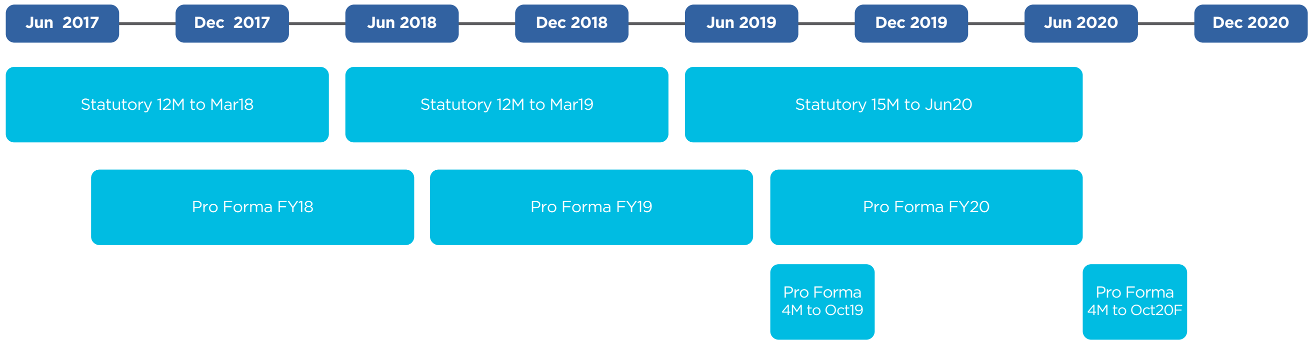
Harmoney historically reported on a 31 March financial year end basis but now reports on a 30 June financial year end basis. The pro forma Financial Information has been presented on a 30 June financial year end basis. Further details of the historical and forecast financial information of Harmoney and its subsidiaries is included in Table 1 below.

Table 1. Overview of Harmoney's financial information

	Statutory Financial Information	**Pro Forma Financial Information**
Historical Financial Information	**Statutory Historical Financial Information** comprises the: • statutory historical consolidated income statements for the 12M to Mar18, 12M to Mar19 and 15M to Jun20 (**Statutory Historical Results**); • statutory historical consolidated cash flows for the 12M to Mar18, 12M to Mar19 and 15M to Jun20 (**Statutory Historical Cash Flows**); and • statutory historical consolidated statement of financial position as at 30 June 2020 (**Statutory Historical Statement of Financial Position**). 4M to Oct19 was not a statutory reporting period.	**Pro Forma Historical Financial Information** comprises the: • pro forma historical consolidated income statements for FY18, FY19, FY20 and 4M to Oct19 (**Pro Forma Historical Results**); • pro forma historical consolidated cash flows for FY18, FY19, FY20 and 4M to Oct19 (**Pro Forma Historical Cash Flows**); and • pro forma historical consolidated statement of financial position as at 30 June 2020 (**Pro Forma Historical Statement of Financial Position**).
Forecast Financial Information	4M to Oct20F is not a statutory reporting period.	**Pro Forma Forecast Financial Information** comprises the: • pro forma forecast consolidated income statement for 4M to Oct20F (**Pro Forma Forecast Results**); and • pro forma forecast consolidated cash flows for 4M to Oct20F (**Pro Forma Forecast Cash Flows**).

The Historical Financial Information and Forecast Financial Information defined above together form the **Financial Information**.

Figure 1: Overview of Harmoney's Financial Information



4.1.1 Additional information

Also summarised in this Section 4 are:

- a summary of the basis of preparation and presentation of the Financial Information, including the application of relevant new and revised accounting standards to the Historical Financial Information and the Forecast Financial Information and information regarding certain non-IFRS financial measures (Section 4.2);
- a summary of key operating and financial metrics (Section 4.3.2);
- the pro forma adjustments to the Statutory Historical Financial Information and reconciliations to the Pro Forma Historical Financial Information (Sections 4.3.3, 4.4.2 and 4.5.1);
- details of Harmoney's indebtedness and a summary of its funding, including debt facilities, liquidity and capital resources (Section 4.5.2);
- management discussion and analysis of the Pro Forma Financial Information (Section 4.6);
- the Directors' best estimate general and specific assumptions underlying the Forecast Financial Information (Sections 4.6.2.1 and 4.6.2.2);
- an analysis of the key sensitivities in respect of the Forecast Financial Information and Pro Forma Historical Results for FY20 (Section 4.7); and
- a summary of Harmoney's proposed dividend policy (Section 4.8).

The Financial Information has been reviewed in accordance with the Australian Standard on Assurance Engagements ASAE 3450 Assurance Engagements involving Corporate Fundraising and/or Prospective Financial Information by the Investigating Accountant, whose Independent Limited Assurance Report on the Financial Information is contained in Section 8. Investors should note the scope and limitations of that report.

The information in Section 4 should also be read in conjunction with the risk factors set out in Section 5 and other information contained in this Prospectus. In addition, Harmoney's significant accounting policies are set out in Appendix A.

Unless stated otherwise, all amounts disclosed in this Section 4 are presented in New Zealand dollars, which is Harmoney's functional currency and the presentation currency for Harmoney's consolidated financial statements, and are rounded to the nearest $'000. Some numerical tables in this Prospectus have been subject to rounding adjustments. Any differences between totals and sums of components in tables contained in this Prospectus are due to rounding.

4.2 Basis of preparation and presentation of the Financial Information

4.2.1 Overview

The Directors are responsible for the preparation and presentation of the Financial Information. The Financial Information is intended to present potential investors with financial information to assist them in understanding the underlying financial performance, cash flows and financial position of Harmoney, together with the Forecast Financial Information.

The Financial Information has been prepared in accordance with the recognition and measurement principles prescribed in the New Zealand equivalents to the International Financial Reporting Standards Reduced Disclosure Regime (**NZ IFRS RDR**) and NZ GAAP and Harmoney's accounting practices. Harmoney's significant accounting policies are described in Appendix 1.

The Financial Information is presented in an abbreviated form insofar as it does not include all of the disclosures, statements or comparative information required by NZ IFRS RDR or NZ GAAP, applicable to financial reports prepared in accordance with the *Financial Reporting Act 2013*.

Harmoney operates its business on a geographical basis, such that it has identified three reportable segments for the purposes of NZ IFRS 8 *Operating Segments* being New Zealand, Australia and Head Office.

In addition to the Statutory Financial Information, Section 4.2.6 describes certain non-IFRS financial measures that Harmoney uses to manage and report on its business that are not defined under or recognised by NZ IFRS RDR.

4.2.2 Preparation of Historical Financial Information

The Statutory Historical Financial Information has been extracted from the consolidated NZ IFRS RDR financial statements of Harmoney and its controlled entities for the 12M to Mar18, 12M to Mar19 and 15M to Jun20. The consolidated financial statements for the 12M to Mar18, 12M to Mar19 and 15M to Jun20 were audited by PricewaterhouseCoopers New Zealand (**PwC NZ**) in accordance with International Standards on Auditing (New Zealand). PwC NZ issued unqualified audit opinions on each of these periods.

The Pro Forma Historical Financial Information has been prepared for the sole purpose of inclusion in this Prospectus and has been derived from the Statutory Historical Financial Information outlined above.

The pro forma adjustments applied to the income statements and cash flows are as described in Sections 4.3.3 (reconciliation between the Statutory Historical Results and the Pro Forma Historical Results) and 4.4.2 (reconciliation between the Statutory Historical Cash Flows and the Pro Forma Historical Cash Flows), in particular, pro forma adjustments have been made to reflect the following:

- restatement on a consistent financial year ended 30 June basis for comparison purposes;
- recognition of peer-to-peer funded loans and associated funding on-balance sheet, together with corresponding, interest income, interest expense and impairment and the removal of fee income earned historically by Harmoney from peer-to-peer funding. As discussed in Section 3.7, Harmoney is currently transitioning to funding of all new loans from its Warehouse Facilities. Harmoney's accounting treatment for peer-to-peer funded loans versus those funded via its Warehouse Facilities has differed. This adjustment has been made to align the accounting treatment between these two funding sources in order to improve income statement comparability between periods, as well as between Harmoney and Harmoney's competitors;
- the removal of the net impact of the non-recurring benefit of the Wage Subsidy Scheme in New Zealand and JobKeeper wage subsidy in Australia and salary reductions taken by Harmoney employees;
- capitalisation of eligible research and development expenditure, on the basis that Harmoney's revised approach to the application of its accounting policy for the capitalisation of research and development expenditure was in place for all historical periods (refer to Section 4.2.5) and removal of research and development grant income received that is not available where eligible research and development expenditure is capitalised;
- inclusion of an amount that represents Harmoney's estimate of the incremental annual costs that it will incur as a listed public company. These costs include ASX, NZX and share registry fees, Non-Executive Director remuneration, investor relations costs, as well as annual general meeting and annual report costs;
- the removal of establishment fees and interest expenses paid on the Corporate Debt Facility, which will be repaid prior to Completion of the Offer; and
- the pro forma effective income tax rate which will be applicable going forward.

Investors should note that past results are not a guarantee of future performance.

The Pro Forma Historical Statement of Financial Position is derived from the Statutory Historical Statement of Financial Position, and is adjusted to reflect:

- recognition of peer-to-peer funded loans and associated funding on Harmoney's balance sheet;
- repayment of the Corporate Debt Facility prior to Completion of the Offer;
- the impact of the Offer (including the costs of the Offer); and
- tax impacts of the above adjustments.

The Pro Forma Historical Statement of Financial Position is provided for illustrative purposes only and is not represented as being necessarily indicative of Harmoney's future financial position.

4.2.3 Preparation of Forecast Financial Information

The Forecast Financial Information has been prepared solely for inclusion in this Prospectus and is presented on a pro forma basis only.

The Forecast Financial Information covers the four-month period to 31 October 2020 and has been sourced from:

- actual results for the two months to 31 August 2020, sourced from the unaudited management accounts of Harmoney; and
- a forecast for the two-month period to 31 October 2020.

The basis of preparation and presentation of the Pro Forma Forecast Financial Information is consistent with the basis of preparation of the Pro Forma Historical Financial Information. As such, the following pro forma adjustments have been applied:

- recognition of peer-to-peer funded loans and associated funding on-balance sheet, together with corresponding interest income, interest expense and impairment and the removal of fee income earned from peer-to-peer funding;
- removal of the net impact of the non-recurring benefit of the Wage Subsidy Scheme in New Zealand and the JobKeeper wage subsidy in Australia and salary reductions taken by Harmoney employees;
- capitalisation of eligible research and development expenditure and amortisation of capitalised platform development expenditure;
- inclusion of the pro rata estimate of the annual incremental costs that Harmoney will incur as a listed public company;
- the removal of interest expenses paid on the Corporate Debt Facility, which will be repaid prior to Completion of the Offer; and
- application of the pro forma effective income tax rate which will be applicable going forward.

Due to its nature, the Forecast Financial Information does not represent Harmoney's actual or prospective financial performance for the 4M to Oct20F.

The Forecast Financial Information has been prepared by the Directors based on an assessment of current economic and operating conditions and on a number of best estimate general and specific assumptions regarding future events and actions set out in Section 4.6.2. The Forecast Financial Information should be read in conjunction with the sensitivity analysis described in Section 4.7, the risk factors described in Section 5, the significant accounting policies set out in Appendix 1 and other information in this Prospectus.

This information is intended to assist potential investors in assessing the reasonableness and likelihood of the assumptions occurring but is not intended to be a representation that the assumptions will occur. The Forecast Financial Information has been reviewed by PricewaterhouseCoopers Securities Ltd but has not been audited. Investors should note the scope and limitations of the Independent Limited Assurance Report on the Historical and Forecast Financial Information (refer to Section 8).

The Directors believe the general and specific assumptions, when taken as a whole, to be reasonable at the Prospectus Date. However, the information is not fact, and investors are cautioned not to place undue reliance on the Forecast Financial Information. Investors should be aware that the timing of actual events and the magnitude of their impact might differ from that assumed in preparing the Forecast Financial Information and that this may have a material positive or negative effect on Harmoney's actual financial performance, cash flows or financial position.

In addition, the assumptions upon which the Forecast Financial Information is based are by their very nature subject to significant uncertainties and contingencies, many of which will be outside the control of Harmoney, the Directors and management, and are not reliably predictable.

Accordingly, none of Harmoney, the Directors and management or any other person can give investors any assurance that the outcomes disclosed in the Forecast Financial Information will arise. Events and outcomes might differ in amount and timing from the assumptions, with a material consequential impact on the Forecast Financial Information.

The Directors have no intention to update or revise the Forecast Financial Information or other forward-looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus, except where required by law.

4.2.4 Changes in accounting standards

4.2.4.1 NZ IFRS 15 *Revenue from Contracts with Customers*

NZ IFRS 15 *Revenue from Contracts with Customers* (NZ IFRS 15) came into effect for the financial period commencing on or after 1 January 2018 and consequently Harmoney adopted this standard in its Statutory Historical Results for the 12M to Mar19. NZ IFRS 15 provides a principles-based approach for income recognition and introduces the concept of recognising income for performance obligations as they are satisfied.

The Group has recognised in its statutory reporting the cumulative effect of initially applying NZ IFRS 15 as an increase to the opening balance of retained earnings of $7.5 million after tax as at 31 March 2018. The increase is a result of recognising income for distributing services where the performance obligations had been fulfilled in prior years but income had not been recognised under NZ IAS 18 Revenue.

The application of NZ IFRS 15 did not have a material impact to the Pro Forma Historical Results.

4.2.4.2 NZ IFRS 9 *Financial Instruments*

NZ IFRS 9 *Financial Instruments* (NZ IFRS 9) replaces NZ IAS 39 Financial Instruments: Recognition and Measurement that governed the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments. There were no adjustments arising from the adoption of NZ IFRS 9.

4.2.4.3 NZ IFRS 16 *Leases*

The adoption of the new NZ IFRS 16 *Leases* (NZ IFRS 16) was required for financial years commencing on or after 1 January 2019 and consequently Harmoney adopted this standard in its statutory accounts for the 15M to Jun20.

NZ IFRS 16 removes the accounting distinction between operating and financial leases and requires recognition of most lease liabilities on the balance sheet, together with a related right-of-use asset. As a result, the income statement will show lease expense as depreciation relating to the right-of-use asset and interest relating to the lease liability rather than rent expense being shown as an operating expense.

As a result of the adoption of NZ IFRS 16, operating expenses decrease and depreciation and interest expense increase, and the timing of expense recognition changes due to the change from a straight-line rental expense to depreciation and interest expenses with an accelerated profile.

NZ IFRS 16 has no effect on the net cash flows of the Company. Under previous accounting standards, rent payments were included in operating cash flows. NZ IFRS 16 instead requires that lease payments be classified and presented between the interest portion of the payment, included in interest paid, and the principal portion of the payment, included in financing cash flows.

NZ IFRS 16 resulted in a right-of-use asset and lease Liability being recognised in the statement of financial position as at 30 June 2020, with no adjustment made to accumulated losses. As the impacts were not material, no pro forma adjustments have been made to the previous corresponding periods in 2018 and 2019.

Refer to Section 4.3.3 for the reconciliation of the Statutory Historical Financial Information to the Pro Forma Historical Financial Information.

4.2.5 Change in application of accounting standards

4.2.5.1 NZ IAS 38 Intangible Assets

NZ IAS 38 *Intangible Assets* (**NZ IAS 38**) requires that Harmoney assess whether costs incurred to develop the lending platform, new products and functionality meet the definition of research and development. Where they do, Harmoney must further assess whether any costs can be capitalised as an intangible asset.

This assessment is undertaken using an internal framework that documents the development phases which are mapped to the capitalisation criteria contained in the accounting standard. The framework applied up to June 2020 was established in March 2017. Following the evolution of Harmoney's technical capacity and delivery process, the framework has been updated, with earlier development phases now meeting the capitalisation criteria. As set out in Section 4.2.2, a pro forma adjustment has been made to reflect the capitalisation of eligible research and development expenditure, on the basis that Harmoney's revised approach to the application of its accounting policy for the capitalisation of research and development expenditure noted above was in place for all historical periods.

4.2.6 Critical accounting judgements and estimates

Preparing financial statements in accordance with NZ IFRS and NZ GAAP requires Harmoney's management to make judgements, estimates and assumptions about the application of accounting policies that affect the reported income and expenses, carrying values of assets and liabilities and the disclosure of contingent liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both the current and future periods. Judgements that management has made in the application of NZ IFRS and NZ GAAP that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next financial year are disclosed, where applicable, in the relevant notes to Harmoney's financial statements when these are prepared. The key areas in which critical estimates and judgements are applied are in respect of expected credit loss provision, treatment of development costs, option valuation for share-based payments, deferred tax assets relating to tax losses and determination of transaction price for distributing services.

4.2.7 Explanation of certain non-IFRS financial measures

Harmoney uses certain measures to manage and report on its business that are not recognised under IFRS. These measures are collectively referred to as 'non-IFRS financial measures' under Regulatory Guide 230 "Disclosing non-IFRS financial information" published by ASIC.

These non-IFRS financial measures do not have a prescribed definition under IFRS and therefore may not be directly comparable to similarly titled measures presented by other entities and should not be construed as an indication of, or an alternative to, corresponding financial measures determined in accordance with IFRS. Although Harmoney believes these non-IFRS financial measures provide useful information to users in measuring the financial performance and condition of the business, investors are cautioned not to place undue reliance on any non-IFRS financial measures included in this Prospectus.

The non-IFRS financial measures included in this Prospectus include the following:

- total income – represents the sum of interest income and other income;
- interest expense – represents the interest expense and amortised set-up costs related to Warehouse Facilities;
- impairment expense – represents the principal value of loans charged off in a period (net of recoveries), excluding the movement in the loan impairment provision for a given period;
- PBT – represents net profit/(loss) before income benefit/(expense);
- NPAT – represents the net profit/(loss) after income benefit/(expense); and
- cash NPAT – represents NPAT before the after-tax movement in expected credit loss provision, sharebased payment expenses, and depreciation and amortisation expenses.

4.3 Pro Forma Historical Results, Statutory Historical Results and Pro Forma Forecast Results

4.3.1 Overview

Table 2 below summarises Harmoney's Pro Forma Historical Results and Pro Forma Forecast Results.

Table 2: Pro Forma Historical Results and Pro Forma Forecast Results

		Pro Forma Historical				Pro Forma Forecast
$'000	Notes	FY18	FY19	FY20	4M to Oct19	4M to Oct20F
Interest income	1	58,467	73,389	85,220	28,781	26,391
Other income	2	819	712	806	342	20
Total income		**59,286**	**74,101**	**86,026**	**29,123**	**26,411**
Interest expense	3	24,074	31,405	31,394	11,786	10,541
Impairment expense	4	14,216	17,397	24,382	6,232	6,126
Movement in expected credit loss provision	5	2,799	3,896	8,268	1,316	(1,267)
Marketing expenses	6	7,611	9,877	11,731	4,059	2,365
Verification and servicing expenses	7	2,613	3,127	3,184	1,062	847
Personnel expenses (excl. share-based payments)	8	6,231	6,399	6,499	2,397	2,322
Share-based payments expenses	9	2,213	415	760	68	552
Technology expenses	10	2,534	3,023	3,083	1,069	1,057
Administration expenses	11	4,828	5,919	4,820	1,602	1,644
Depreciation and amortisation expenses	12	1,053	1,118	1,617	516	492
PBT		**(8,886)**	**(8,475)**	**(9,712)**	**(984)**	**1,732**
Income tax benefit/(expense)	13	2,488	2,373	2,719	276	(485)
NPAT		**(6,398)**	**(6,102)**	**(6,993)**	**(708)**	**1,247**
Movement in expected credit loss provision	5	2,799	3,896	8,268	1,316	(1,267)
Share-based payments expenses	9	2,213	415	760	68	552
Depreciation and amortisation expenses	12	1,053	1,118	1,617	516	492
Income tax impact of non-cash adjustments	14	(1,698)	(1,520)	(2,981)	(532)	62
Cash NPAT		**(2,031)**	**(2,193)**	**671**	**660**	**1,086**

Notes:

1. Interest income represents interest income earned from Harmoney's loan book, as well as establishment fees generated from the origination of new loans.
2. Other income represents late and dishonour fees earned from borrowers.
3. Interest expense represents the cost of the Funding Debt, driven by the average funding rate incurred on drawn and undrawn balances. For peer-to-peer funded loans, the interest expense represents the net interest paid to the peer-to-peer lenders after deducting impairments and fees owed to Harmoney. For Warehouse Facilities, interest expense includes both interest charges and the amortisation of fees relating to borrowings over the term of the facility.
4. Impairment expense represents the value of loans written off in a period due to non-payment by the borrower (net of recoveries), for both warehouse and peer-to-peer funded loans.
5. Movement in expected credit loss provision represents the non-cash movement in the expected credit loss provision from the end of the prior period to the end of the current period.
6. Marketing expenses primarily represent direct advertising costs incurred to attract new customers to Harmoney's lending platform.
7. Verification and servicing expenses are predominantly variable costs relating to loan applicant identity, credit and financial verification against third-party data sources, as well as costs relating to Harmoney's outsourced customer service centre.
8. Personnel expenses (excl. share-based payments expenses) represent the salary costs of all Harmoney employees, net of personnel costs which qualify to be capitalised as research and development expenditure under IAS 38 and excluding share-based payments expenses.
9. Share-based payment expenses are non-cash expenses incurred in respect of Harmoney's long-term incentive plan. See Section 6.3.3.5 discussing the Company's employee incentive plans.
10. Technology expenses primarily relate to third-party software as a service licence costs.
11. Administration expenses include professional services fees, unrecoverable GST, insurances, office expenses and travel expenses and estimated public company costs.
12. Depreciation and amortisation expenses are non-cash and primarily relate to the amortisation of Harmoney's technology platform.
13. Income tax benefit/(expense) represents the income tax benefit/(expense) associated with the income/losses generated in each period from the application of the pro forma effective income tax rate of 28%.
14. Income tax impact of non-cash adjustments represents the application of the pro forma effective income tax rate of 28% to the non-cash adjustments.

Table 3 below summarises Harmoney's Statutory Historical Results.

Table 3: Statutory Historical Results

		Statutory Historical		
$'000	Notes	12M to Mar18	12M to Mar19	15M to Jun20
Interest income	1	76	1,055	18,852
Other income	2	26,156	32,220	18,628
Total income		**26,232**	**33,275**	**37,480**
Interest expense	3	–	327	5,698
Impairment expense	4	–	–	2,511
Movement in expected credit loss provision	5	–	830	6,388
Marketing expenses	6	7,482	9,410	14,101
Verification and servicing expenses	7	2,515	3,068	3,909
Personnel expenses (excl. share-based payments)	8	9,990	10,943	12,318
Share-based payments expenses	9	1,988	569	832
Technology expenses	10	2,240	2,957	3,855
Administration expenses	11	3,582	5,308	6,879
Depreciation and amortisation expenses	12	270	96	977
PBT		**(1,835)**	**(233)**	**(19,988)**
Income tax benefit	13	–	7,453	4,616
NPAT		**(1,835)**	**7,220**	**(15,372)**

Notes:

1. Interest income represents interest income and fees earned from the portion of Harmoney's loan book that is funded by the Warehouse Facilities, as well as establishment fees generated from the origination of these loans.
2. Other income represents fees payable by peer-to-peer lenders on new loan originations, as well as establishment fees on peer-to-peer funded loans, protect fees, and late and dishonour fees paid by borrowers.
3. Interest expense represents the cost of the Warehouse Facilities, driven by the average funding rate incurred on drawn and undrawn balances, as well as the amortisation of fees relating to borrowings over the term of the facility.
4. Impairment expense represents the value of loans funded by the Warehouse Facilities which are written off in a period due to non-payment by the borrower (net of recoveries).
5. Movement in expected credit loss provision represents the non-cash movement in the expected credit loss provision on loans funded by the Warehouse Facilities from the end of the prior period to the end of the current period.
6. Marketing expenses primarily represent direct advertising costs incurred to attract new customers to Harmoney's lending platform.
7. Verification and servicing expenses are predominately variable costs relating to loan applicant identity, credit and financial verification against third-party data sources, as well as costs relating to Harmoney's outsourced customer service centre.
8. Personnel expenses (excl. share-based payments expenses) represents the salary costs of all Harmoney employees, net of personnel costs which qualify to be capitalised as research and development expenditure under IAS 38 and excluding share-based payments expenses.
9. Share-based payment expenses are non-cash expenses incurred in respect of Harmoney's long-term incentive plan. See Section 6.3.3.5 discussing the Company's employee incentive plans.
10. Technology expenses primarily relate to third-party software as a service licence costs.
11. Administration expenses include professional services fees, unrecoverable GST, insurances, office expenses and travel expenses.
12. Depreciation and amortisation expenses are non-cash and primarily relate to amortisation of the Harmoney's technology platform.
13. Income tax benefit represents the initial recognition of carried forward tax losses in the 12 months to 31 March 2019 and the tax benefit associated with losses generated in the 15 months to 30 June 2020.

4.3.2 Key operating and financial metrics

Set out below in Table 4 is a summary of Harmoney's key operating and financial metrics for FY18, FY19, FY20, 4M to Oct19 and 4M to Oct20F derived from the Pro Forma Historical Results and Pro Forma Forecast Results, and other operational metrics used for these periods.

Table 4: Key operating and financial metrics

		Pro Forma Historical				Pro Forma Forecast
	Notes	FY18	FY19	FY20	4M to Oct19	4M to Oct20F
Loan book value and growth						
Originations ($'000)	1	357,540	435,825	420,107	168,250	113,425
Average term of originations (months)	2	57	56	57	57	56
Number of originations	3	14,664	17,987	17,008	6,691	4,405
Average value of originations ($)	4	24,382	24,230	24,701	25,146	25,749
Loan book (period end) ($'000)	5	374,150	464,840	499,346	494,102	477,654
Loan book (average) ($'000)	6	316,784	420,276	505,928	476,365	482,565
Average remaining contractual term	7	48	47	45	47	45
Originations – growth rate vs pcp (%)		48%	22%	(4%)	24%	(33%)
Loan book (period end) – growth rate vs pcp (%)		48%	24%	7%	23%	(3%)
Loan book (average) – growth rate vs pcp (%)		49%	33%	20%	23%	1%
Average interest rate (%)	8	18.5%	17.5%	16.8%	18.1%	16.4%
Funding Debt (period end) ($'000)	9	374,150	460,312	486,065	491,019	456,792
Funding Debt (average) ($'000)	10	321,877	423,284	499,483	475,899	462,298
Average funding rate (%)	11	7.5%	7.4%	6.3%	7.4%	6.8%
Net interest margin	12	10.9%	10.0%	10.6%	10.7%	9.9%
Net lending margin	13	6.4%	5.9%	5.8%	6.8%	6.0%
Loan book quality						
Impairment expense ($'000)	14	14,216	17,397	24,382	6,232	6,126
Movement in expected credit loss provision ($'000)	15	2,799	3,896	8,268	1,316	(1,267)
Provision rate (%)	16	4.4%	4.3%	5.7%	4.3%	5.7%
Impairment expense to average gross loans (%)	17	4.5%	4.1%	4.8%	3.9%	3.8%
Productivity metrics						
Total income per average FTE ($'000)	18	796	1,014	1,247	1,253	1,136
Marketing to total income	19	12.8%	13.3%	13.6%	13.9%	9.0%
Verification and servicing to total income	20	4.4%	4.2%	3.7%	3.6%	3.2%
Personnel (excl. share based payments) to total income	21	10.5%	8.6%	7.6%	8.2%	8.8%
Technology to total income	22	4.3%	4.1%	3.6%	3.7%	4.0%
Administration to total income	23	8.1%	8.0%	5.6%	5.5%	6.2%

Notes:

1. Originations represent the sum of the total loans provided to borrowers for a given period.
2. Average loan term of originations represents the weighted average contractual term of the loans originated for a given period.
3. Number of originations represents the number of loans originated for a given period.
4. Average value of originations represents the average value of loans originated for a given period.
5. Loan book (period end) is the value of the total gross loan book before expected credit loss provision at the end of a given period.
6. Loan book (average) is calculated as the monthly average of the total gross loan book before expected credit loss provision for a given period.
7. Average remaining contractual term represents the weighted average remaining contractual term of all existing loans for a given period.
8. Average interest rate represents interest income as a percentage of the average gross loan book for a given period.
9. Funding Debt (period end) represents the Funding Debt as at the final day of each financial period. The Funding Debt represents the borrowings that Harmoney uses to fund loans provided to borrowers, including the Warehouse Facilities and from peer-to-peer lenders. It does not include borrowings under the Corporate Debt Facility.
10. Funding Debt (average) is calculated as the monthly average of the Funding Debt values for a given period.
11. Average funding rate is calculated as interest expense divided by the average funding debt and annualised for all periods reported.
12. Net interest margin is calculated as interest income less funding costs, divided by the average gross loan book and annualised for all periods reported.
13. Net lending margin is calculated as net interest margin less impairment expense, divided by the average gross loan book and annualised for all periods reported.
14. Impairment expense represents the loan receivables written off in the period net of recoveries.
15. Movement in expected credit loss provision represents the movement in the loan impairment provision over the period.
16. Provision rate is the expected credit loss provision divided by the sum of gross loan book plus accrued interest at the relevant period end in accordance with NZ IFRS 9.
17. Impairment expense to average gross loans is calculated as the loan receivables written off in the period net of loss recoveries divided by average gross loan book and annualised for all periods reported (see Section 3.8.6 for a detailed description of Harmoney's collection and arrears management policies and processes).
18. Total income per average FTE is calculated as total income divided by the number of full time equivalent personnel for a given period. Figures for 4M to Oct19 and 4M to Oct20F are presented on an annualised basis for comparison purposes.
19. Marketing to total income is calculated as marketing expense divided by total income.
20. Verification and servicing to total income is calculated as verification and servicing expenses divided by total income.
21. Personnel (excl. share-based payments) to total income is calculated as personnel expenses (excl. share-based payments) divided by total income.
22. Technology to total income is calculated as technology expenses divided by total income.
23. Administration to total income is calculated as administration expenses divided by total income.

4.3.3 Pro forma adjustments to the Statutory Historical Results

Table 5 below provides a reconciliation between the statutory historical total income and NPAT to the pro forma historical total income and NPAT for FY18, FY19 and FY20.

Table 5: Pro forma adjustments to the Statutory Historical Results

		Statutory Historical					
		FY18		FY19		FY20	
$'000	Notes	Total income	NPAT	Total income	NPAT	Total income	NPAT
Statutory	1	**26,232**	**(1,835)**	**33,275**	**7,220**	**37,480**	**(15,372)**
Adjustment to June financial year end	2	1,757	(351)	2,078	78	(9,761)	(314)
Recognition of peer-to-peer funded loans	3	32,819	(8,269)	40,166	(10,184)	60,406	9,786
Repayment of corporate debt	4	–	–	–	–	–	1,972
Research and development capitalisation	5	(1,522)	2,371	(1,418)	2,050	(1,222)	1,680
COVID-19 subsidy and salary reductions	6	–	–	–	–	(877)	(1,431)
Public company costs	7	–	(802)	–	(802)	–	(802)
Tax adjustment	8	–	2,488	–	(4,464)	–	(2,512)
Pro forma		**59,286**	**(6,398)**	**74,101**	**(6,102)**	**86,026**	**(6,993)**

Notes:

1. Represents the total income and NPAT per Harmoney's Statutory Historical Results for 12M to Mar18, 12M to Mar19 and 15M to Jun20 periods.
2. Harmoney's Statutory Historical Results have been restated to a 30 June financial year ended basis for comparison purposes.
3. In the Statutory Historical Results, loans funded via Warehouse Facilities are recorded on-balance sheet, while loans funded via Harmoney's peer-to-peer trusts are "derecognised" for accounting purposes. As Harmoney's transition to warehouse funding is underway (refer to Section 3.7), this creates income statement comparability issues between the historical periods and also causes the Company's income statement for historical periods to be inconsistent with the Company's expected income statement in future periods. As such a pro forma adjustment has been made to recognise the peer-to-peer funded loans on-balance sheet to present the Group's income statement on a consistent basis, indifferent to funding sources. In the Statutory Historical Results from FY19, for loans funded by the Harmoney's peer-to-peer trusts, expected lifetime fee income is recognised on loan origination, in contrast with warehouse funding where interest income and interest expense are recognised over the life of the loan. In FY18, funding was entirely, and FY19 funding was predominantly, peer-to-peer. The pro forma adjustment recognises this income over the life of the loans as interest income and interest expense, resulting in an increase to total income but a reduction to NPAT, in these years.
4. Represents the removal of establishment and interest expenses relating to the Corporate Debt Facility, which is to be repaid prior to Completion of the Offer.
5. Represents an adjustment to reflect the revised application of Harmoney's accounting policy for the capitalisation of eligible research and development expenditure consistently across the historical periods, whereby a portion of personnel costs has been capitalised, net of amortisation. Refer to Section 4.2.5 for further details on the change in application of the accounting policy. As a result of this change in application, Harmoney expects that it will no longer be eligible to receive grant income from the New Zealand Government. As such, grant income received in the historical periods has been removed from the Pro Forma Historical Results in all periods.
6. Reflects the removal of the net impact of the non-recurring benefit in FY20 of the Wage Subsidy Scheme in New Zealand and the JobKeeper wage subsidy in Australia and salary reductions taken by Harmoney employees.
7. Public company costs reflect Harmoney's estimate of the additional annual costs associated with being a publicly listed entity. These costs include incremental Directors' fees, listing fees, share registry costs, Directors' and officers' insurance premiums, investor relations costs, annual general meetings costs, annual reports costs and other public company costs.
8. Reflects the cumulative income tax expense on the pro forma adjustments at an effective tax rate of 28%.

4.4 Pro Forma Historical Cash Flows, Statutory Historical Cash Flows and Pro Forma Forecast Cash Flows

4.4.1 Overview

Table 6 below summarises Harmoney's Pro Forma Historical Cash Flows and Pro Forma Forecast Cash Flows.

Table 6: Pro Forma Historical Cash Flows and Pro Forma Forecast Cash Flows

		Pro Forma Historical				Pro Forma Forecast
$'000	Notes	FY18	FY19	FY20	4M to Oct19	4M to Oct20F
Interest received	1	57,850	72,040	88,395	28,053	26,813
Interest paid	2	(32,824)	(36,876)	(52,825)	(14,932)	(17,205)
Other income	3	793	706	808	342	21
Payments to suppliers and employees	4	(23,543)	(27,761)	(31,914)	(9,667)	(8,397)
Net cash generated by operations		**2,276**	**8,109**	**4,464**	**3,796**	**1,232**
Advances to customers	5	(122,162)	(90,694)	(36,988)	(29,349)	21,839
Payments for intangibles and equipment	6	(4,726)	(4,398)	(3,748)	(1,333)	(1,124)
Net cash generated by/(used in) investing		**(126,888)**	**(95,092)**	**(40,736)**	**(30,682)**	**20,715**
Funding liability drawdown	7	122,162	86,158	25,984	30,663	(29,357)
Equity financing	8	–	–	23,469	23,526	–
Principal element of lease payments		–	–	(188)	(3)	(318)
Net cash generated by/(used in) financing		**122,162**	**86,158**	**49,265**	**54,186**	**(29,675)**
Net cash flows		**(2,450)**	**(825)**	**12,993**	**27,300**	**(7,728)**

Notes:

1. Interest received represents the cash received from borrowers including interest and establishment fees.
2. For peer-to-peer funded loans the interest paid represents the net interest paid to the peer-to-peer lenders after deducting impairments and fees owed to Harmoney. For Warehouse Facilities, interest paid includes both interest charges and the fees relating to borrowings over the term of the facility.
3. Other income represents the late and dishonour fees paid by borrowers.
4. Payments to suppliers and employees represent payments made for marketing, verification and servicing expenses, personnel expenses (excl. share-based payments), technology expenses and administration expenses, including public company costs.
5. Advances to customers represent the net advances of principal to customers including repayments received.
6. Payments for intangibles and equipment primarily consist of amounts paid to employees that have been capitalised as eligible research and development on Harmoney's lending platform.
7. Funding liability drawdown represents net drawdowns of the Warehouse Facilities and borrowings from funders for peer-to-peer loans.
8. Equity financing represents receipts of contributed capital.

4.4.2 Statutory Historical Cash Flows

Table 7 below sets out Harmoney's Statutory Historical Cash Flows.

Table 7: Statutory Historical Cash Flows

		Statutory Historical		
$'000	Notes	12M to Mar18	12M to Mar19	15M to Jun20
Interest received	1	11	787	17,951
Interest paid	2	–	(246)	(5,576)
Other income	3	25,330	34,090	35,411
Payments to suppliers and employees	4	(25,682)	(31,553)	(41,616)
Net cash generated by/(used in) operations		**(341)**	**3,078**	**6,170**
Advances to customers	5	–	(38,194)	(99,209)
Payments for plant and equipment		(97)	(24)	(33)
Net cash generated by/(used in) investing		**(97)**	**(38,218)**	**(99,242)**
Funding liability drawdown	6	–	37,000	84,863
Debt financing	7	–	–	10,163
Equity financing	8	–	–	23,469
Principal element of lease payments		–	–	(189)
Net cash generated by/(used in) financing		**–**	**37,000**	**118,306**
Cash and cash equivalents at the beginning of the period		**8,170**	**7,658**	**9,531**
Net increase/(decrease) in cash and cash equivalents		(438)	1,860	25,234
Gain/(loss) on foreign currency bank accounts		(74)	13	14
Closing cash		**7,658**	**9,531**	**34,779**

Notes:

1. Interest received primarily represents the cash interest income received from borrowers of warehouse funded loans.
2. Interest paid represents the cash interest expense paid on the Warehouse Facilities and includes both interest charges and the fees relating to borrowings over the term of the facility. It also includes the interest paid on the Corporate Debt Facility.
3. Other income primarily represents fees paid by peer-to-peer lenders. It also includes establishment fees paid by peer-to-peer borrowers and late and dishonour fees paid by borrowers from both peer-to-peer and warehouse funded loans. Grant income and other subsidies are also included in Other income.
4. Payments to suppliers and employees represent payments made for marketing, verification and servicing expenses, personnel expenses (excl. share-based payments), technology expenses and administration expenses.
5. Advances to customers represents the net advances of principal from warehouse funded loans to customers including repayments received.
6. Funding liability drawdown represents drawdowns of the Warehouse Facilities.
7. Debt financing refers to net proceeds from the Corporate Debt Facility.
8. Equity financing represents receipts of contributed capital.

Table 8 below sets out the pro forma adjustments that have been made to Harmoney's Statutory Historical Cash Flows.

Table 8: Pro forma adjustments to the Statutory Historical Cash Flows

		Statutory Historical		
$'000	Notes	FY18	FY19	FY20
Statutory net increase/(decrease) in cash and cash equivalents	1	**(438)**	**1,860**	**25,234**
Adjustment to June financial year end	2	312	(465)	749
Recognition of peer-to-peer funded loans	3	–	–	–
Repayment of corporate debt	4		–	(9,535)
Research and development capitalisation	5	(1,522)	(1,418)	(1,222)
COVID-19 subsidy and salary reductions	6	–	–	(1,431)
Public company costs	7	(802)	(802)	(802)
Pro forma net increase/(decrease) in cash and cash equivalents		**(2,450)**	**(825)**	**12,993**

Notes:

1. Represents the net increase/(decrease) in cash and cash equivalents per Harmoney's Statutory Historical Results for the 12M to Mar18, 12M to Mar19 and 15M to Jun20 periods.
2. Harmoney's Statutory Historical Results have been restated to a 30 June financial year ended basis for comparison purposes.
3. Consistent with the approach taken in respect of the income statement (see Section 4.3.3), a pro forma adjustment has been made to the presentation of the cash flows to recognise the peer-to-peer trusts so as to present the Group's cash flow statement on a consistent basis, indifferent to funding sources, over the historical periods. This change in presentation in the Pro Forma Historical Cash Flows has zero impact on the net increase/(decrease) in cash and cash equivalents between the Statutory Historical Cash Flows and the Pro Forma Historical Cash Flows.
4. Represents the removal of net funds received from and interest paid in FY20 on the Corporate Debt Facility, which is to be repaid prior to the Completion of the Offer.
5. Represents an adjustment to reflect the revised application of Harmoney's accounting policy for the capitalisation of eligible research and development expenditure consistently across the historical periods, which has presentation impacts on the Company's cash flows with a reduction in payments to suppliers and employees and an increase in payments for plant and equipment. Refer to Section 4.2.5 for further details on the change in application of the accounting policy. As a result of this change in application, Harmoney expects that it will no longer be eligible to receive grant income from the New Zealand Government. As such, grant income received has been removed from the Pro Forma Historical Cash Flows in all periods. This adjustment is therefore shown net of the grant income removed.
6. Reflects the removal of the net impact of the non-recurring benefit in FY20 of the Wage Subsidy Scheme in New Zealand and the JobKeeper wage subsidy in Australia and salary reductions taken by Harmoney employees.
7. Public company costs reflect Harmoney's estimate of the additional annual costs associated with being a publicly listed entity. These costs include incremental Directors' fees, listing fees, share registry costs, Directors' and officers' insurance premiums, investor relations costs, annual general meetings costs, annual reports costs and other public company costs.

4.5 Statutory Historical Statement of Financial Position and Pro Forma Historical Statement of Financial Position

4.5.1 Overview

Table 9 below sets out a summary of the Statutory Historical Statement of Financial Position as at 30 June 2020, adjusted for certain pro forma items to take into account the recognition on-balance sheet of peer-to-peer funded loans and associated funding, repayment of the Corporate Debt Facility prior to Completion of the Offer and effect of the Offer (net of Offer costs) as set out below. These adjustments reflect the impact of the changes to the Statutory Historical Financial Position as if they were in place as at 30 June 2020.

Table 9: Pro Forma Historical Statement of Financial Position and Statutory Historical Statement of Financial Position at 30 June 2020

$'000	Notes	Statutory	Recognition of peer-to-peer funded loans[1]	Repayment of Corporate Debt Facility[2]	Impact of Offer[3]	Pro Forma
ASSETS						
Cash and cash equivalents	4	34,779		(10,994)	66,700	90,485
Trade and other assets		5,223				5,223
Finance receivables	5	129,222	344,129			473,351
Property and equipment		1,448				1,448
Deferred tax assets		9,548				9,548
Total assets		**180,220**	**344,129**	**(10,994)**	**66,700**	**580,055**
LIABILITIES						
Payables and accruals		6,263				6,263
Borrowings	6	132,630	364,429	(10,994)		486,065
Provisions		9,832				9,832
Lease liability		1,684				1,684
Derivative financial instruments		926				926
Total liabilities		**151,335**	**364,429**	**(10,994)**	**-**	**504,770**
NET ASSETS		**28,885**	**(20,300)**	**-**	**66,700**	**75,285**
Issued capital	7	56,686			69,453	126,139
Foreign currency translation reserve		(334)				(334)
Share-based payment reserve		2,825				2,825
Cash flow hedge reserve		(926)				(926)
Accumulated losses	8	(29,366)	(20,300)		(2,753)	(52,419)
Equity		**28,885**	**(20,300)**	**-**	**66,700**	**75,285**

Notes:

1. Recognition of peer-to-peer funded loans (net of expected credit loss provision) of $344 million and associated borrowings of $364 million. Accumulated losses of $20 million reflect the impact of the recognition of expected future credit loss provision related to peer-to-peer funded loans. Actual impairment expenses are incurred by the peer-to-peer funder and as such, the adjustment to accumulated losses represents a timing difference rather than actual losses for the Company.
2. Represents the repayment of the Corporate Debt Facility, which is to be repaid prior to Completion of the Offer.
3. Impact of Offer represents the net proceeds of the Offer **(converted to NZ$ at an exchange rate of 1.087)**, being the gross proceeds of A$70.0 million net of Offer costs. Offer costs (inclusive of GST) are forecast at A$8.6 million. These costs are split A$2.5 million to the income statement and A$6.1 million to equity, being the Offer costs attributable to the sell down and the costs of new capital raised respectively.
4. Adjustments reflect: i) net proceeds of the Offer and ii) repayment of the Corporate Debt Facility, which is to be repaid prior to Completion of the Offer.
5. Adjustment reflects the recognition of loan receivables funded by peer-to-peer lenders, net of the associated expected credit loss provision.
6. Adjustment reflects the recognition of peer-to-peer Funding Debt used to fund loan receivables (see note 5 above) and the repayment of the Corporate Debt Facility.
7. Adjustment represents the gross proceeds of the Offer of A$70.0 million net of the impact of Offer costs capitalised of A$6.1 million **(converted to NZ$ at an exchange rate of 1.087)**.
8. Adjustment represents the recognition of expected credit loss provision relating to peer-to-peer funded loans and the after-tax impact of Offer costs expensed of A$2.5 million **(converted to NZ$ at an exchange rate of 1.087)**.

4.5.2 Indebtedness and capitalisation

4.5.2.1 Funding Debt

As discussed in Section 3.7 although Harmoney commenced operations as a peer-to-peer lender, Harmoney's funding model is transitioning from a peer-to-peer funding model to a warehouse funding model in order to reduce its interest expense and increase its net interest margin. Harmoney began the transition in 2018 with the establishment of its first New Zealand Warehouse Facility with a major bank. In January 2020, Harmoney established its first Australian Warehouse Facility with a second major bank.

Harmoney will primarily fund its future loan originations via the warehouse funding channel in both New Zealand and Australia. Within each Warehouse Facility, Harmoney is required to hold the lowest ranking note or the 'first loss' capital to satisfy its credit support requirements. Further details of the Warehouse Facilities, including amounts drawn and available limits at 30 September 2020, are summarised in Table 10 below.

Table 10: Summary of the Warehouse Facilities

			30 September 2020		
Trust	Lender	Legal Maturity Date	Unused	Utilised funds	Limit
Harmoney Warehouse No. 1 Trust	A major bank as the senior note funder A large Australian asset manager as the mezzanine note funder	Two years expiring December 2021 (with the option to be extended by agreement)	$20 million	$133 million	**$153 million**
Harmoney Australia Warehouse No. 1 Trust	A major bank as the senior note funder A large Australian asset manager as the mezzanine note funder	Two years expiring January 2022) (with the option to be extended by agreement)	A$85 million	A$30 million	**A$115 million**

In September 2020, Harmoney received credit committee approval from a global asset manager for up to $200 million to establish a second Warehouse Facility in New Zealand.

4.5.2.2 Corporate Debt Facility

Harmoney currently has access to a fixed-term A$10 million Corporate Debt Facility which is used to support warehouse funding and related expenses. The debt is secured and has recourse to Harmoney. The debt outstanding will be repaid in full prior to the Offer.

Table 11 sets out the indebtedness and capitalisation of Harmoney as at 30 June 2020 on a statutory basis (before Completion) and on a pro forma basis (following Completion).

Table 11: Summary indebtedness and capitalisation

$'000	Notes	Statutory	Recognition of peer-to-peer funded loans	Repayment of Corporate Debt Facility	Impact of the Offer	Pro Forma
Funding Debt						
Warehouse borrowings	1	121,636	–	–	–	121,636
Peer-to-peer borrowings	1	–	364,429	–	–	364,429
Funding Debt		**121,636**	**364,429**	**–**	**–**	**486,065**
Less: restricted cash and cash equivalents	2	7,374	–	–	–	7,374
Net Funding Debt		**114,262**	**364,429**	**–**	**–**	**478,691**
Corporate debt						
Corporate debt	3	10,994	–	(10,994)	–	–
Less: unrestricted cash and cash equivalents	4	27,405	–	(10,994)	66,700	83,111
Net Corporate debt/(cash)		**(16,411)**	**–**	**–**	**(66,700)**	**(83,111)**
Net Debt	5	**97,851**	**364,429**	**–**	**(66,700)**	**395,580**
Statement of Financial Position						
Total assets		180,220	344,129	(10,994)	66,700	580,055
Total equity		28,885	(20,300)	–	66,700	75,285
Key metrics						
Funding Debt/gross loans		90%				97%
Net debt/total assets		54%				68%

Notes:

1. Funding Debt relates to borrowings used to fund loans provided to customers, including borrowings from peer-to-peer lenders and Warehouse Facilities. Refer to Section 3.7 for further details. Peer-to-peer borrowings have been brought onto Harmoney's statement of financial position for the purposes of the Pro Forma Historical Statement of Financial Position (see Section 4.5.1).
2. Restricted cash and cash equivalents relate to cash held in bank accounts controlled by securitisation trustees which may only be used for the purposes defined in the relevant trust documents.
3. Corporate debt relates to drawn down borrowings and accrued interest on the existing Corporate Debt Facility. This is to be repaid prior to completion of the Offer.
4. Unrestricted cash and cash equivalents relates to cash at bank and short-term cash deposits controlled by Harmoney. The pro forma balance presented in this table reflects unrestricted cash and cash equivalents as at 30 June 2020, adjusted for repayment of the Corporate Debt Facility and the impact of the Offer. The Pro Forma Forecast Cash Flows for the 4M to Oct20F (Section 4.4.1) show net cash flows over this period of ($7.7 million). With the Offer expected to complete during November 2020, Harmoney expects unrestricted cash and cash equivalents to be $70.0 million to $75.0 million at Completion of the Offer.
5. Net debt represents the aggregate of net Funding Debt and net Corporate Debt Facility.

4.5.3 Liquidity and capital resources

Following Completion, the principal sources of funds are expected to be cash from operations, Funding Debt and available cash on balance sheet.

Based on the above liquidity position and capital resources, there will be sufficient working capital at the time of admission to the Official List to carry out Harmoney's stated objectives and to meet operational requirements, capital investment in the business and the capital to support growth in the operations, both over the forecast period and for at least 12 months post Completion.

4.5.4 Interest rate risk

Harmoney'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 Harmoney to interest rate risk. Cash at bank and term deposits obtained at fixed rates expose Harmoney to fair value interest rate risk.

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

Peer-to-peer funded loans are not subject to interest rate risk, as the funding rate is derived from the originated loan interest rate and loan performance.

Warehouse Facilities are variable rate borrowings where the rates are reset monthly to current market rates. Interest rate risk is managed on these borrowings by entering into interest rate swaps, whereby Harmoney 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. This gain or loss is reclassified into the income statement if the hedging relationship ceases. At the end of FY20, no amounts were reclassified into the income statement as there was no material hedge ineffectiveness in the period.

Harmoney's policy is to hedge a significant 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 2020, the notional value of swaps was 64% of floating rate borrowings (i.e. a hedge ratio of 64%).

4.6 Management discussion and analysis of the Pro Forma Historical Financial Information and Pro Forma Forecast Financial Information

4.6.1 Overview of Pro Forma Historical Financial Information

This section discusses the composition of Harmoney's operating and financial performance during the period of the Historical Financial Information and which management expects may affect the Company's operating and financial performance over the period of the Forecast Financial Information.

The general matters discussed below are a summary only and do not represent all events and factors that affected Harmoney's historical operating and financial performance, nor everything that may affect its operating and financial performance in future periods. The information in this Section 4.6.1 should also be read in conjunction with the risk factors set out in Section 5 and the other information contained in this Prospectus.

4.6.1.1 Drivers of Harmoney's financial performance

Harmoney's primary sources of income are:

1. interest income which represents:
    a. interest income earned from its loan book; and
    b. establishment fees generated from the origination of new loans.

    Harmoney recognises both interest income and establishment fee income over the expected life of the loan, applying the effective interest method under NZ IFRS 9. Under this method, establishment fee income, which is received on establishment of the loan, is recognised over the expected life of the loan. Accordingly, establishment fees and interest income are not reported separately in the income statement and are instead accounted for as interest income; and
2. other income which primarily represents fees paid by borrowers as a contribution towards costs incurred in relation to dishonoured payment or other collection activities.

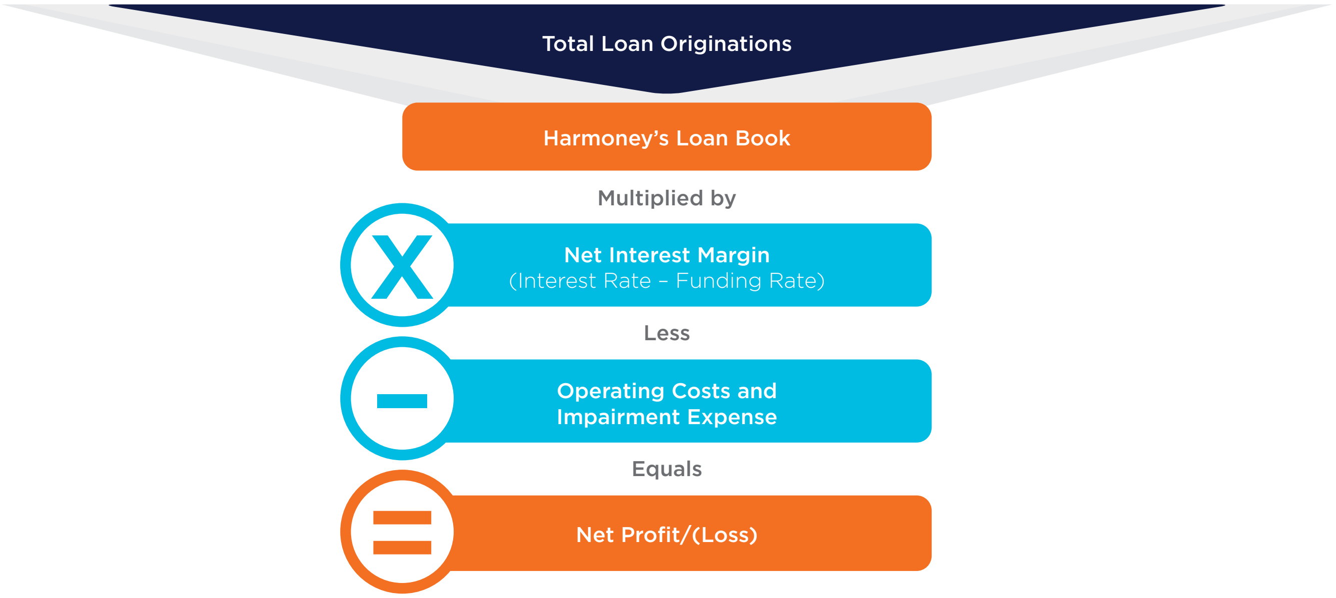
4 Financial information

Harmoney's primary costs of business are interest expenses and fees paid to the providers of the Funding Debt, impairment expense, movement in expected credit loss provision, and marketing, verification and servicing expenses associated with writing new loans and other operating costs of the business.

With all lending being recognised on-balance sheet, all funding costs are recognised as interest expense. For peer-to-peer funded loans, interest expense represents the net interest paid to the peer-to-peer lenders after deducting impairments and fees owed to Harmoney.

The below diagram sets out a simple high-level construct as to the key drivers of Harmoney's financial results. Due to the effective interest rate treatment, both fees and interest income are captured through the 'interest rate' driver.

Figure 2: Key financial drivers



The key drivers of interest income are:

- the value of Harmoney's loan book, which is in turn driven by the level of loans originated and the rate of repayment of existing loans; and
- the return Harmoney generates on the loan book, which is a function of the level of interest income and establishment fees generated from the origination of new loans.

The key drivers of costs are:

- the value of Harmoney's loan book and the funding rate required by the providers of Funding Debt to Harmoney to fund those loans;
- the value of loans written off in a period due to non-payment by the borrower (net of recoveries), and movement in expected credit loss provision;
- the level of loans originated and the associated costs involved in originating those loans (e.g. marketing expenses and applicant verification expenses); and
- other operating costs involved in running the Harmoney business.

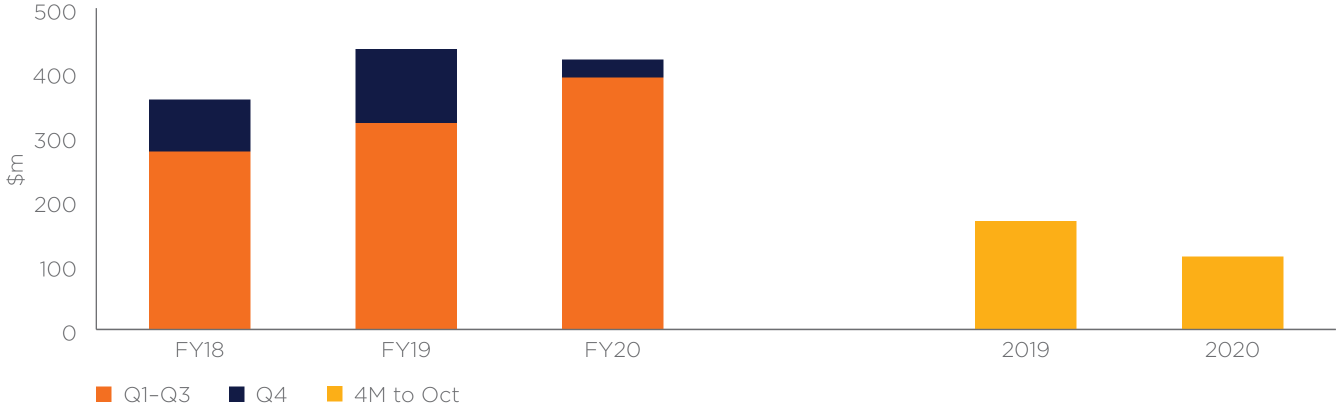
As noted above, under the effective interest rate method of accounting for income, all fees and interest income associated with the origination of loans is spread over the life of the loan. In contrast, variable costs associated with loan origination are recognised in the period in which the loan is originated (e.g. marketing and verification expenses). This has the effect of creating a 'profitability drag' in periods of rapid origination growth, where the associated increase in interest income will be recognised over future periods.

It should also be noted that the application of the effective interest rate method also results in a difference in the timing between when upfront establishment fees are recognised in the pro forma income statement and when cash is received.

4.6.1.2 Origination volumes

Figure 3 below presents total Group origination volumes for FY18 to FY20, showing that Harmoney has grown Group origination volumes from $357 million in FY18 to $420 million in FY20, an increase of $63 million, despite the impacts of COVID-19 in Q4FY20.

Figure 3: Group origination volumes (FY18 to FY20, including split into Q1 to Q3 and Q4, 4M to Oct19 and 4M to Oct20F)



Group origination volumes in Figure 3 have been split into Q1 to Q3 (July to March) and Q4 (April to June), demonstrating the reduction in origination volumes during Q4FY20 as a result of COVID-19 and the underlying sustained growth trend across the remaining quarters, with Q1-Q3 FY18 originations of $277 million growing to Q1 to Q3FY20 originations of $392 million at a CAGR of 19%.

While Figure 3 shows that COVID-19 is forecast to have a continuing impact on originations in 4M to Oct20F, with origination volumes not forecast to reach the same levels as the prior comparable period 4M to Oct19, Figure 4 below shows the steady increase in originations since April 2020, is forecast to continue, as economic activity in New Zealand and Australia improves. Marketing spend is forecast to increase in October 2020 as Harmoney looks to build a strong pipeline of customers ahead of the seasonal peak origination months of November and December (noting that due to the holiday periods December originations are typically lower than those for November). The impact of lower originations from April 2020 on subsequent repeat lending begins to be experienced from November 2020, with borrowers typically required to have at least six-months' payment experience before being sent a repeat loan invitation.

Figure 4: Group origination volumes by month (July 2018 to December 2020)

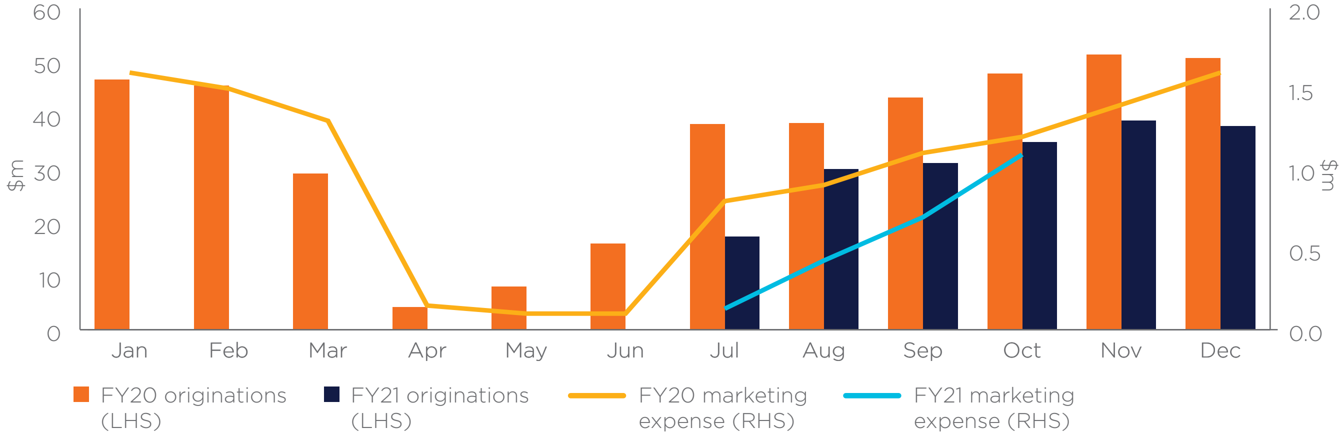


Figure 5: New Zealand origination volumes (FY18 to FY20, including split into Q1 to Q3 and Q4, 4M to Oct19 and 4M to Oct20F)

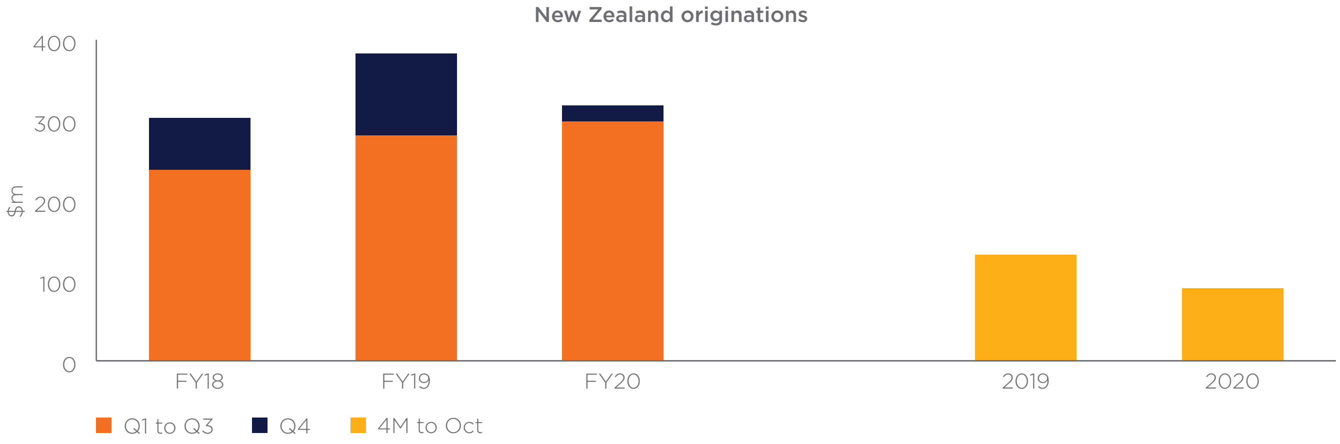


Figure 5 above presents originations for New Zealand, where, but for the impacts of COVID-19, sustained underlying growth has continued with Q1 to Q3 FY18 originations of $237 million growing to Q1 to Q3 FY20 originations of $298 million at a CAGR of 12%.

Figure 6: Australia origination volumes (FY18 to FY20, including split into Q1 to Q3 and Q4, 4M to Oct19 and 4M to Oct20F)

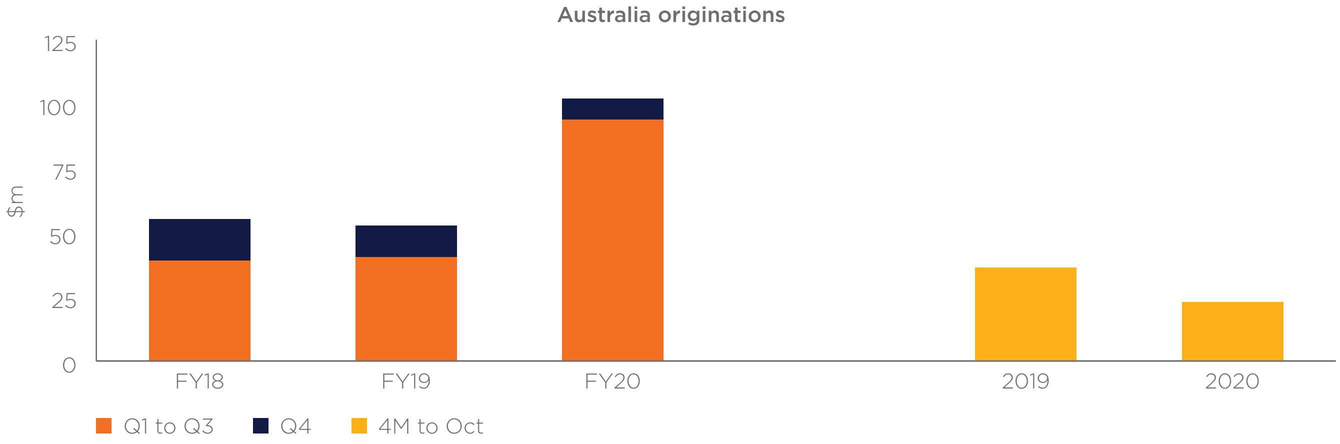


Figure 6 above presents originations for Australia, where origination volume has grown from $55 million in FY18 to $102 million in FY20, despite the impacts of COVID-19 in Q4FY20. Australian origination volumes increased significantly in Q2FY20 and Q3FY20, as a result of an increase in marketing activity post the completion of a capital raising in October 2019. Normalising for the impacts of COVID-19, Q1-Q3 originations grew from $39 million in FY18 to $94 million in FY20 at a CAGR of 55%.

4.6.1.3 Impact of COVID-19

Harmoney responded prudently and rapidly to social restrictions imposed by governments in New Zealand and Australia in response to COVID-19 from mid-March 2020. Harmoney both tightened its lending criteria and halted marketing activity, while it assessed the impact of the increased economic uncertainty on credit demand and quality.

These measures, together with a fall in demand for personal lending during the lockdown period, led to a sharp fall in originations, from $29 million in March 2020 to $4 million in April 2020.

As shown in the sensitivity analysis in Section 4.7, as Harmoney's income is predominantly derived from interest income which accrues over time, it is not immediately sensitive to a reduction in originations. A reduction in origination does impact cash flow as establishment fees are paid on origination.

Harmoney has flexibility to rapidly adjust its marketing expenses, which were 13.6% of income in FY20, to respond to market conditions. As shown in Figure 4 above, in response to COVID-19, Harmoney reduced its marketing expenses by $1.2 million (92%) between March 2020 and April 2020.

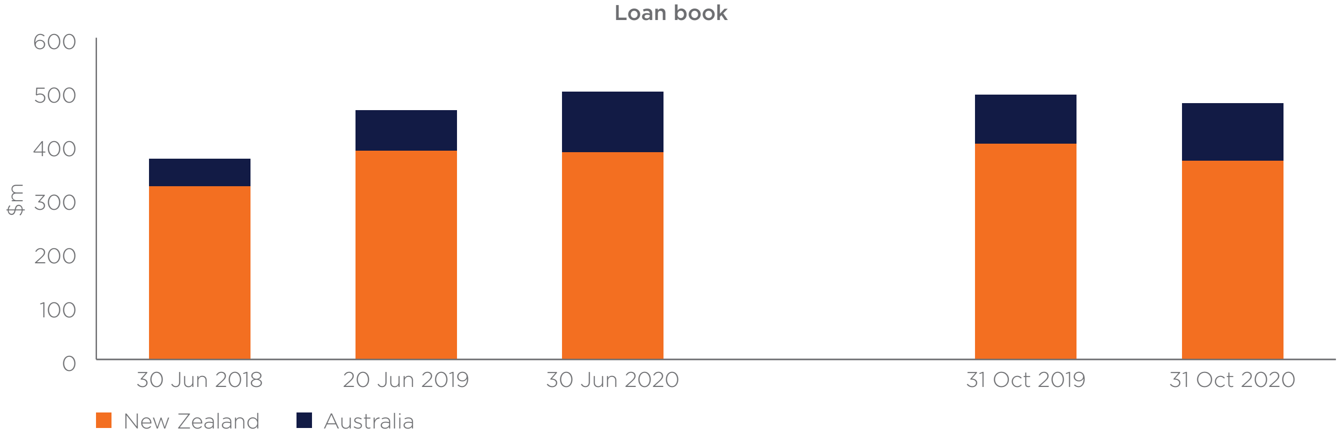
As government restrictions have eased, and economic activity has begun to recover, Harmoney has adjusted some of the tightened credit settings it had imposed and has conservatively resumed marketing activity, with a focus on higher credit quality borrowers. Figure 4 above shows originations increasing steadily in response to these changes. Forecast originations through to August 2020 are actual results based on management accounts, with forecasts for the September 2020 to December 2020 period based on Harmoney's recent historical experience of customer response rates to marketing activities in the current economic climate. As shown in the sensitivity analysis in Section 4.7, the impact of a variance in origination volumes on the 4M to Oct20F results is not material, with 4M to Oct20F incorporating actual originations for July 2020 to August 2020 and forecast total income and NPAT being largely driven by the existing loan book.

Harmoney expects origination volumes to grow beyond the levels experienced prior to March 2020; however, given economic uncertainties created by, or related to, COVID-19, it is not currently possible to forecast with accuracy when that will occur.

4.6.1.4 Loan book

Harmoney's growing volume of originations has translated to a growing total loan book through FY20, as shown in Figure 7 below, split by New Zealand and Australia.

Figure 7: Loan book at period ends, split by New Zealand and Australia



Between 30 June 2018 and 30 June 2020, Harmoney's total loan book grew from $374 million to $499 million, an increase of $125 million and a CAGR of 16%, driven by:

- growth in the New Zealand loan book from $322 million to $386 million, an increase of $64 million (CAGR 9%); and
- growth in the Australian loan book from $52 million to $114 million, an increase of $62 million (CAGR 48%).

The growth in Harmoney's loan book across this period also incorporates the decline in the loan book of 7% experienced in Q4FY20 reflecting the reduction in loan originations as a consequence of the impacts of COVID-19 (refer Section 4.6.1.3 for further discussion).

Harmoney's total loan book is forecast to be $478 million at 31 October 2020, representing a decline of 4% since 30 June 2020. As shown in Figure 7 above, this decline is primarily a result of originations being lower than the prior year from March 2020 onwards, as a consequence of the impacts of COVID-19, and the Company's decision to reduce its investment in marketing and tighten lending criteria in response to market conditions it observed.

4.6.1.5 Interest income

Harmoney offers interest rates to borrowers based on Harmoney's assessment of the borrower's default risk, including categorisation of each borrower into one of Harmoney's 25 different credit grades in New Zealand and 20 different credit grades in Australia based on Harmoney's proprietary credit scorecard. An assessment of a borrower in a higher credit grade results in a lower interest rate, whilst assessment of a borrower in a lower credit grade results in a higher interest rate. This enables Harmoney to offer competitive interest rate pricing to borrowers.

Harmoney also pays interest on Funding Debt, with the funding rate determined by the mix of Warehouse Facilities versus peer-to-peer funding and in the case of peer-to-peer funding the interest rates and credit performance of the underlying loans. Harmoney's interest expense is discussed in further detail below.

Interest income less interest expense represents Harmoney's net interest margin.

Table 12 sets out the average interest rate, average funding rate and net interest margin for the Group, New Zealand and Australia, for each of FY18, FY19, FY20, 4M to Oct19 and 4M to Oct20F.

Table 12: Average interest rate, average funding rate and net interest margin

	FY18	FY19	FY20	4M to Oct19	4M to Oct20F
Group					
Average interest rate (%)	18.5%	17.5%	16.8%	18.1%	16.4%
Average funding rate (%)	7.5%	7.4%	6.3%	7.4%	6.8%
Net interest margin (%)	10.9%	10.0%	10.6%	10.7%	9.9%
New Zealand					
Average interest rate (%)	18.6%	17.9%	17.2%	18.7%	16.7%
Average funding rate (%)	7.6%	7.9%	6.4%	8.0%	6.7%
Net interest margin (%)	10.9%	9.9%	10.8%	10.8%	10.3%
Australia					
Average interest rate (%)	16.8%	15.2%	15.6%	15.1%	15.3%
Average funding rate (%)[1]	5.9%	4.6%	5.8%	4.6%	7.4%[1]
Net interest margin (%)	10.4%	10.5%	9.8%	10.4%	8.3%

Notes:

1. Increase in the average funding rate in 4M to Oct20F in Australia is driven by fees payable on undrawn capacity, and the amortisation of establishment fees incurred, in respect of the Australian Warehouse Facility.

Harmoney's average interest rate reduced from 18.5% in FY18 to 16.8% per annum in FY20 as continued improvement in credit risk prediction enabled Harmoney to lower interest rates and as Australia, where interest rates are typically lower, has grown as a proportion of the overall loan book. While interest rates provided to borrowers are lower in Australia, the net interest margin earned by Harmoney in both New Zealand and Australia is broadly similar. Harmoney believes that the opportunity for further lending growth is stronger in Australia given the significantly larger market. Interest rates in 4M to Oct20F are forecast to be broadly in line with the levels experienced in July and August 2020, in both New Zealand and Australia.

With establishment fee income being recognised over the expected life of the loan, these fees are included within the average interest rates set out above. Over the historical period Harmoney's establishment fees have ranged between $200 and $500 per loan in New Zealand and between A$200 and A$575 in Australia. During 4M to Oct20F, they range between $200 and $450 in New Zealand and between A$200 and A$575 in Australia.

4.6.1.6 Interest Expense

Table 13 sets out the average funding rates for the total loan book, the peer-to-peer funded loan book and the warehouse funded loan book, together with the average proportion of the loan book funded by peer-to-peer and warehouse funding for each of FY18, FY19, FY20, 4M to Oct19 and 4M to Oct20F.

Table 13: Average funding rate by loan book

	FY18	FY19	FY20	4M to Oct19	4M to Oct20F
Average funding rate (%) – total loan book	7.5%	7.4%	6.3%	7.4%	6.8%
Average funding rate (%) – peer-to-peer funded loan book	7.5%	7.6%	6.6%	7.9%	8.0%
Average funding rate (%) – warehouse funded loan book	n/a	4.4%	4.7%	4.4%	4.4%
Average % of loan book funded by peer-to-peer	100.0%	95.7%	80.3%	85.5%	67.6%
Average % of loan book funded by warehouse	0.0%	4.3%	19.7%	14.5%	32.4%

Notes:

1. Average % of loan book is calculated as the month average for 12M to Jun18, 12M to Jun19, 12M to Jun20, 4M to Oct19 and 4M to Oct20.

The average funding rate for the total loan book for 4M to Oct20F is forecast to be 6.8% per annum, representing a 0.6% per annum decrease from 7.4% per annum incurred in the prior comparable period, driven by the continuing transition to warehouse funding (warehouse funding is forecast to represent an average of 32% of total loan book over the 4M to Oct20F, an increase from an average of 15% in the prior comparable period).

For peer-to-peer funded loans, the interest expense represents the net interest paid to the peer-to-peer lenders after deducting impairments and fees owed to Harmoney.

For warehouse funded loans, interest expense includes both interest charges and the amortisation of fees relating to borrowings over the term of the facility. The cost of these borrowing facilities is driven by the average funding rate incurred on drawn and undrawn balances, and the amount of the borrowing facility that has been drawn.

Harmoney's average funding rate fell from 7.5% per annum in FY18 to 6.3% per annum in FY20 as Harmoney funded an increasing proportion of originations from Warehouse Facilities. Across FY20, 20% of the loan book was warehouse funded at an average funding rate of 4.7% per annum, with the remaining 80% peer-to-peer funded at an average funding rate of 6.6% per annum.

It is Harmoney's intention to accelerate the proportion of originations that are funded by Warehouse Facilities in order to transition to 100% warehouse funding, supported by the Offer.

4.6.1.7 Impairment expense

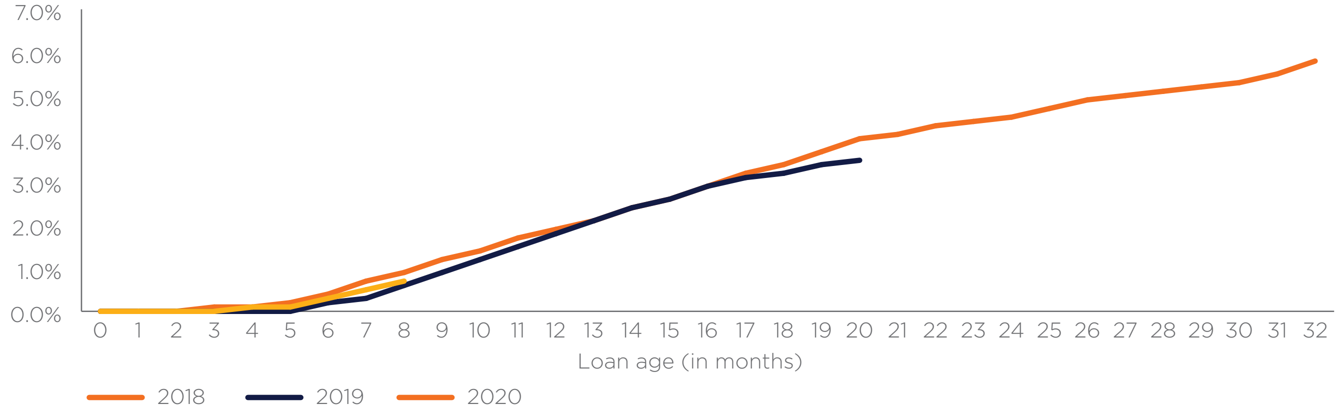
Impairment expense represents the value of loans written off in a period due to non-payment by the borrower (net of recoveries). The value of a loan is written off, either partially or in full, when there is no realistic prospect of recovery. A provision for expected credit loss is applied by Harmoney as outlined in Section 4.6.1.8. The movement in expected credit loss provision between periods is not recorded as part of impairment expense, but has its own line item in the income statement (see Section 4.6.1.8 and the accounting policies in Appendix 1 for further details of Harmoney's provisioning policy).

Impairment expense necessarily lags loan originations and therefore measuring impairment expense against the average loan book balance can give an incomplete measure of loan performance, with average impairment expense being suppressed where the loan book is growing and exaggerated when the loan book is shrinking.

Due to the lag between loan originations and loan impairment, static loss rates, which compare impairment expense relating to loans originated in a period to the amount originally lent in that period, provide a more accurate measure of credit performance and a better means of comparison between periods.

Figure 8 below shows the dollar value of cumulative static loss (net of recoveries) as a percentage of the dollar value of loans originated in each of FY18, FY19 and FY20[47]. Current cumulative static loss rates for loans originated in FY18 have reached 5.9% of the value of loans originated after 32 months, with 90% of the originated repaid or closed. Impairment expenses have fallen as a percentage of the value of loan originations in the FY19 cohort, demonstrated by the cumulative static loss rate after 12 months representing 1.8% (62% repaid/closed), compared to a 12-month static loss rate for the FY18 cohort of 1.9% (58% repaid/closed). This reduction in impairment expense is consistent with Harmoney's focus on continued improvement in credit risk prediction. As Figure 8 demonstrates, the majority of Harmoney's impairment expense is incurred after six months of loan origination. As a result, whilst the impairment expense experience to date is consistent with the FY19 cohort, the FY20 cohort is not yet of an age for its credit experience to be accurately determined. Where loans are peer-to-peer funded, the funder of the loan bears the impairment expense.

Figure 8: Impairment expense static loss rate (%)



Impairment expense is forecast to decline in 4M to Oct20F compared with the prior comparable period, as arrears levels have trended downwards. Harmoney believes the likely drivers of the trend down in arrears have been credit scorecard refinements introduced in October 2019 and increased credit quality as the Company moves from peer-to-peer to warehouse funding of loans.

From mid-March 2020, stringent social distancing and lockdown restrictions were imposed by governments in both New Zealand and Australia. At the end of March 2020, New Zealand went into Level 4 lockdown and Australia implemented strict social distancing measures. Over the course of March to May, borrowers taking up payment holidays began to increase before trending back down. As at 30 September 2020, 5.5% of principal outstanding on the loan book remains on payment holidays. This is scheduled to reduce to 3.7% by 31 October 2020.

The duration of payment holidays typically ranged from one to six months, with the most common terms being three or six months. While on a payment holiday, interest continues to accrue on the outstanding principal balance.

As at 30 September 2020, over 90% of borrowers who have exited their payment holidays have either made their first payment on time or settled their loan.

4.6.1.8 Movement in expected credit loss provision

The movement in expected credit loss provision is the change in the expected credit loss provision from the end of the prior period to the end of the current period. The value of the expected credit loss provision is calculated in accordance with NZAS under NZ IFRS 9, based on an assessment of the borrower's probability of default, Harmoney's actual historical loss experience (by credit grade and delinquency) and by overlaying an assessment of future economic conditions. (see Appendix 1 for further details of Harmoney's provisioning policy).

As at 30 June 2019, Harmoney provided for 4.3% of the loan book balance for loan impairments, down from 4.4% as at 30 June 2018 on increased credit quality and improved underlying credit performance, with the overall $3.9 million increase in provision driven by the growth in the underlying book.

At 30 June 2020, Harmoney provided for 5.7% of the loan book balance for loan impairments, increased from 4.3% at 30 June 2019, reflecting the growth in the underlying book and the increased downside overlay included in the calculation of the expected credit loss provision at 30 June 2020, given the increased level of economic uncertainty as a result of COVID-19.

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47. Within each period, originations are only included for months that have reached the age shown.

The 4M to Oct20F forecast assumes that the provision rate at October 2020 will be consistent with that at 30 June 2020 (5.7%), although the total expected credit loss provision is forecast to decline in dollar value from 30 June 2020 in 4M to Oct20F as the loan book is forecast to contract by 4% as a result of lower loan originations in COVID-19 period.

It should be noted that, all other things being equal, Harmoney will record a higher proportionate increase in expected credit loss provision in periods where the loan book is growing rapidly given that the provision is a function of loan book size.

4.6.1.9 Marketing expenses

Harmoney's marketing expenses primarily relate to direct advertising costs incurred to attract new customers to Harmoney's platform. One of Harmoney's core competencies is efficiently targeting its advertising at customer profiles that are expected to deliver the highest Customer Lifetime Value at the time they are most interested in taking a loan. Once Harmoney has established a relationship with a customer, through its 3Rs strategy it is able to further grow the loan book without additional advertising expenditure.

In New Zealand where the existing book and customer account base is larger, marketing expenses as a percentage of total income have fallen from 9.9% in FY18 to 9.3% in FY20. In Australia, where Harmoney has a smaller loan book and has been investing in growing originations, marketing expenses as a percentage of total income is higher, but have fallen from 53.0% in FY18 to 33.2% in FY20, as the 3Rs strategy which started in August 2019 begins to have a larger impact. Overall, the improving marketing expense efficiency in New Zealand is largely offsetting the impact of the growth in marketing expenditure in Australia, with total Group marketing expenses as a percentage of total Group income increasing from 12.8% in FY18 to 13.6% in FY20.

With Harmoney operating a direct acquisition model, it does not have long-term fixed marketing or sales network costs. In response to COVID-19, Harmoney implemented a near immediate cessation of marketing activity, reducing marketing expenditure by from March 2020 to April 2020 by 92%. As government restrictions have eased, and economic activity has begun to recover, Harmoney has cautiously increased its marketing expenditure while resuming its 3Rs strategy. Accordingly, marketing expenses as a percentage of total income are forecast to represent 9% in 4M to Oct20F, versus 14% in 4M to Oct19.

4.6.1.10 Verification and servicing expenses

Verification and servicing expenses are predominately variable costs relating to loan applicant identity, credit and financial verification against third-party data sources, as well as largely fixed costs relating to Harmoney's outsourced customer service centre in Fiji.

Costs relating to loan applicant identity, credit and financial verification are driven by the number of loan applications processed by Harmoney. These costs have remained stable as a percentage of loan volumes originated.

Overall, verification and servicing costs have remained steady at approximately 4% of income from FY18 through FY20.

Verification and servicing expenses in 4M to Oct20F are forecast to remain consistent with 4M to Oct19.

4.6.1.11 Personnel expenses

Personnel expenses primarily relate to the salary costs of all Harmoney employees across all functions. Personnel expenses are net of personnel costs related to research and development expenditure which qualify to be capitalised under IAS 38, and exclude share-based payments expenses. Capitalised personnel expenses have been replaced with amortisation expense on the capitalised platform development expenditure. Share-based payment expenses are itemised separately in the pro forma income statement and are non-cash.

As a technology enabled platform business, Harmoney has been able to grow its loan book by 33% from 30 June 2018 to 30 June 2020 while personnel expenses have grown by 4% over FY18 to FY20. Accordingly, the ratio of personnel expenses (excl. share-based payments) as a percentage of total income has fallen from 10.5% in FY18 to 7.6% in FY20. Personnel expenses of $2.3 million have been forecast in 4M Oct 20F based on current employee headcount and the actual costs for these current employees, with no additional hires planned within the forecast period.

Personnel expenses in 4M Oct 20F are forecast to decrease by $0.1 million from 4M to Oct 19, due to lower employee headcount.

4.6.1.12 Technology expenses

Technology expenses primarily relate to third-party software as a service licence costs. These costs remained stable through FY19 and FY20 despite loan book growth and accordingly, have fallen as a percentage of total income from 4.3% in FY18 to 3.6% in FY20.

Technology expenses in 4M to Oct20F are forecast to remain consistent with the actual costs incurred in 4M to Oct19.

4.6.1.13 Administration expenses

Administration expenses include professional services fees, unrecoverable GST[48], insurances, office expenses and travel expenses.

Harmoney incurred a higher than usual level of professional services expenses during FY19 in connection with reorganising its peer-to-peer funding structures. In FY20, administration expenses as a percentage of total income was 6%, down from 8% in FY18 and FY19, predominantly as a result of lower professional services fees as the business matures.

Administration expenses for 4M to Oct20F were stable when compared to 4M to Oct19, with a marginal increase of 3%.

4.6.1.14 Tax

As at 30 June 2020, Harmoney had deferred tax assets of $9.5 million, $4.2 million of which related to tax losses and are available to offset against future profits in the jurisdictions in which the losses arose, subject to shareholder continuity and/or the same business test rules in the relevant tax jurisdictions being met (New Zealand: $3.7 million, Australia: $0.5 million). At the Group level, the tax expense for 4M to Oct20F is forecast at the prevailing New Zealand company tax rate of 28%.

4.6.1.15 Net loss after tax

Historically, Harmoney has generated a net loss after tax as it has invested in the development of its automated lending platform and in customer acquisition. As noted above, during FY19 Harmoney began transitioning its loan funding from a peer-to-peer funding model to warehouse funding. This has significantly reduced Harmoney's average funding rate, from 7.5% per annum in FY18 to 6.3% per annum in FY20.

However, as discussed above, in response to the increased economic uncertainty as a result of COVID-19 Harmoney increased the downside overlay in its expected credit loss provision at 30 June 2020, which together with the additional credit provision necessitated by the growth in the book, generated a $8.3 million (41%) increase in the expected loss provision.

In addition, the statutory net loss after tax in 15M to Jun20 was negatively impacted by a lowering of expected future lender fee income from existing peer-to-peer funded loans, due to forecast expectations for the impact of COVID-19 and the transition to warehouse funding. In the statutory income statement, changes in future expectations in relation to peer-to-peer lender fees are recognised through current year income. The pro forma income statement is not impacted by changes in expectations for future lender fees on peer-to-peer funded loans.

4.6.1.16 Pro forma cash NPAT

The pro forma cash NPAT tax adjusts NPAT for the after-tax impact of three non-cash expenses, being:

- movement in expected credit loss provision;
- share-based payments expenses; and
- depreciation and amortisation expenses,

to approximate Harmoney's underlying cash earnings.

Harmoney generated cash NPAT of ($2.0 million) in FY18, ($2.2 million) in FY19 and $0.7 million in FY20. Harmoney is forecasting a pro forma cash NPAT of $1.1 million for 4M to Oct20F, a $0.4 million increase from 4M to Oct19.

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[48] As a lender Harmoney does not collect GST on its revenue and accordingly it has a low rate of recovery for GST incurred on its expenses.

4.6.1.17 Historical and forecast cash flows

Harmoney has maintained a positive operating cash flow over the historical and forecast period as its loan book and lending margins have reached a scale where operating inflows are sufficient to cover operating costs. Net cash generated by operations was $2.3 million in FY18, $8.1 million in FY19, and $4.5 million in FY20 and is forecast to be $1.2 million in 4M to Oct20F.

Net cash advanced to borrowers is classified in investing activities. The growth in Harmoney's loan book over the historical period has been the main driver of its use of cash over this period. Over 4M to Oct20F, advances to customers are forecast to be a net generator of cash as the total loan book is expected to reduce on lower originations volumes brought about by the impacts of COVID-19. See Section 4.6.1.3.

Funding for advances to borrowers is classified in financing activities, together with proceeds from capital raising activities. Throughout the historical period, funding has been provided through peer-to-peer facilities and from FY19, increasingly through Warehouse Facilities. Series C equity capital was raised in October 2019 to support the growth in the New Zealand and Australian businesses. Over 4M to Oct20F, cash received from the reduction in the peer-to-peer loan book will pay down the funding of those loans, representing a financing activity cash outflow, partially offset by a cash inflow from Warehouse Facilities funding with the continuing transition to warehouse funding.

4.6.2 Forecast Financial Information

As discussed in Section 4.2.3, the Forecast Financial Information for 4M to Oct20F is based on actual trading results for the two months to 31 August 2020 and a forecast for two months to 31 October 2020 (**2M to Oct20F**).

The Forecast Financial Information is based on various general and specific assumptions, including those set out in Sections 4.6.2.1 and 4.6.2.2. In preparing the Forecast Financial Information, Harmoney has undertaken an analysis of historical performance through to 31 August 2020 and applied assumptions where appropriate in order to forecast future performance for 2M to Oct20F. The Directors believe that they have prepared the Forecast Financial Information with due care and attention and consider all assumptions, when taken as a whole, to be reasonable at the Prospectus Date. However, actual results are likely to vary from those forecasts and any variation may be materially positive or negative.

The assumptions on which the Forecast Financial Information is based are, by their nature, subject to significant uncertainties and contingencies, many of which are outside the control of Harmoney, the Directors and management, and are not reliably predictable. Accordingly, none of Harmoney, the Directors and management or any other person can give any assurance that the Forecast Financial Information or any prospective statement contained in this Prospectus will be achieved. Events and outcomes might differ in amount and timing from the assumptions, with a material consequential impact on the Forecast Financial Information.

The assumptions set out below should be read in conjunction with the sensitivity analysis set out in Section 4.7, the risk factors set out in Section 5 and the Independent Limited Assurance Report on Historical and Forecast Financial Information set out in Section 8.

4.6.2.1 General assumptions

In preparing the Forecast Financial Information, the following general Directors' best estimate assumptions have been adopted:

- no material change in the competitive operating environment in which Harmoney operates;
- no significant deviation from current market expectations in the geographies in which Harmoney operates and the economic conditions relevant to Harmoney;
- no material changes in any government legislation or regulation (including tax legislation), or government policy that has a material impact on financial performance or cash flows, financial position, accounting policies, or licensing requirements of Harmoney;
- no material changes in key personnel and Harmoney maintains its ability to recruit and retain the personnel required to support future growth;
- no material changes in applicable NZ IFRS or other mandatory professional reporting requirements which have a material effect on Harmoney's financial performance, financial position, accounting policies, financial reporting or disclosure during 4M to Oct20F;
- no material industry disturbances, environmental costs, contingent liabilities or legal claims will arise or be settled to the detriment of Harmoney;
- no material acquisitions, divestments, restructuring or investments other than as set out in, or contemplated by, this Prospectus;
- no material changes to Harmoney's corporate or funding structure other than as set out in, or contemplated by, this Prospectus;

- no material disruptions to the continuity of operations of Harmoney nor other material changes in its business activities;
- no material amendment to or termination of any material agreement, contract or arrangement other than as set out in, or contemplated by, this Prospectus;
- if the risks listed in Section 5 eventuate, or even if they do, none of them has a material adverse impact on the operations of Harmoney; and
- the IPO process concludes and the proceeds of the Offer are received in accordance with the timetable set out in the Important Dates section of this Prospectus.

4.6.2.2 Specific assumptions

The Forecast Financial Information is based on various best estimate assumptions for 2M to Oct20F, including those set out below.

Having regard to the Prospectus Date and the relatively short period of the forecast coupled with the ability to observe actual results per unaudited management accounts through to the end of August 2020 and actual originations performance for the month of September 2020, the impact of changes in key assumptions has an immaterial impact on 4M to Oct20F. Refer to Section 4.7 sensitivity analysis for further details.

In preparing the Forecast Financial Information, management has analysed historical performance including the current rates of income and expenses and applied assumptions, where appropriate, across the business. The assumptions set out below should be read in conjunction with the sensitivity analysis set out in Section 4.7, the risk factors set out in Section 5, the significant accounting policies set out in Appendix 1 and other information contained in this Prospectus. The Independent Limited Assurance Report on the Historical and Forecast Financial Information set out in Section 8 also covers the Forecast Financial Information as set out in this Section 4.

Table 14: Specific assumptions for the two months to October 2020

Key forecast assumptions	2M to Oct20F
Originations ($'000)	Origination volumes for 2M to Oct20F are forecast to total $66 million, a decrease of 28% on the prior comparable period, but a 39% increase on July and August 2020 total, as originations continue to improve post the Q4FY20 COVID-19 impacted levels.
Average interest rate (%)	The average interest rate for 2M to Oct20F is forecast to be 15.9% per annum, a decrease of 2.5% on the prior comparable period due to an increase in the Australian loan book as a proportion of the total book (where interest rates are lower than New Zealand), the cessation of lending to Harmoney's lowest grade borrowers post COVID-19 across New Zealand and Australia and lower deferred platform fees on loans written during the COVID-19 period. Average interest rates for 2M to Oct20F are broadly consistent with those achieved in July and August 2020.
Average funding rate (%)	The average funding rate for 2M to Oct20F is forecast to be 7.0% per annum, a decrease of 0.6% on the prior comparable period as Harmoney continues to increase the proportion of the loan book that is warehouse funded at lower associated funding costs.
Impairment expense ($'000)	Impairment expense for 2M to Oct20F forecast to be $2.8 million, 21% lower than the prior comparable period due to credit scorecard refinements introduced in October 2019 and tightened lending criteria post COVID-19.
Provision rate (%)	For 2M to Oct20F, Harmoney forecasts to continue to provision for expected credit losses at the FY20 rate (5.30% for New Zealand and 6.96% for Australia) which is higher than the prior comparable period (4.31% for New Zealand and 4.51% for Australia) due to increased COVID-19-related economic uncertainty.

Key forecast assumptions	2M to Oct20F
Marketing expenses ($'000)	Marketing expenses for 2M to Oct20F is forecast to be $1.8 million (14% of total income), which is in line with the prior comparable period (15% of total income) but an increase forecast from July and August 2020 (4% of total income), due to a focus on re-building the sales funnel as Harmoney seeks to continue to grow loan originations back to pre-COVID-19 levels.
Verification and servicing expenses ($'000)	Verification and servicing expenses for 2M to Oct20F is forecast to be $0.4 million, 27% lower than the prior comparable period in line with lower loan originations across the same period. These expenses remain consistent with those achieved in July and August 2020.
Other expenses ($'000)	Other expenses for 2M to Oct20F is forecast to be $3.4 million, 20% higher than the prior comparable period predominantly due to the timing of expenses related to share-based payments (that will be extinguished on Completion) related to a legacy scheme and an increased requirement for external professional services.

4.7 Sensitivity analysis

The Forecast Financial Information is based on a number of estimates and assumptions as described in Sections 4.6.2.1 and 4.6.2.2.

These estimates and assumptions are subject to business, economic and competitive uncertainties and contingencies, many of which are beyond the control of the Company, the Directors and management. These estimates are also based on assumptions with respect to future business decisions, which are subject to change.

To assist potential investors in assessing the impact of key variables on the performance of Harmoney, set out in Table 14 below is a summary of the sensitivity of the Forecast Financial Information for 4M to Oct20F to changes in a number of key variables. The changes in the key variables as set out in the sensitivity analysis are not intended to be indicative of the complete range of variations that may be experienced.

Care should be taken in interpreting these sensitivities. In order to illustrate the likely impact on the Forecast Financial Information, the estimated impact of changes in each of the assumptions has been calculated in isolation from changes in other assumptions and assumes a full period impact. In practice, changes in assumptions may offset each other or be additive, and it is likely that Harmoney's management would respond to any changes to seek to minimise the net effect on Harmoney's income, NPAT and cash flow.

Table 15: Impact of changes in key variables on 4M to Oct20F total income and NPAT

$'000	4M to Oct20F
Assumption	Pro forma total income impact
Origination volumes +10%	14
Origination volumes –10%	(66)
Weighted average interest rate +1% per annum	796
Weighted average interest rate –1% per annum	(796)
Assumption	Pro forma NPAT impact
Origination volumes +10%	(87)
Origination volumes –10%	169
Weighted average interest rate +1% per annum	573
Weighted average interest rate –1% per annum	(573)
Weighted average funding rate +1% per annum	(548)
Weighted average funding rate –1% per annum	548
Impairment expense +10%	(43)
Impairment expense –10%	43

The impact of changes in the key assumptions in the table above have an immaterial impact on 4M to Oct20F forecast NPAT due to 4M to Oct20F representing two months of actual results and two months of forecast results to 31 October 2020.

In order to provide investors with further information of the potential impact of changes in the key variables on the annual financial results of Harmoney, Table 15 below sets out a summary calculation of the sensitivity of the FY20 pro forma results to changes in a number of key variables.

The changes in the key variables as set out in the sensitivity analysis are not intended to be indicative of the complete range of variations that may be experienced. The sensitivity analysis is intended as a hypothetical guide only, as it seeks to quantify the impact of key variables on the actual pro forma financial results of Harmoney for FY20.

Care should be taken in interpreting these hypothetical sensitivities. The estimated impact of changes in each of the variables has been calculated in isolation from changes in other variables, in order to illustrate the likely impact on annual financial performance. In practice, a change in one variable is likely to have a flow-on effect to other variables and may also affect the way in which Harmoney management responds to one or more of these variables.

Table 16: Hypothetical impact of changes in key variables on pro forma FY20 total income and NPAT

$'000	**12M to Jun20**
Assumption	Pro forma total income impact
Origination volumes +10%	2,336
Origination volumes –10%	(2,421)
Weighted average interest rate +1% per annum	5,059
Weighted average interest rate –1% per annum	(5,059)
Assumption	Pro forma NPAT impact
Origination volumes +10%	217
Origination volumes –10%	55
Weighted average interest rate +1% per annum	3,643
Weighted average interest rate –1% per annum	(3,643)
Weighted average funding rate +1% per annum	(3,596)
Weighted average funding rate –1% per annum	3,596
Impairment expense +10%	(180)
Impairment expense –10%	180

4.8 Dividend policy

The dividend policy of the Company is to reinvest all cash flows into the business to maximise its growth. Accordingly, no dividends are expected to be paid in the near term following the Company's listing on ASX.

Section 5

Key risks

5 Key risks

5.1 Introduction

This Section 5 describes what Harmoney and SaleCo believe to be the key risks associated with Harmoney's business, the industry in which it operates and general risks associated with an investment in Harmoney. It does not purport to list every risk that may be associated with Harmoney's business, the industry in which it operates or an investment in Harmoney now or in the future. The occurrence or consequence of some of the risks described in this Section 5 are partially or completely outside the control of Harmoney, its Directors, SaleCo and its directors and Senior Management. An investment in an early stage company such as Harmoney is speculative (in particular, see the Business maturity risk summarised in section 5.2.12).

Any and all of these risks, individually or in combination, may, if they eventuate, have a material adverse effect on Harmoney's business, financial position, operating and financial performance, growth, price and/or value of Shares and return on investment for Shareholders. This Section 5 should be read in conjunction with the remainder of this Prospectus. There can be no guarantee that Harmoney will meet its stated objectives or that the Forecast Financial Information or any forward-looking statements or forecasts contained in this Prospectus will be achieved or realised. Investors should note that past performance is not a reliable indicator of future performance.

The selection of risks is based on an assessment of a combination of the likelihood of the risk occurring, the ability to mitigate the risk and severity of impact if it did occur. This assessment is based on knowledge of the Directors, the SaleCo directors and Senior Management as at the Prospectus Date. There is no guarantee that the importance of risks will not change or that new risks might not emerge.

5.2 Risks specific to an investment in Harmoney

5.2.1 Borrowers may default on loans

a. Potential causes of customer default – economic downturn and/or COVID-19

Harmoney's customers may not pay the principal, interest and fees owing to Harmoney, which could result in a decrease in income and operating cash flows received, and an increase in expenses (including an increase in impairment expenses and/or movement in the expected credit loss provision). If Harmoney's exposure to credit loss as a result of Harmoney's customers failing to repay their obligations to Harmoney is higher than expected, it will have a material adverse effect on Harmoney's profitability.

Customer default may be caused specifically by changes to a customer's personal circumstances (for example, loss of employment) or as the result of a macroeconomic event (for example, COVID-19). Any of these events could result in customers prioritising payments to other creditors or essential expenses ahead of repayments to Harmoney.

Macroeconomic events such as an economic downturn in New Zealand, Australia or globally may result in reduced demand for consumer finance or the deterioration of the financial position of borrowers, which could lead to borrower default. The ongoing COVID-19 pandemic has led to increased unemployment, business failure, insolvency and deteriorating household income throughout New Zealand, Australia and worldwide. As a result, Harmoney could experience increased levels of customer default and bad debts and decreased demand for consumer finance, which could each result in a significant decrease in income, operating cash flows and profitability and an increase in impairment expenses and/or movement in the expected credit loss provision, as well as an increase in funding costs. Any and all of these risks, individually or in combination, may they eventuate, could have a material adverse effect on Harmoney's business, financial position, operating and financial performance and growth, price and/or value of Shares and return on investment for Shareholders.

b. Impact of customer default – Warehouse Facilities

If Harmoney's customers default on the repayment of loans that have been originated or acquired by the Warehouse Facilities, there is a risk that Harmoney may also suffer losses on the subordinated funding that it provides to the Warehouse Facilities. If losses on loans in the Warehouse Facilities are high, then such losses will be borne first by Harmoney from its 'first loss' position as the provider of the most subordinate ranking debt. Harmoney may also be required to repurchase underperforming loans.

Widespread borrower default on loans in the Warehouse Facilities could result in a stop funding event under the documentation for the Warehouse Facilities (refer to Sections 9.7.1 and 9.7.2) for further information on Warehouse Facility covenants). If this occurs, the financiers in the Warehouse Facilities may be entitled to stop funding the origination of new loans and, if this leads to an amortisation event and/or event of default, the obligation of the investors in the Warehouse Facilities to provide any further funding is terminated, the interest rates accruing on the notes may increase and there may be no residual income available to Harmoney from the trust until senior ranking debtors are repaid or the event is remedied.

Depending on the trigger event, senior financers may also have the option to replace Harmoney as servicer and manager and may enforce their security over and sell the pool of loans held by the relevant Warehouse Facility. There is a risk that a future event may result in a breach and/or a triggering of one of these events.

If Harmoney's exposure to bad debts as a result of borrowers failing to repay loans in the Warehouse Facilities (or under other warehouse vehicles established in the future by Harmoney) is higher than expected, it may have a material adverse effect on Harmoney's financial position, its ability to operate within the Warehouse Facility covenants, and its ability to continue to operate profitably which in turn could impact the value of the Shares and return to Shareholders.

Where borrowers default on loans funded by peer-to-peer lenders, Harmoney does not suffer any loss of principal but will suffer a reduction in fee income from peer-to-peer lenders. In some cases, this fee income is received in cash on origination of the loan and a portion of that fee income may need to be rebated to the lender in the event of borrower default. Where the fee income received from the lender is a portion of borrower repayments, no further such fee income will be received in connection with a loan where the borrower has defaulted, unless any of the defaulted payments are subsequently recovered from the borrower.

5.2.2 Breach of restrictions/covenants under documentation for the Warehouse Facilities may lead to a loss of funding (or Harmoney contributing more capital)

The investors in the Warehouse Facilities provide funding in accordance with the documentation for the Warehouse Facilities. The documentation underpinning Warehouse Facilities includes a number of restrictions and covenants which Harmoney must comply with or abide by in originating and servicing the loans and managing the Warehouse Facilities (refer to Sections 9.7.1 and 9.7.2).

If a condition precedent to funding under a Warehouse Facility is not satisfied (including that there has not been a breach of obligations, representations or warranties), Harmoney may be unable to draw on the Warehouse Facilities in order to originate new loans. A more serious event in a Warehouse Facility may cause an amortisation event or an event of default.

Such an event may arise from Harmoney's breach of its servicing or management obligations or representations that Harmoney gives in connection with the origination of loans (such as in relation to compliance with its responsible lending obligations and other laws). These may also arise from factors outside Harmoney's control, such as a deterioration in the credit quality or performance of the pool of loans funded under the relevant Warehouse Facility.

All of the above would have a material significant impact on Harmoney's income, profitability and overall financial position, impacting growth and value of the Shares.

5.2.3 Impact of changes to the regulatory environment

There is a risk that changes to laws or regulations (including their interpretation by courts or enforcement by regulators) could impact Harmoney's business and/or result in an increase in compliance costs.

Recently, the financial services sector and consumer credit sector have been subject to enhanced scrutiny. As a result, there has been media and public commentary targeted at the financial services providers improving standards of compliance and adapting their business models. Regulators (including for example, AUSTRAC) have also shown greater readiness to pursue action against financial service providers and consumer credit providers. The risk of class action litigation from aggrieved customers and investors has also grown in recent years.

Changes to laws, regulations and industry compliance standards obliging industry participants to proactively change their business models or product features, alter funding arrangements or change their disclosure practices, could have a material adverse effect on Harmoney's business, financial position, operating performance and growth. Following the Banking Royal Commission, Australian regulators are showing a generally heightened preparedness to re-assess existing regulatory frameworks and take action against, amongst others, consumer credit providers. As a result, it is possible that changes to laws, regulations and industry compliance standards will continue.

The consumer finance sector has also been the subject of recent review by the New Zealand Government. As a result of that review, the CCCFA has been amended to address a number of ongoing issues in the credit market and there has been a strengthening of the requirements relating to lender responsibility. Harmoney will need to undertake a review of its policies and procedures and its automated system prior to these reforms taking effect (expected 1 October 2021).

This environment creates uncertainty around the mid to long-term regulatory treatment of Harmoney's current and proposed products, practices and procedures, and creates the risk that a regulator may take a different view to Harmoney on how certain regulations apply to its current and proposed products, practices and procedures and the appropriateness of such proposed products, practices and procedures for consumers. In addition, some regulatory changes may be favourable to Harmoney's competitors and strengthen their own funding arrangements or business models, enabling them to compete more effectively with Harmoney. For example, Harmoney's business model relies on the use of an automated system. Therefore, regulatory reforms that challenge the use of an automated system could have a material adverse effect on Harmoney's business.

Overall, an increasing focus on data protection standards, and an evolving regulatory landscape regarding new technologies (including scoring and other assessment techniques), also make it likely that Harmoney will need to adapt its services, customer engagement model and compliance approach over time.

The consequences of regulatory change include but are not limited to: reduction in fee or interest income, impediments to the current business model, limitations of product offerings or their features and higher operating costs, all of which could have a material significant impact to Harmoney's income, profitability and overall financial position, impacting growth and value of the Shares.

5.2.4 Reliance on third-party service providers for critical services

Harmoney relies on third parties, in some cases a single provider, for key services and data inputs that are required for some business processes and operations. These key services and data inputs include credit reporting data, bank transaction data, banking and financial payments services, software and technology providers as well as data science and cloud hosting services. Any failure by a third party to deliver a reliable service of acceptable quality to Harmoney could result in disruption to Harmoney's business and may impact on customers' ability to transact with Harmoney. This may have a material adverse effect on Harmoney's business operations, ability to generate income and financial performance.

Harmoney relies on data from credit reporting agencies, electronic bank statements, ancillary services such as customer identification, and verification of customer financial information. Failure to obtain this data or a significant change in the availability of that data in the format currently consumed, could materially adversely and negatively affect Harmoney's ability to credit assess, process loans, or service customers and could also negatively affect credit loss rates.

Operational support from third parties for disbursement of loan funds and collection of payments is required by Harmoney to enable ongoing loan origination and maintenance of receivables. Third-party technology services are necessary for Harmoney's platform to operate, for customers to access, data analysis and reporting, accounting and finance operations, internal and external communications. If Harmoney is unable to obtain any of these services, for example, through disruption or delay of service, termination of service (through third-party insolvency or inability renegotiate/renew the contract) or increased cost of service, could materially adversely impact Harmoney's ability to operate, financial performance and affect profit and shareholder value.

Where third-party providers are essential to Harmoney's compliance with regulation or the law (for example, AML/CFT assurance provided by a third party in New Zealand), then failure of the service could result in Harmoney being exposed to enforcement actions by government agencies or by compensation claims, opening Harmoney to financially material remediation actions.

Any or all of these events could increase Harmoney's cost of doing business, and cause disruption to its operations or a deterioration in its offering to customers. This may damage Harmoney's reputation and result in customers moving to alternative consumer credit providers. These events could have a material adverse effect on Harmoney's business, financial condition, operating and financial performance, availability and cost of funding and/or growth and the value of the Shares.

5.2.5 Marketing and/or distribution channels may not operate effectively or may increase in cost

Harmoney utilises a variety of advertising channels to maximise market penetration and diversify its customer acquisition capabilities. These channels include search engine marketing, comparison websites, display advertising, social media, online video platforms, direct mail campaigns, TV, radio, digital radio and native display advertising.

There is a risk that Harmoney's marketing strategy may become more expensive as a result of increased competition bidding higher prices for digital media. Harmoney's direct advertising and direct marketing channels may also become less effective if, for instance, mass-marketing becomes less effective or there are changes to the algorithms or terms of services for search engines (like Google), which may cause Harmoney to be ranked lower or excluded from search results.

Harmoney relies on automated processes internally and externally with key suppliers in order to source prospective borrowers and to encourage existing borrowers to re-use Harmoney's services. Harmoney is reliant on the automated processes and services remaining available and continuing to be effective. Any cessation or variation to these services could increase costs or lower Harmoney's ability to attract new or existing borrowers to use Harmoney's services.

As a result, Harmoney may have to turn to more expensive forms of advertising and marketing in order to effectively communicate with and attract customers and may be unable to grow at the expected rate of profitability which would have a material adverse effect on Harmoney's business, financial condition, operating and financial performance and/or growth.

In the instance where these risks eventuate, Harmoney will experience a material significant impact to the ability to generate customer volume, achieve profitable growth and ultimately deliver shareholder value.

5.2.6 Non-compliance with laws, regulations, licensing conditions or applicable industry standards

a. Harmoney is operating within a highly regulated market, the consumer loans market, which also attracts close scrutiny from regulators.

Harmoney may fail, or be perceived to fail, from time to time to comply with all regulatory requirements, or views as to what constitutes compliant or non-compliant performance may evolve, and, as a result, Harmoney could be subject to enforcement measures by the Commerce Commission, FMA or ASIC, or other regulators. Failure to meet all regulatory requirements could result in fines or penalties or (for certain breaches of disclosure standards) being liable to refund payments of interest and fees to borrowers (up to the sum of any interest or fees already paid) as well as reputational damage from public and media scrutiny. In addition, regulators could require that changes are made to Harmoney's business model or its offering to customers. Costs associated with any compliance breach or any changes to Harmoney's business model or its offering to customers may have a material adverse effect on Harmoney's business, financial condition, operating and financial performance, the value of the Shares and/or shareholder returns. As at the Prospectus Date, Harmoney is not subject to any unresolved non-compliance or breach notices from any regulator in any of the jurisdictions in which it operates, other than the dispute with the Commerce Commission. Please refer to Section 9.8 for a description of that dispute and the specific risks that Harmoney faces relating to it.

Harmoney seeks to mitigate these risks by taking a compliance-focused approach to its business operations and lending assessments. It is possible, however, that compliance breaches, enhanced regulatory oversight or regulatory reforms could impact the ability of lenders to continue to provide funding to the Warehouse Facilities. For example, changes to APRA regulatory standards regarding capital requirements/securitisation facilities could impact Harmoney's ability to obtain funding on favourable terms and hence could have a material adverse effect on Harmoney's business, financial condition, operating and financial performance.

b. Loss of Australian Credit Licence (ACL) could prevent Harmoney from operating.

Harmoney relies on an ACL to conduct business as a consumer lender in Australia. Any breach of ACL conditions, consumer credit responsibilities and/or corporations law requirements could result in suspension or revocation of the ACL impacting Harmoney's ability to continue to operate its consumer loan business in Australia. New or modified licence conditions imposed on Harmoney could result in increased costs, an inability to provide the same customer offering, which in turn could impact Harmoney's ability to meet growth objectives and have a material adverse effect on Harmoney's business, financial condition, and operating and financial performance.

c. All other regulations and risks of non-compliance could prevent Harmoney from operating or incur additional operating cost.

Harmoney is subject to a range of laws, regulations and industry standards in addition to New Zealand and Australian consumer credit laws including; privacy law, AML and CTF law among others. See Sections 2.6 and 2.7 for a detailed description of applicable laws and regulations in New Zealand and Australia.

If Harmoney fails to comply with any of its regulatory requirements, this could result in fines, penalties or reputational damage (including cessation of business activities, loss of investors or failure to attract new investors). In addition, Harmoney may be subject to increased costs (on an individual or ongoing basis) to remedy non-compliance or to resolve disputes, litigation proceedings or regulatory investigations. Any or all of these regulatory non-compliance risks, if they eventuated, could result in a material adverse effect on Harmoney's business, financial condition, operating and financial performance and the value of the Shares.

Increasing demands of these laws, regulatory compliance and industry standards or codes of conduct could impact Harmoney's operating costs through additional resourcing requirements for Harmoney's risk and compliance functions. In addition, there may be increased costs from customer remediation, complaints/dispute resolution, litigation proceedings or regulatory investigations. If any of these events eventuate, they could each have a material adverse effect on Harmoney's ongoing business, financial condition, operations, financial performance and value of the Shares.

Specifically for Australia; if AFCA determines there to be a systemic issue in a dispute between Harmoney and a customer, AFCA may refer the issue to ASIC. Such a referral may result in loss or suspension of the ACL, monetary fines, remedial actions or legal proceedings. Such an event could result in reputational and brand damage and impact Harmoney's ability to attract or retain customers. This could have a material adverse effect on Harmoney's ongoing business, financial condition, operating and financial performance and value of the Shares.

5.2.7 Harmoney may experience technology failure or technological obsolescence

Harmoney's success relies on the effectiveness of its Stellare™ system to underwrite and service borrowers. Harmoney depends on the reliable and sustained performance of not only its own software but also a range of third-party provided software, and cloud-based infrastructure including internet connectivity. The absence of such technology delivery also means there is risk associated with deficient performance through disruption or loss of functionality. In addition, future hosting technologies could result in Harmoney's platform and means of delivery of its software becoming obsolete. The absence of the availability of Stellare™ through technology failure or technological obsolescence will result in reduced loan volume, missed growth targets, potential reputational damage, higher credit loss through ill-informed credit decisions and overall Harmoney's ability to acquire new borrowers as well as service existing borrowers and retain customers. Any of these events could have a materially adverse impact on Harmoney's ongoing business, financial condition, operating and financial performance and value of the Shares.

There is a risk that Stellare™ may experience downtime or interruption due to system failures, service outages, corruption of networks and information systems as a result of natural disaster, fires, power outages, cyber attack, computer viruses, software bugs, injected malware or other event outside of the control of Harmoney.

In an ever evolving world of technology, there also exists the risk that Harmoney's systems may become outdated or obsolete through the investment of peers/competitors in new technologies or product offerings or through the use of datasets that become available in the future. Should these risks eventuate, there could be a material adverse impact to Harmoney's capability, business model, future financial performance and ultimately shareholder value.

5.2.8 Exposure to a security or data breach (including cyberattack)

Harmoney, as an online provider of consumer loans, relies on technology for delivery. Harmoney uses secure cloud-based platforms to host and facilitate use of Harmoney's services. Harmoney has focused on security and data protection for hosting, with collection and storage of customer personal data at forefront of mind; however, any system is susceptible to security issues and it is therefore possible that hacking, cyberattacks, malware incursion or other exploitation of Harmoney's systems (including internally) could result in loss, theft or corruption of data held by or on behalf of Harmoney.

This could occur through deliberate malicious efforts to obtain sensitive customer information, human error, defects in technology or failure of third-party providers to comply with their contractual obligations.

The loss, theft or corruption of data held by or on behalf of Harmoney may directly impact Harmoney's ongoing capability to generate income as a result of disruption in the availability of the Harmoney platform and inability of customers to access the Harmoney platform.

The potential legal consequences of loss, theft or corruption of data held by or on behalf of Harmoney include breach of data protection laws (with possible penalties/fines), potential claims by customers for compromised personal information and the costs associated with mitigating the potential harm and reputational damage stemming from mandatory reporting of data breaches (both to those impacted and to the OAIC and the Privacy Commissioner).

Data protection and system security are integral to Harmoney's online service provision and Harmoney undertakes regular monitoring and checking of security, inclusive of penetration testing. Additionally, Harmoney maintains cybersecurity insurance policies to partially mitigate the consequences of such an event. It is however, possible that these security measures do not protect Harmoney from security or data breaches or that cybersecurity insurance policies do not respond to individual claims. If these risks do eventuate, they could have a material adverse effect on Harmoney's operating and financial position, growth, profitability and the value of the Shares.

In addition, laws relating to data privacy are evolving across all jurisdictions. If data privacy standards are adopted in New Zealand and Australia which are more stringent than those which Harmoney's systems are currently designed to comply with, then this could lead to additional costs and negatively impact Harmoney's financial performance.

5.2.9 Harmoney may not successfully execute its growth strategies

Harmoney's intention is to achieve growth by executing on its growth strategies set out in Section 3.9. This includes by growing its Australian presence, increasing its market penetration across New Zealand and Australia through product expansion, shifting from a peer-to-peer funding model to a warehouse funding model, growing through selective and opportunistic M&A, and leveraging Stellare™ to respond and adapt to changing trends in consumer credit.

There is no guarantee that all or any of Harmoney's growth strategies will be successfully implemented, deliver the expected returns, or ultimately be profitable. There is also the risk that growth strategies might be impacted by unexpected delays and unexpected or prohibitive implementation costs.

Factors that will impact Harmoney's ability to execute its growth strategies include macroeconomic environment change, change to the regulatory environment/regime, negative impacts to a current product performance with the addition of a new product (either internally to Harmoney or externally by a competitor) and changing customer preferences in regard to product offerings.

Harmoney may pursue acquisitions in the future. If any businesses acquired by Harmoney in the future do not meet business expectations, such as if Harmoney experiences difficulties with funding arrangements, cultural compatibility and organisational structure or operational integration, or is unable to successfully realise anticipated reductions in costs, increases in income or economies of scale with respect to the acquired business, Harmoney's business, operations and financial performance may be materially adversely affected and Harmoney may be required to impair goodwill and other intangible assets associated with those acquisitions.

Harmoney may also fail to adopt and execute growth strategies that will enable it to successfully maintain or improve its product offering and match any change in customer preferences. Failure to do so could result in customers choosing Harmoney's competitors for their requirements, which could have a materially adverse impact on Harmoney's business, operating and financial performance, and/or growth. Any change to Harmoney's ability to achieve any or all of its growth strategies, or the market's perception of Harmoney's ability to deliver growth to Shareholders, is likely to have a significant impact on the price of the Shares.

5.2.10 Credit assessment process may not operate effectively

Harmoney has developed credit processes and models that estimate propensity to default of the prospective and existing borrowers and from the propensity to default, establish credit grade, credit limit and interest rates. Loss rates may increase beyond Harmoney's estimates and are dependent on the ability to effectively apply and optimise credit systems and processes to achieve accurate and consistent credit decisions when underwriting credit.

There is a risk that Harmoney's credit systems and process will not produce an accurate evaluation of a customer's credit risk.

In relation to Harmoney's credit systems and process, Harmoney is at risk of any of the following occurring: inaccuracy of data provided by third parties (such as credit bureaus), human error by a credit officer or other employee, software bugs, technological failures, software configuration errors, and incorrectly understood or incorrect statistical evaluations or algorithm errors.

Harmoney has invested in stable, consistent and robust credit underwriting processes and monitors portfolio performance closely to ascertain anomalies in cohort performance; however, there is a risk that with technologically intensive processes that the above risks may eventuate and may have a material significant adverse effect on loss rates, impairment expenses and/or movement in the expected credit loss provision and therefore on Harmoney's financial performance and ultimately the value of the Shares.

5.2.11 Inaccessibility to funding or new funding facilities

Harmoney's ability to provide loans to borrowers on favourable terms relies on its ability to access funding and such funding being obtained on satisfactory terms. If Harmoney is not able to secure additional funding on satisfactory terms, it may not be able to provide loans to borrowers on competitive terms, or its ability to do so may be restricted. This could have a significant adverse impact on Harmoney's income, profitability and overall financial position, impacting growth and the value of the Shares.

As at the Prospectus Date, the New Zealand Warehouse Trust had a facility limit of $153 million and the Australian Warehouse Trust had a facility limit of A$115 million. It is possible, however, that Harmoney may not be able to further extend the financing term or increase the funding capacity of either of these Warehouse Facilities (or any future Warehouse Facility arrangements) beyond existing terms or when renegotiating an extension or increase may not be able to do so on the same or more favourable terms. If Harmoney cannot obtain sufficient funding or obtain funding on satisfactory terms, then it may not be able to meet customer demand or business requirements. This may impact Harmoney's ability to pursue its growth strategy, including through expanding Harmoney's product range and total addressable market across New Zealand and Australia (see Section 3.9.2).

Harmoney's ability to write new loans has a direct impact on its financial performance, including its ability to meet the Forecast Financial Information. Accordingly, if Harmoney is unable to access funding or funding is only available on terms that are unsatisfactory, it would have a material adverse effect on Harmoney's business, financial condition, result of operations, and/or growth.

5.2.12 Business maturity

Harmoney is a developing business and its operating and compliance systems remain subject to continual improvement. As Harmoney's business and the size of Harmoney's operations grow, there is an increased need to document and standardise processes. Failure to adequately manage these developments in an efficient manner or at all, may result in one or more of the risks noted in this Section 5 eventuating, which individually or in aggregate could have a material adverse effect on Harmoney's reputation, operations and financial performance. A lack of process maturity increases the risk of inconsistent outcomes, manual errors, inefficiencies and knowledge retention, which may lead to operational losses, which, in turn, can have both financial and non-financial impacts, including adverse effects on the profitability of the business and its reputation. A lack of maturity in sustaining a long-term relationship with Google and Harmoney's reliance on Google for customer acquisition might result in a failure to sustain acquisition such that customer growth, profitability and ultimately shareholder returns may be at risk.

5.2.13 The emergence of alternative lending products and/or competitors in the market

Harmoney operates in a highly competitive and technologically driven marketplace, itself a product of technological and financial product innovation. The market includes a broad and diverse range of participants, from established banks in New Zealand and Australia to start-up fintech companies. Fintech companies, direct competitors such as MoneyMe, SocietyOne and Plenti, represent the segment most likely to innovate in the technology or finance product space in a market which is fertile for technological disruption and development of new product offerings that may markedly increase competitive pressures for Harmoney. Participants in the consumer loans sector may seek to imitate Harmoney's strategies and/or may attempt to take market share from Harmoney or may develop alternative products or have more effective consumer engagement which reduces Harmoney's competitiveness. Harmoney's customers have a range of credit alternatives (both bank and non-bank) in the New Zealand and Australian markets and the emergence of alternative products or new competitors could affect Harmoney's ability to attract or retain customers and impact the growth or sustainability of Harmoney's business.

The incumbent participants in the market, being the traditional lenders – established banks and larger non-banking financial service providers – maintain a large proportion of market share. Traditional lenders that operate in the consumer loans sector continue to benefit from economies of scale, access to low cost funding and have established brands with broad distribution. Traditional lenders may decide to develop a product or invest in marketing in an attempt to more directly target existing or potential customers of Harmoney. The level of current and future competition in the market and changes in competitive behaviour may result in a decrease in income (including due to lower loan volumes and lower fees in order to remain competitive), and an increase in expenditure (including due to increased marketing expenditure). These factors may have a material adverse effect on Harmoney's business, financial condition, operating and financial performance, and/or growth.

5.2.14 Loss of Senior Management

One of Harmoney's key strengths has been its ability to execute its strategic plan. Harmoney's ability to execute its strategic plan has relied on high performing key Senior Management. The members of Senior Management outlined in Section 6.2 are highly experienced, with a high degree of expertise across financial services and consumer lending in New Zealand and Australia.

Any loss of service from any member of Senior Management, or any delay in acquiring a comparable replacement may have an impact on Harmoney's growth and financial performance.

As Harmoney operates in a specialised product environment, consumer loans and technology, the business is reliant on employees with specialist skills. Specialist skills such as credit risk assessment, model/algorithm development and other data expertise, technology or software engineering (including knowledge of key software components as part of Stellare™), knowledge of the compliance framework in the jurisdictions in which Harmoney operates and capital market/funding expertise and relationships. The employment market in New Zealand and Australia is competitive and, in some circumstances, Harmoney may not be able to find employees with the appropriate skills or expertise. Macro or micro local events could prevent Harmoney sourcing employees from overseas. Failure to attract and retain certain key management and other employees with the required skills and expertise may have a material adverse effect on Harmoney's business, increasing the costs of hiring suitable replacements and potentially impacting Harmoney's growth and future financial performance.

5.2.15 Exposure to operational risk, conduct risk and fraud

Harmoney is exposed to operational and conduct risk resulting from a broad number of factors including human error, communication errors, processing errors and the failure of employees or suppliers to responsibly carry out their duties. The failure of Harmoney's controls and procedures to manage operational risk could result in complaints, compliance breaches or adverse customer outcomes. If any of these occur, Harmoney may incur fines, penalties, punitive damage claims, remediation costs, reputational damage, a reduction in income or demand for return of interest or fees.

Harmoney is exposed to fraud risk including the risks associated with the supply of data from credit applicants which may misrepresent their circumstances and result in Harmoney inaccurately assessing the application for credit. The exposure to fraud risk includes money laundering, and identity theft where an individual accesses or attempts to access Harmoney products or services using a fake identity or details or the identity of another person. Employees of Harmoney may also be involved in fraud with regard to Harmoney's credit or other processes including employees working with others to commit fraud. Harmoney has developed processes and systems in an attempt to mitigate fraudulent activity that may be committed to the detriment of Harmoney, Harmoney's customers or any key supplier or partner of Harmoney but there is a risk that the processes and systems fail or are otherwise insufficient or ineffective and do not protect against any incidence of fraud. Fraudulent activity may result in increased bad debts, loss of funding or alteration to the terms of funding, or damage to reputation and may deter prospective customers. Should Harmoney experience higher incidence of fraudulent activity than anticipated, then it may result in a material adverse effect for Harmoney's business, financial performance, the price of the Shares or shareholder returns.

5.2.16 Protection of technology, intellectual property and intangible assets

Harmoney has developed its own technology platform – Stellare™. This technology is critical to all aspects of Harmoney's business (including assessing credit risk and determining risk-based pricing) and, accordingly, to the successful operation and growth of Harmoney's business.

The commercial value of Harmoney's intellectual property in Stellare™ is dependent in part on operational procedures to maintain confidentiality and legal protections provided by a combination of copyright, trade secrecy laws, confidentiality obligations on employees and third parties and other intellectual property rights. However, there is a risk that Harmoney's intellectual property may be compromised in a number of ways, including through unauthorised use or copying of Harmoney's software, data, specialised technology or platforms. In addition, there is a risk that the validity, ownership or authorised use of intellectual property relevant to Harmoney's business may be successfully challenged by third parties.

Any such breaches (including by way of employee fraud) or the introduction of competing technologies could erode Harmoney's competitive position, which could have an immediate material adverse impact on Harmoney's business, operating and financial performance, and/or growth. In addition, competitors may be able to work around any of the intellectual property rights used by Harmoney, or independently develop competing products or services that are not protected by Harmoney's intellectual property rights.

Harmoney's ability to benefit from developing its brand, from innovation it seeks to develop, and expertise depends in part upon its ability to protect its intellectual property and any improvements to it, as well as Harmoney's confidential information. Harmoney and its subsidiaries rely on laws relating to trade secrets, copyright, and trademarks in protecting its intellectual property portfolio. However, there is a risk of unauthorised use of, or access to, Harmoney's software, data, technology or platforms. In addition, there is a risk that the validity, ownership or authorised use of Harmoney's intellectual property may be successfully challenged by third parties. If it became necessary for Harmoney or its subsidiaries to bring or defend intellectual property enforcement proceedings by virtue of unauthorised or improper use, Harmoney may be forced to incur significant costs and may result in Harmoney being unable to use the intellectual property, either temporarily or permanently. Such disputes may also impact Harmoney's ability to integrate new or existing systems, which would adversely impact Harmoney's operations and financial performance.

5.2.17 Brand or reputational damage

Harmoney's brand and reputation are important to attracting, retaining and increasing its customer base, managing its relationships with stakeholders and implementing Harmoney's business strategy.

Harmoney's brand and reputation are also important to Harmoney maintaining its existing funding relationships, obtaining new funding, and attracting and retaining an engaged and skilled workforce.

Harmoney manages risks relating to a number of issues and events, including risks relating to legal and regulatory requirements, responsible lending and sales practices, potential conflicts of interest, privacy laws and ethical issues, among other considerations, which may cause harm to Harmoney's brand, image or reputation through negative publicity, heightened regulatory focus and poor customer experience. Actions or failures by other market participants could also negatively impact the reputation of the industry and Harmoney.

There is a risk that unforeseen issues or events may adversely impact Harmoney's reputation, whether founded or not. The strength of Harmoney's reputation is an important part of retaining and growing its customer bases and, accordingly, an event that has a negative impact on Harmoney's brand could have a material adverse impact on the demand for Harmoney's products. This may adversely impact Harmoney's business, financial condition, operating performance, and/or growth.

5.2.18 Litigation, claims and disputes

In the course of normal business, Harmoney may be subject to legal action or prosecution by regulators, investor claims, employment disputes, contractual disputes, indemnity claims, occupational health and safety claims, or criminal or civil proceedings.

These risks may be higher than in general given the highly regulated nature of the industry in which it operates, the prevalence of enforcement and legal action, especially in Australia.

There is a risk at any time that Harmoney may become the subject of litigation and disputes which could materially and adversely affect Harmoney's business, reputation, financial position, and operating performance for reasons not limited to remediation and the cost of settling claims or disputes.

See Section 9.8 for litigation matters.

5.2.19 Exposure to movements in foreign exchange rates

The functional currency in which Harmoney reports its financial information is New Zealand dollars. A portion of Harmoney's income (18% in FY20) is generated in Australia and is denominated in Australian dollars. Adverse movements in the exchange rate between the New Zealand dollar and the Australian dollar will affect, among other things, the New Zealand dollar amount of Harmoney's income and expenses, which may impact Harmoney's future financial performance and cash flows which may adversely affect Harmoney's ability to pay dividends.

The proceeds of the Offer will be received in Australian dollars and consequently it will be at the risk of any adverse movement in the exchange rate between the New Zealand dollar and the Australian dollar exchange rate between the pricing of the Offer and the closing of the Offer. If the Australian dollar falls during this period, the net proceeds of the Offer, after being converted to New Zealand dollars will be reduced, meaning Harmoney will have less money to spend on the purposes set out in Section 7.1.2.

5.2.20 Ability to refinance debt or access capital markets on attractive terms

Harmoney's inability to secure adequate financing in the future, may negatively impact its future growth, business, financial performance and operations.

Harmoney's potential expansion into new markets and continued growth of its existing operations may require significant additional capital resources. These future capital needs are difficult to predict. Harmoney may require additional capital in order to expand its business model, to take advantage of certain opportunities, including strategic alliances and potential acquisitions, or to respond to changing business conditions and unanticipated competitive pressures. Harmoney has experienced, and expects to continue experiencing, an expansion of its business and operations which may increase demands on Harmoney's operational, technical and financial infrastructure. The maintenance and replacement of this infrastructure may require significant expenditures. If Harmoney fails to effectively invest in the necessary infrastructure, the quality of its products and services may suffer, negatively impacting its relationships with customers.

Although Harmoney believes that its current reserves of cash and cash equivalents and the availability of financing will be sufficient to fund its operations during the forecast period and for at least 12 months from Completion, Harmoney may need to seek additional funds either by borrowing money or issuing additional equity in order to address unforeseen contingencies or take advantage of new opportunities.

Harmoney's ability to obtain financing depends on a number of other factors, many of which are also outside its control, such as interest rates and national and local business conditions. If the cost of obtaining needed equity or debt financing is too high or the terms of such equity or debt financing are otherwise unacceptable in relation to the strategic opportunity Harmoney is presented with, Harmoney may be unable to take advantage of new opportunities or take other actions that otherwise might be important to Harmoney's business or prospects. Harmoney can give no assurance that it will obtain the needed financing or that it will obtain such financing on attractive terms.

Additional indebtedness could increase Harmoney's leverage and make it more vulnerable to economic downturns and may limit its ability to withstand competitive pressures. Additional equity financing could result in dilution to its shareholders and the price of the Shares could decline as a result.

5.2.21 Ability to scale business

The ability of Harmoney to increase income and achieve profitability is dependent on its ability to profitably scale its business in its key markets, particularly, Australia. While Harmoney has been successful in achieving a market leading position in New Zealand in a short timeframe, there is no guarantee that Harmoney will be able to achieve the same level of growth in Australia.

As a direct to consumer personal lender, Harmoney has invested its resources to best understand how to maximise its reach with in market audiences seeking a personal loan. As Google has the greatest market share of the search market, Harmoney is reliant on Google to source eligible visitors with high intent.

The ability to rapidly scale Harmoney's business in Australia and other markets is dependent on increases in growth in its customer base. Failure to grow its customer base may materially and adversely impact Harmoney's ability to increase income, achieve economies of scale, optimise its systems and expand its operations, which may have a negative impact on Harmoney's profitability.

5.3 General risks

5.3.1 Interest rates

Interest rates may fluctuate over time due to a broad range of factors, ranging from monetary policy, whether in response to macro events that affect the entire economy or simply in response to an economic downturn, (through changes to the official cash rate set by the RBNZ or RBA) or as a result of an increased supply of investor funds in a specific lending market.

An increase in interest rates may make personal loans offered by Harmoney less attractive to borrowers if borrowers can obtain lower interest rates from competing products or elsewhere. Although Harmoney hedges a portion of its funding liabilities against adverse movements in interest rates, an increase in interest rates may also increase the cost of funding available to Harmoney to fund its Warehouse Facilities, which is a key variable cost of the business.

5.3.2 Economic and financial market conditions

Once Harmoney becomes a listed company, it will become subject to general market conditions and risks inherent to all entities whose securities are publicly listed on a securities exchange. General economic conditions (both domestically and internationally), long-term inflation rates, exchange rate movements, interest rate movements and movements in the general market for ASX and internationally listed securities may adversely affect the market price of Shares and the ability of Harmoney to pay dividends. None of Harmoney, the Directors or any other person guarantees the market performance of the Shares or the payment of dividends.

The COVID-19 pandemic

The COVID-19 pandemic has had an unprecedented impact on financial markets in New Zealand, Australia and worldwide. The impact of the COVID-19 pandemic has led to increased unemployment levels, deteriorating household income and worsening financial performance of businesses throughout New Zealand, Australia and worldwide.

The full impact of the COVID-19 pandemic is inherently uncertain and there is a risk that the economic and financial markets and business conditions could further weaken. This could result in borrower default on existing loans. There is a risk that worsening economic conditions driven by COVID-19 could impact on the demand for Harmoney's products. This could impact Harmoney's future financial performance and the price or value of the Shares. Information on Harmoney's operational response to the COVID-19 pandemic is set out in Section 3.9. Harmoney has robust credit assessment processes and has increased risk provisioning to strengthen its ability to absorb the potential impact of COVID-19 on the economic environment.

5.3.3 Share price

The price at which Shares are quoted on ASX may increase or decrease due to a number of factors. These factors may cause the Shares to trade at prices below the Offer Price. There is no assurance that the price of the Shares will increase following quotation on ASX, even if Harmoney's earnings increase. Some of the factors which may affect the price of the Shares include:

- the number of potential buyers or sellers of Shares on ASX at any given time;
- fluctuations in the domestic and international market for listed stocks;
- changes in fiscal, monetary or regulatory policies, legislation or regulation;
- inclusion in or removal from market indices;
- the nature of the markets in which Harmoney operates;
- variations in sector performance, which can lead to investors exiting one sector to prefer another;
- initiatives by other sector participants which may lead to investors switching from one stock to another; and
- general operational and business risks.

5.3.4 Shareholder dilution

In the future, Harmoney may elect to issue new Shares, including pursuant to management incentive arrangements, or engage in institutional fundraisings including to fund capital requirements or acquisitions that Harmoney may decide to make. While Harmoney will be subject to the constraints of the ASX Listing Rules regarding the percentage of its capital that it is able to issue within a 12-month period (other than where exceptions apply), some or all Shareholders may be diluted as a result of such issues of Shares and fundraisings.

5.3.5 Share trading may not be liquid

There is currently no public market through which the Shares may be sold. There can be no guarantee that an active market in the Shares will develop or that the price of the Shares will increase. There may be relatively few potential buyers or sellers of the Shares on ASX at any time. This may increase the volatility of the market price of Shares. It may also affect the prevailing market price at which Shareholders are able to sell their Shares. This may result in Shareholders receiving a market price for their Shares that is less or more than the price that Shareholders paid.

The Existing Shareholders will hold approximately 74% of the Shares on issue following Completion, which may impact on liquidity. Escrowed Shareholders have entered into voluntary escrow arrangements in relation to the Shares they will hold immediately following Completion. A summary of the voluntary escrow arrangements is set out in Section 7.10. These arrangements could affect the prevailing market price at which Shareholders are able to sell their Shares at certain points in time. For example, Shares may be illiquid during the relevant Escrow Period but may be extremely liquid when those Shares come out of escrow.

5.3.6 Sell down by Existing Shareholders

Escrowed Shareholders will be able to sell the Escrowed Shares once they are released from the voluntary escrow arrangements described in Section 7.10. There will be no restrictions under the voluntary escrow arrangements upon sale of the Escrowed Shares once the relevant Escrow Period ends. The escrow arrangements include partial release dates after which Escrowed Shareholders may sell some of their Escrowed Shares. All Escrowed Shares held by Affiliated Shareholders will no longer be subject to restrictions under voluntary escrow arrangements on and from 4.15pm on the Trading Day following the day on which the Company's full year results for the financial year ending 30 June 2022 are released to ASX and NZX. All Escrowed Shares held by Unaffiliated Shareholders will no longer be subject to restrictions under voluntary escrow arrangements on and from 4.15pm on the Trading Day following the day on which the Company's results for the financial half year ending 31 December 2021 are released to ASX and NZX. Refer to Section 7.10 for further information, including regarding certain earlier partial release dates.

Existing Shareholders may not be long-term holders of Shares. A significant sale of Shares by some or all Existing Shareholders, or the perception that such sale may occur at the end of an Escrow Period, could adversely impact the price of Shares. Conversely, the absence of any significant sell down of Escrowed Shares may cause or contribute to a diminution in the liquidity of the market for the Shares.

5.3.7 Inability to pay dividends or make other distributions or to frank dividends

The payment of dividends by Harmoney is determined by the Board from time to time at its discretion, depending on the profitability and cash flow of Harmoney's business and its financial position at the time. Circumstances may arise where Harmoney is required to reduce or cease paying dividends for a period of time.

The trans-Tasman imputation regime allows Australian and New Zealand companies to form a trans-Tasman imputation group, thereby allowing a New Zealand tax resident company to operate an Australian franking account and pass on the benefit of franking credits to its Australian Shareholders when it pays a dividend, relative to their proportionate ownership. The Company has not elected to enter into the trans-Tasman imputation regime. Should the Company elect to enter into the regime, it may in the future be in a position to frank dividends for Australian tax purposes in the year of election and later income years.

To the extent that Harmoney elects to enter into the trans-Tasman imputation regime and pay dividends, Harmoney may not have sufficient franking credits in the future to frank dividends, or the franking system may be subject to review or reform. In addition, if the proportion of Harmoney's earnings from offshore operations increases, it may not be possible to frank dividends. The value and availability of franking credits to a Shareholder will differ depending on the Shareholder's particular tax circumstances. Shareholders should also be aware that the ability to use franking credits, either as a tax offset or to claim a refund after the end of the income year, will depend on the individual tax position of each Shareholder.

5.3.8 Changes in taxation regime

Harmoney may be exposed to changes in taxation legislation or interpretation in New Zealand, Australia and any jurisdiction in which it may conduct business in the future. Any change to the current rates of taxes imposed on Harmoney in those jurisdictions is likely to affect returns to Shareholders.

In addition, an interpretation of taxation laws by the relevant tax authority that is contrary to Harmoney's view of those laws may increase the amount of tax to be paid or cause changes in the carrying value of tax assets in Harmoney's financial statements. In addition, any change in tax rules and tax arrangements could have an adverse effect on the level of dividend franking and Shareholder returns.

Harmoney received wage subsidies funded by the Ministry of Social Development in New Zealand and JobKeeper payments from the Australian Taxation Office. Both were part of the governments' COVID-19 response plan and were predicated on certain criteria which were in the Group's considered opinion met when the applications were submitted. Minor risk remains until the Group's evaluation of eligibility is reviewed in either jurisdiction.

5.3.9 Changes to accounting standards

Changes to NZAS are determined by the NZASB and are not within the control of Harmoney and its Directors. The NZASB may, from time to time, introduce new or refined NZAS, which may affect the future measurement and the recognition of key income statement and statement of financial position items. There is also a risk that interpretation of NZAS, including those relating to the measurement and recognition of key income statement or statement of financial position items, may differ. Any changes to NZAS or to the interpretation of those standards may have an adverse effect on the reported financial performance and position of Harmoney.

5.3.10 Expected future events may not occur

Certain statements in this Prospectus constitute forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance and achievements of Harmoney to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Forward-looking statements are identified by words such as 'expect', 'anticipate', 'likely', 'intend', 'should', 'could', 'may', 'predict', 'plan', 'propose', 'will', 'believe', 'forecast', 'estimate', 'target' and other similar words that involve risks and uncertainties. The Forecast Financial Information contains examples of forward-looking statements.

Given these uncertainties, prospective investors should not place undue reliance on such forward-looking statements, which speak only as of the Prospectus Date. In addition, under no circumstances should forward-looking statements be regarded as a representation or warranty by the Company, the Directors, SaleCo or its directors, Senior Management or any other person referred to in this Prospectus, that a particular outcome or future event is guaranteed. Harmoney and SaleCo have no intention of updating or revising forward-looking statements, or publishing prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus, except where required by law.

5.3.11 Force majeure events may occur

Events may occur within or outside New Zealand, or Australia that could impact upon global, New Zealand, Australian, or other local economies relevant to Harmoney's financial performance, the operations of Harmoney and the price of the Shares. These events include, but are not limited to, acts of terrorism, outbreaks of disease and pandemics (such as COVID-19), international hostilities, fires, floods, earthquakes, labour strikes, civil wars, natural disasters, or other man-made or natural events or occurrences that can have an adverse effect on the demand for Harmoney's products and services, its ability to conduct business and Harmoney's credit performance. Harmoney has only a limited ability to insure against some of these risks.

Refer to Sections 5.2.1 and 5.3.2 as well as Section 3.9 for further information on the COVID-19 pandemic and its impact on the economy and financial markets in New Zealand, Australia and globally.

Section 6

Key people, interests and benefits

6 Key people, interests and benefits

6.1 Board

The Directors bring relevant experience and skills to the Board, including sector and business knowledge, financial management and corporate governance experience. Profiles of each member of the Board are set out below.

Table 1: Board

Director	Expertise, experience and qualifications
	**David Flacks** *Independent Chairman and Non-Executive Director* Audit and Risk Committee and Nomination and Remuneration Committee. David was a senior corporate partner of Bell Gully for many years and was General Counsel and Company Secretary of Carter Holt Harvey for four years during the 1990s. Since retiring from Bell Gully, David has had a number of governance and regulatory roles. He is currently chair of dual NZX and ASX listed AFT Pharmaceuticals and is chair of the Suncorp New Zealand group of companies, and a director of Todd Corporation. He has been chair of both NZX Markets Disciplinary Tribunal and NZX Regulatory Governance Committee, and a member of the New Zealand Takeovers Panel.
	**David Stevens** *Chief Executive Officer and Managing Director* David is a highly experienced chief executive officer specialising in the non-bank consumer and commercial finance sectors within Australia and New Zealand. He most recently led a start-up company providing medical payment options, ultimately securing a major equity stake in the business by the Bank of Queensland in 2018. Prior to this, David served as chief executive officer and chief financial officer of FlexiGroup (ASX: "FXL"), a diversified financial services company focusing on commercial and consumer finance in Australia and New Zealand. In his near-decade with FlexiGroup, David led large teams in the strategic growth of the business, through both organic growth and M&A of what was a small company to an ASX 200 listed business. Whilst chief executive officer of FlexiGroup, he led the $300+ million 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.
	**Neil Roberts** *Founder, Chief Product Officer and Executive Director* Neil founded Harmoney, led the business as chief executive officer over six years driving the capital path, and 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 annual sales of $200 million driving a $30 million profit. Neil founded the Direct Division of a 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 $3.2 billion in personal loan applications and $1.2 billion in written personal loan volume over five years. Ultimately heading the business, Neil was responsible for over 400 staff and a balance sheet of $750 million in assets with forecasted pre-tax profit of $50 million six years later and prior to being sold to GE Money in 2006.
	**Tracey Jones** *Independent Non-Executive Director* Audit and Risk Committee and Nomination and Remuneration Committee. Tracey is a professional director and family office advisor. She currently has a portfolio of governance roles in the commercial, not for profit and charitable sectors. She has significant investment, commercial, and governance experience, having previously held executive roles in one of New Zealand's largest family offices. She is a chartered accountant, a member of Chartered Accountants Australia and New Zealand, and a member of the New Zealand Institute of Directors.

The composition of the Board committees and a summary of the Board's key corporate governance policies are set out in Section 6.4. Each Director has confirmed to the Company that they anticipate being available to perform their duties as Non-Executive or Executive Director as the case may be, without constraints from other commitments.

As at the Prospectus Date, there are two independent Non-Executive Directors and two Executive Directors. It is proposed that following Completion of the Offer, Harmoney will undertake a search to identify and select an appropriate candidate to be appointed as a third independent Non-Executive Director. It is proposed that the Board will appoint the selected candidate as a Director once that person has been identified and selected following Completion of the Offer. That person would then hold office as a Director until Harmoney's next annual general meeting, where they would be eligible for re-appointment as a Director.

6.2 Senior Management

Profiles of the key members of the Company's executive management team are set out below. Further information on the terms of employment of the Chief Executive Officer and Managing Director, the Chief Financial Officer and Chief Product Officer are set out in Sections 6.3.3.1, 6.3.3.2 and 6.3.3.3 respectively. This includes their compensation arrangements, entitlements and notice and termination provisions.

Table 2: Senior Management

Executive	Expertise, experience and qualifications
	**David Stevens** *Chief Executive Officer and Managing Director* See Section 6.1.
	**Simon Ward** *Chief Financial Officer* Simon began his career as a banking and commercial lawyer at Russell McVeagh, before switching to accounting, joining Bank of America's London office where he held various senior roles supporting the European rates, currencies, commodities, credit and equity teams. In 2008, he returned to New Zealand and helped establish a high-tech manufacturing start up owned by Oracle Team USA, where in 2010 he was promoted to chief financial officer and held that position for four years before joining Harmoney.
	**Brad Hagstrom** *Chief Operating Officer* Brad was part of the team that launched PRF Direct. Developing the entire back office operation, he was ultimately responsible for over 250 staff. Brad joined FlexiGroup with a mandate to create new products, channels and distribution to grow the company as well as managing operations. He went on to develop a new channel and approach to finance in the SME market, developing a $100 million business prior to joining Harmoney in 2014.
	**Neil Roberts** *Chief Product Officer* See Section 6.1.

6 Key people, interests and benefits

Executive	Expertise, experience and qualifications
	**Duncan Gross** *Group Treasurer* Duncan is responsible for managing Harmoney's institutional funding partnerships in New Zealand and Australia. Prior to Harmoney, Duncan held corporate development roles at Fidelity Investments and First Marblehead Corp in Boston, Massachusetts. He began his career at BNZ Finance and has an MBA from Babson College.
	**Andrew Bates** *Chief Technology Officer* Andrew is responsible for developing Harmoney's overall technology vision, Andrew ensures the Company's systems and services meet the demanding needs of its customers and partners, driving platform and marketplace initiatives as well as overseeing Harmoney's operational support teams. Andrew has over 15 years experience successfully delivering large-scale solutions in various IT roles including software development, enterprise architecture and as a chief technology officer.
	**David Nesbitt** *Chief Risk Officer* David brings nearly 20 years' working in the financial services sector, and brings a wealth of experience to his role with Harmoney. He joined the Company following 13 years in a series of increasingly senior roles with ASX listed consumer finance company FlexiGroup, where he was most recently head of credit underwriting. Prior to FlexiGroup, David held a series of roles with NRMA Finance.
	**Amanda Donaldson** *Head of Human Resources* Amanda is a highly accomplished people operations professional with over 15 years experience in human resources, project management and chief executive officer executive support. With an interest in business management studies, Amanda worked within the superyacht industry, before establishing people operations for a high-tech America's Cup team OneWorld Challenge and has held human resources management and senior executive assistant positions in the real estate, engineering and maritime industries.
	**Glen MacKellaig** *Head of Digital Marketing* Glen has been directing digital strategies across North America, Europe and Australasia since 2005. Passionate about all facets of digital marketing, Glen has held senior digital marketing roles specialising in financial services in New Zealand, including with Westpac, ANZ and Tower. He launched a number of e-commerce, mobile and social innovations for these brands. He is always seeking to create a more intuitive online experience for visitors and find new ways to enhance the user journey across devices.
	**Mike Travis** *General Counsel* Mike has spent 15 years as an in-house legal counsel in New Zealand and overseas, working with technology businesses or within industries undergoing a digital reinvention. He is a commercial lawyer at heart, with an interest in transformation strategy, technology optimisation, and data-driven decision making.

6.3 Interest and benefits

This Section 6.3 sets out the nature and extent of the interests and fees of certain persons involved in the Offer. Other than as set out below or elsewhere in this Prospectus, no:

- Director or proposed director of Harmoney;
- person named in this Prospectus and who has performed a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus;
- promoter of Harmoney; or
- underwriter to the Offer or financial services licensee named in this Prospectus as a financial services licensee involved in the Offer,

holds as at the time of lodgement of this Prospectus with ASIC, or has held in the two years before lodgement of this Prospectus with ASIC, an interest in:

- the formation or promotion of Harmoney;
- property acquired or proposed to be acquired by Harmoney in connection with its formation or promotion; or
- the Offer,

and no amount (whether in cash, Shares or otherwise) has been paid or agreed to be paid, nor has any benefit been given or agreed to be given, to any such person for services in connection with the formation or promotion of the Company or the Offer or to any Director or proposed Director to induce them to become, or qualify as, a Director.

6.3.1 Interests of advisors

The Company has engaged the following professional advisors in relation to the Offer:

- Grant Samuel Capital Advisory Pty Limited (ACN 003 241 745) has acted as financial advisor to the Company in relation to the Offer, and in respect of previous capital raising activity. The Company has agreed to pay the financial advisor a completion fee of 0.5% of the total value of Harmoney (as based on the enterprise value), for these services;
- Jarden Australia Pty Ltd (ABN 33 608 611 687) and Ord Minnett Limited (ABN 86 002 733 048) have acted as Joint Lead Managers to the Offer. The Company has agreed to pay the Joint Lead Managers the fees described in Section 9.7.3 for these services;
- E.L. & C. Baillieu Limited have acted as Co-Manager to the Offer and the fees payable to the Co-Manager are described in Section 9.7.3;
- King & Wood Mallesons has acted as an Australian legal advisor to the Company in relation to the Offer. The Company has paid, or agreed to pay, approximately A$750,000 (excluding disbursements and GST) for these services. Further amounts may be paid to King & Wood Mallesons for other work in accordance with its normal time-based charges;
- Bell Gully has acted as a New Zealand legal advisor to the Company in relation to the New Zealand legal due diligence for, and other matters related to, the Offer. The Company has paid, or agreed to pay, approximately $380,000 (excluding disbursements and GST) for these services. Further amounts may be paid to Bell Gully for other work in accordance with its normal time-based charges;
- PricewaterhouseCoopers Securities Ltd (ACN 003 311 617) has acted as the Investigating Accountant, and performed work in relation to the Financial Information included in Section 4 and its Investigating Accountant's Report included in Section 8. The Company has paid, or agreed to pay, approximately A$315,000 (excluding disbursements and GST) for these services. Further amounts may be paid to PricewaterhouseCoopers Securities Ltd (ACN 003 311 617) for other work in accordance with its normal time-based charges;
- PricewaterhouseCoopers (ABN 52 780 433 757) has performed work in relation to investor taxation information included in this Prospectus. The Company has paid, or agreed to pay, approximately A$135,000 (excluding disbursements and GST) for these services. Further amounts may be paid to PricewaterhouseCoopers (ABN 52 780 433 757) for other work in accordance with its normal time-based charges; and
- PricewaterhouseCoopers (ABN 52 780 433 757) has acted as tax advisor to the Company in relation to the Offer. The Company has paid, or agreed to pay, fees of approximately A$70,000 (excluding disbursements and GST) for these services. Further amounts may be paid to PricewaterhouseCoopers (ABN 52 780 433 757) in accordance with its normal time-based charges.

These amounts, and other expenses of the Offer, will be paid by the Company out of funds raised under the Offer or available cash. Further information on the use of proceeds and payment of expenses of the Offer is set out in Section 7.1.2.

6.3.2 Directors' interests and remuneration

6.3.2.1 Chief Executive Officer and Managing Director

Harmoney has entered into an employment agreement with David Stevens to govern his employment with Harmoney. David Stevens is employed in the position of Chief Executive Officer and Managing Director. Refer to Section 6.3.3.1 for further details.

6.3.2.2 Founding Executive Director

Harmoney has entered into an employment agreement with Neil Roberts to govern his employment with Harmoney. Neil Roberts is employed in the position of Chief Product Officer. Refer to Section 6.3.3.3 for further details.

6.3.2.3 Non-Executive Director remuneration

Under the Constitution, the Board may decide the total amount paid to each Director as remuneration for their services as a Director. However, under the ASX Listing Rules, the total amount paid to all Directors for their services (excluding, for these purposes, the salary of any Executive Director) must not exceed in aggregate in any financial year the amount fixed by Harmoney's shareholders in a general meeting.

This amount has been fixed by Harmoney at $750,000 per annum. As at the Prospectus Date, the annual Non-Executive Directors' fees agreed to be paid by Harmoney to the Chairman is (inclusive of fees for his role as chairman of any sub-committee) is $180,000 and each of the other Non-Executive Directors is $80,000, plus $10,000 for their role as chairman of any sub-committees. All Non-Executive Directors' fees are inclusive of superannuation contributions required by law to be made by Harmoney. The Board may in its discretion approve that Directors may receive Shares as part of their remuneration.

6.3.2.4 Deeds of indemnity, insurance and access

Harmoney has entered into a deed of indemnity, insurance and access in favour of each Director (**Deed**). The Deed entitles each Director to access to certain books and records of Harmoney on a timely basis for the purposes of defending any claim or proceeding brought or threatened to be brought against that Director arising out of their appointment and/or role as a Director.

Pursuant to the Constitution, Harmoney must indemnify all the Directors, past and present, against all liabilities that arise from their position as an officer of the Company to the extent permitted by law.

Under the Deed, Harmoney indemnifies each Director against any liability that may arise from their position as an officer of Harmoney, to the extent permitted by law. The Deed provides that Harmoney must pay or advance sufficient funds to pay all reasonable costs incurred by a Director in relation to any indemnified claim or proceeding, including reasonable legal costs and expenses.

Pursuant to the Deed, Harmoney must arrange and maintain Directors' and Officers' insurance for its Directors to the extent permitted by law with sufficient cover to meet its indemnity obligations.

6.3.2.5 Other information

Directors will be reimbursed for properly documented and incurred reasonable expenses in discharging their obligations as Directors. Directors may be paid additional remuneration where they perform extra professional services which are in addition to their ordinary duties as a director of Harmoney.

There are no retirement benefit schemes for Directors.

Other interests of Directors and Senior Management are set out in Section 6.3.3.

6.3.2.6 Directors' shareholdings

Directors are not required under the Constitution to hold any shares. However, the interests in Shares and other securities of all Directors on Completion of the Offer are expected to be as follows:

Table 3: Director's shareholdings

	As at Prospectus Date		At Completion of the Offer	
Directors	Shares	Performance rights issued under the Existing Incentive Plan	Shares	Performance rights issued under the Existing Incentive Plan
David Flacks Independent Chairman and Non-Executive Director	1,162,470	–	816,354	–
David Stevens Chief Executive Officer and Managing Director	2,791,740	–	1,870,465	–
Neil Roberts Founder, Chief Product Officer and Executive Director	19,766,152	–	18,611,152	–
Tracey Jones Independent Non-Executive Director	559,494	–	431,111	–

6.3.3 Executive remuneration

6.3.3.1 David Stevens, Chief Executive Officer and Managing Director

David Stevens is employed in the position of Chief Executive Officer and Managing Director and has entered into an employment contract with Harmoney Services Limited. David will receive annual fixed remuneration of $600,000 (exclusive of superannuation). David will be eligible to receive an annual short-term incentive award of up to 50% of his annual fixed remuneration. Payment of the annual short-term incentive award will depend on David's performance in relation to certain key performance indicators agreed each financial year. David is also eligible to participate in the Existing Incentive Plan and the Amended Incentive Plan. For further details on the Existing Incentive Plan and the Amended Incentive Plan, refer to Section 6.3.3.5.

The term of David's employment is ongoing. Either party may terminate the employment agreement by giving six months' notice. Harmoney Services Limited may terminate David's employment for serious misconduct and in such circumstances is not required to provide any notice or make any payment in lieu of notice.

David is subject to the following restraint obligations on the termination of his employment for a period of six months following the termination of his employment:

- David must not directly or indirectly induce or solicit any person who or entity which, within the 12-months period prior to the termination of his employment, was a client or customer of Harmoney and with whom David had professional/business related dealings, to cease doing business with Harmoney or reduce the amount of business which they would normally do with Harmoney;
- David must not directly or indirectly induce or solicit any person who or entity which, within the 12-months period prior to the termination of his employment, was a director, officer, employee, agent, representative, associate, contractor or advisor of Harmoney and with whom David had professional/business related dealings, to terminate their employment or other relationship with Harmoney; and
- David must not, solely or jointly with any person, directly or indirectly carry on, be engaged by, concerned or interested in or otherwise be associated with any business, organisation or venture which is a direct competitor of Harmoney in relation to online personal lending or the provision of a direct lending platform or marketplace in New Zealand.

The enforceability of these restraint obligations is subject to usual legal limitations.

6.3.3.2 Simon Ward, Chief Financial Officer

Simon Ward is employed in the position of Chief Financial Officer and has entered into an employment contract with Harmoney Services Limited. Simon will receive annual fixed remuneration of $280,000 (exclusive of superannuation). Simon will be eligible to receive an annual short-term incentive award of up to 25% of his annual fixed remuneration. Payment of the annual short-term incentive award will depend on Simon's performance in relation to certain key performance indicators agreed each financial year. Simon is also eligible to participate in the Existing Incentive Plan and the Amended Incentive Plan. For further details on the Existing Incentive Plan and the Amended Incentive Plan, refer to Section 6.3.3.5.

The term of Simon's employment as Chief Financial Officer is ongoing. Simon may terminate the employment agreement by giving three-months' notice in writing. Harmoney Services Limited may terminate Simon's employment for material breach of the employment agreement, serious misconduct, serious breach of trust, confidence and/or loyalty or on conviction of any criminal offence punishable by imprisonment and in such circumstances is not required to provide any notice. Harmoney Services Limited may also terminate Simon's employment by giving three-months' notice in writing for unremedied low performance (following final written warning), material breach of trust, confidence and/or loyalty or other substantiated and justifiable reason according to New Zealand employment law and practice.

Simon is subject to the following restraint obligations on the termination of his employment for a period of 12 months following the termination of his employment:

- Simon must not, either alone or in conjunction with or on behalf of any other person, directly or indirectly, engage in any business in New Zealand or Australia which is competition with the section of Harmoney's business as related to peer-to-peer lending or investing only; and
- Simon must not, either alone or in conjunction with or on behalf of any other person, directly or indirectly, solicit, endeavour to entice away from or discourage from being employed by Harmoney Services Limited any employee or actual client/customer or purge clients/customers of Harmoney Services Limited.

The enforceability of these restraint obligations is subject to usual legal limitations.

6.3.3.3 Neil Roberts, Chief Product Officer

Neil Roberts is employed in the position of Chief Product Officer and has entered into an employment contract with Harmoney Services Limited. Neil will receive annual fixed remuneration of $450,000 (exclusive of superannuation). Neil will be eligible to receive an annual short-term incentive award of up to 50% of his annual fixed remuneration. Payment of the annual short-term incentive award will depend on Neil's performance in relation to certain key performance indicators agreed each financial year. Neil is also eligible to participate in the Existing Incentive Plan and the Amended Incentive Plan. For further details on the Existing Incentive Plan and the Amended Incentive Plan, refer to Section 6.3.3.5.

The term of Neil's employment as Chief Product Officer is ongoing. Neil may terminate the employment agreement by giving six-months' notice in writing. In the event of termination by either party or redundancy, compensation equal to 12-months' salary will be payable within one month of termination or redundancy notice being given. Harmoney Services Limited may terminate Neil's employment for material breach of the employment agreement, serious misconduct, serious breach of trust, confidence and/or loyalty or on conviction of any criminal offence punishable by imprisonment and in such circumstances is not required to provide any notice. Harmoney Services Limited may also terminate Neil's employment by giving six-months' notice in writing and 12-months' salary payment for unremedied low performance (following final written warning), material breach of trust, confidence and/or loyalty or other substantiated and justifiable reason according to New Zealand employment law and practice.

Neil is subject to the following restraint obligation on the termination of his employment for a period of six months following the termination of his employment:

- Neil must not, solely or jointly with any person, directly or indirectly engage in any business in Auckland which is in competition with Harmoney's business of operating an online lending platform promoting personal loans to consumers.

The enforceability of the restraint obligation is subject to usual legal limitations.

6.3.3.4 Other Senior Management

Other members of Senior Management are employed under individual employment agreements. Generally, the employment agreements may be terminated by Harmoney Services Limited on the giving of three-months' notice.

Where certain members of Senior Management are terminated without cause or by reason of redundancy, or resign or terminate their employment agreement in certain circumstances, they will be entitled to their fixed remuneration for the relevant notice period, provided they continue to comply with certain obligations under their employment agreement (including the restraint of trade described below).

In the event of serious misconduct or other specific circumstances warranting termination, Harmoney Services Limited may terminate the employment agreements of Senior Management immediately without notice and without any severance payments.

Upon the termination of employment, Senior Management are generally subject to a restraint of trade period of up to 12 months. The enforceability of the restraint obligation is subject to all usual legal limitations.

6.3.3.5 Long-term incentives

Upon Settlement, the Company will operate the Amended Incentive Plan to assist with the attraction, motivation and retention of employees and management of the Group. The Amended Incentive Plan will become operative subject to, and with effect from Settlement.

In addition, the Company will continue to operate the Existing Incentive Plan following Settlement to the extent that the performance rights which were granted under the Existing Incentive Plan have not all been exercised at that time.

Existing Incentive Plan

Immediately prior to the Prospectus Date, there were more than 60 current employees and Directors (including four individuals who had provided services to the Company prior to the Prospectus Date) who were participants in, and held performance rights issued under, the Existing Incentive Plan.

All the performance rights issued to participants under the Existing Incentive Plan are expected to fully vest at the Completion in accordance with the terms of those performance rights. Accordingly, the Board has determined to exercise its discretion under the Existing Incentive Plan so that these performance rights will vest immediately prior to Completion.

The Company's obligations regarding the performance rights which vest and are exercised will be met by the Company issuing to each participant one Share for each vested performance right held by them. For further information, please see Section 9.5.

The Existing Incentive Plan is designed to align the interests of eligible employees and Directors with the interests of Shareholders and to provide greater incentives for them to focus on the Company's longer-term goals. The key features of the Existing Incentive Plan are as follows:

Table 4: Existing Incentive Plan

Topic	Summary
Eligibility	Any permanent employee or Director engaged by a Group company or any other person so designated, as determined by the Board.
Award	The Existing Incentive Plan provides that the Board may grant performance rights which vest subject to the satisfaction of the applicable vesting conditions determined by the Board. The Board has the discretion to determine the number or value of performance rights to be granted or how that number or value will be determined.
Vesting	The Board has the discretion to determine whether one or more service or performance-based conditions (as specified in the relevant grant letter) must be met before performance rights will vest. The Board also has the discretion to waive a vesting condition. On the occurrence of an exit event, the Board will test the applicable vesting conditions and determine the extent to which the vesting conditions have been satisfied and whether some or all of the performance rights vest. An exit event includes an initial public offering of Shares, such as the Offer.
Acquisition price	No payment is required for a grant of performance rights unless otherwise stated in the relevant grant letter.
Exercise	Performance rights will only vest once the Board determines that any relevant vesting conditions have been met. Each vested performance right entitles the relevant participant to receive such number of Shares as set out in the relevant grant letter. All Shares issued under the Existing Incentive Plan will rank equally in all respects with other Shares for the time being on issue in the capital of the Company (except as regards to any rights attaching to such other Shares by reference to a record date which is prior to the date of allocation or transfer of the first-mentioned Shares). Shares allocated under the Existing Incentive Plan will be subject to the Company's Trading Policy and, if relevant, the applicable dealing restrictions.

Topic	Summary
Restrictions on dealing	Unless the Board determines otherwise, a performance right is only transferable with the written consent of the Board. A participant must not enter into any arrangement under which the participant may alter the economic benefits to be derived from any performance rights that are subject to the Existing Incentive Plan, irrespective of future changes in the market price of Shares. At the time of allocating the performance rights, the Board may determine that further disposal restrictions will apply to a Share allocated under the Existing Incentive Plan until a time determined by the Board.
Cessation of employment	If a participant ceases to be an employee of the Group prior to their performance rights vesting, the participant's unvested performance rights lapse on cessation of employment, unless the Board determines that the employee is a good leaver and the employee continues to satisfy any other relevant vesting conditions required by the Board. The Board retains full discretion to determine the treatment of vested or unvested performance rights, and/or the number of unvested performance rights that will vest or lapse upon a participant ceasing to be an employee of the Group.
Change of control and other circumstances which may trigger early vesting	If any one of the events prescribed by the Existing Incentive Plan (e.g. disposal of a material asset or business) occurs, the Board may determine in its absolute discretion the treatment of the participants' performance rights and the timing of such treatment.
Malus and clawback	Where, in the opinion of the Board, a participant has obtained (or may obtain) an unfair benefit as a result of an act of the participant or any other person which generally constitutes a malus event (e.g. fraud or gross misconduct, bringing the Group into disrepute, a breach of the participant's obligations to the Group), then the Board may exercise its discretion to ensure that no unfair benefit is obtained by the participant.
Expiry	Subject to the Board's discretion, a performance right will lapse on the earlier of: • the date specified in the relevant grant letter; • a participant breaching certain rules contained in the Existing Incentive Plan; and • failure to satisfy the relevant vesting conditions by the end of the relevant vesting period.
Capital structure adjustments	The Existing Incentive Plan includes provisions addressing adjustments or otherwise on bonus issues, rights issues and capital restructures undertaken by the Company in future.
Maximum number of performance rights issued	The maximum aggregate number of performance rights which have been issued under the Existing Incentive Plan is 9,014,707 performance rights.
Loans	No loans will be made to enable participants in the Existing Incentive Plan to acquire performance rights or Shares under the plan.

Issue of Shares under the Existing Incentive Plan

The performance rights issued to the Directors set out below will vest immediately prior to Completion, and those Directors will be entitled to exercise those performance rights and receive Shares in accordance with the Existing Incentive Plan, as set out in the following table.

Table 5: Issues of Share under the Existing Incentive Plan

Director	Number of performance rights held at the Prospectus Date	Number of Shares that may be issued upon exercise of the performance rights	Number of securities previously issued under the Existing Incentive Plan and average acquisition price (if any)
David Flacks	238,307	238,307	–
David Stevens	2,383,067	2,383,067	–
Neil Roberts	–	–	–
Tracey Jones	119,153	119,153	–

Refer to Section 6.3.2 for details of the current total remuneration package payable to each Director.

Amended Incentive Plan

The Company proposes to implement the Amended Incentive Plan following Listing. The key features of the Amended Incentive Plan are as follows.

Topic	Summary
Eligibility	Any permanent employee or Director engaged by a Group company or any other person so designated, as determined by the Board.
Award	The Amended Incentive Plan provides that the Board may grant performance rights which vest subject to the satisfaction of the applicable vesting conditions determined by the Board. The Board has the discretion to determine the number or value of performance rights to be granted or how that number or value will be determined.
Vesting	The Board has the discretion to determine whether one or more service or performance-based conditions (as specified in the relevant grant letter) must be met before performance rights will vest. The Board also has the discretion to waive a vesting condition.
Acquisition price	No payment is required for a grant of performance rights unless otherwise stated in the relevant grant letter.
Exercise	Performance rights will only vest once the Board determines that any relevant vesting conditions have been met. Each vested performance right entitles the relevant participant to receive such number of Shares as set out in the relevant grant letter. All Shares issued under the Amended Incentive Plan will rank equally in all respects with other Shares for the time being on issue in the capital of the Company (except as regards to any rights attaching to such other Shares by reference to a record date which is prior to the date of their allocation or transfer of the first-mentioned Shares). Shares allocated under the Amended Incentive Plan will be subject to the Company's Trading Policy and, if relevant, the applicable dealing restrictions.

6 Key people, interests and benefits

Topic	Summary
Restrictions on dealing	Unless the Board determines otherwise, a performance right is only transferable with the written consent of the Board. A participant must not enter into any arrangement under which the participant may alter the economic benefit to be derived from any performance rights that are subject to the Amended Incentive Plan, irrespective of future changes in the market price of Shares. At the time of allocating the performance rights, the Board may determine that further disposal restrictions will apply to a Share allocated under the Amended Incentive Plan until a time determined by the Board.
Cessation of employment	If a participant ceases to be an employee of the Group prior to their performance rights vesting, the participant's unvested performance rights lapse on cessation of employment, unless the Board determines that the employee is a good leaver and the employee continues to satisfy any other relevant vesting conditions required by the Board. The Board retains full discretion to determine the treatment of vested or unvested performance rights, and/or the number of unvested performance rights that will vest or lapse upon a participant ceasing to be an employee of the Group.
Change of control and other circumstances which may trigger early vesting	If any one of the events prescribed by the Amended Incentive Plan (e.g. disposal of a material asset or business) occurs, the Board may determine in its absolute discretion the treatment of the participants' performance rights and the timing of such treatment.
Malus and clawback	Where, in the opinion of the Board, a participant has obtained (or may obtain) an unfair benefit as a result of an act of the participant or any other person which generally constitutes a malus event (e.g. fraud or gross misconduct, bringing the Group into disrepute, a breach of the participant's obligations to the Group), then the Board may exercise its discretion to ensure that no unfair benefit is obtained by the participant.
Expiry	Subject to the Board's discretion, a performance right will lapse on the earliest of: • the date specified in the relevant grant letter; • a participant breaching certain rules contained in the Amended Incentive Plan; or • failure to satisfy the relevant vesting conditions by the end of the relevant vesting period.
Capital structure adjustments	The Amended Incentive Plan includes provisions addressing adjustments or otherwise on bonus issues, rights issues and capital restructures undertaken by the Company in future.
Maximum number of performance rights to be issued	The maximum aggregate number of performance rights to be issued under the Amended Incentive Plan is 10% of the Company's issued capital from time to time.
Loans	No loans will be made to enable participants in the Amended Incentive Plan to acquire performance rights or Shares under the plan.

Proposed issue of awards under the Amended Incentive Plan

The Company proposes to issue performance rights under the Amended Incentive Plan to the Directors as set out in the following table:

Table 6: Proposed issue of awards under the Amended Incentive Plan

Director	Number of performance rights to be issued prior to Listing and date of issue	Number of performance rights to be issued after Listing	Exercise price payable upon exercise	Number of Shares to be issued upon vesting or exercise of the performance rights	Number of securities previously issued under the Amended Incentive Plan and average acquisition price (if any)
David Stevens	–	Up to a maximum of 3% of the 10% pool	–	Up to a maximum of 3% of the 10% pool	–
Neil Roberts	–	Up to a maximum of 1.5% of the 10% pool	–	Up to a maximum of 1.5% of the 10% pool	–

The performance rights to be issued under the Amended Incentive Plan will be granted on a date no later than three years after the Prospectus Date.

6.3.3.6 Existing Shareholders' interests in the Offer

The Existing Shareholders are the current owners of Harmoney. The Selling Shareholders will sell a portion of their Existing Shares to SaleCo. SaleCo will then sell those Shares in the Offer.

The interests of the Existing Shareholders on Completion of the Offer (excluding any Shares applied for under the Offer) are as follows:

- Neil Roberts Trustee Company Limited as trustee of the Neil Roberts Business Trust will hold 18,611,152 Shares which equate to approximately 18.4% of the total issued Share capital;
- Michael Lookman and 187 Bridge Trustees 53 Limited as trustees of the Lookman Family Trust will hold 9,069,618 Shares which equate to approximately 9.0% of the total issued Share capital;
- Kirwood Capital Partners IB Pty Limited as trustee of the Kirwood Capital Partners Fund IB Trust will hold 8,730,461 Shares which equate to approximately 8.7% of the total issued Share capital;
- Heartland Group Holdings Limited will hold 8,518,864 Shares which equate to approximately 8.4% of the total issued Share capital;
- Trade Me Limited will hold 7,620,959 Shares which equate to approximately 7.6% of the total issued Share capital;
- Alternative Credit Investments PLC will hold 3,933,109 Shares which equate to approximately 3.9% of the total issued Share capital;
- David John Stevens & CR Trustees Limited as trustees of Liquid Asset Trust will hold 1,870,465 Shares which equate to approximately 1.9% of the total issued Share capital; and
- Other Existing Shareholders will hold 16,129,524 Shares which equate to approximately 16.0% of the total issued Share capital.

Details of the Shares that will be subject to voluntary escrow arrangements are set out in Section 7.10.

6.4 Corporate governance

This Section 6.4 explains how the Board will oversee the management of Harmoney's business. The Board is responsible for the overall corporate governance of Harmoney. The Board monitors the operational and financial position and performance of Harmoney and oversees its business strategy including approving the strategic goals of Harmoney and considering and approving an annual business plan, including a budget. The Board is committed to maximising performance, generating financial returns and greater value for Shareholders, and sustaining the growth and success of Harmoney.

In conducting Harmoney's business with these objectives, the Board seeks to ensure that Harmoney is properly managed to protect and enhance Shareholder interests, and that Harmoney, and its Directors, officers and personnel operate in an appropriate environment. Accordingly, the Board has created a framework for managing Harmoney including adopting relevant internal controls, risk management processes and corporate governance policies and practices which it believes are appropriate for Harmoney's business and which are designed to promote the responsible management and conduct of Harmoney.

The main policies and practices adopted by the Company, which will take effect from Listing, are summarised below. In addition, many governance elements are contained in the Constitution. The Code of Conduct outlines how Harmoney expects Directors, officers and personnel to behave and conduct business in a range of circumstances. Details of Harmoney's key policies and practices and the charters for the Board and each of its committees are available in this Section 6.4

6.4.1 Board

6.4.1.1 Board appointment and composition

The Board is currently made up of four Directors, being:

- an Independent, Non-Executive Chairman – David Flacks;
- the Chief Executive Officer and Managing Director – David Stevens;
- one Founding Executive Director – Neil Roberts; and
- one other Independent, Non-Executive Director – Tracey Jones.

As at the Prospectus Date, there are two independent Non-Executive Directors and two Executive Directors. It is proposed that following Completion of the Offer, Harmoney will undertake a search to identify and select an appropriate candidate to be appointed as a third independent Non-Executive Director. It is proposed that the Board will appoint the selected candidate as a Director once that person has been identified and selected following completion of the Offer. That person would then hold office as a Director until Harmoney's next annual general meeting, where they would be eligible for re-appointment as a Director.

Detailed biographies of the Board members are provided in Section 6.1.

6.4.1.2 Independence

The Board considers a Director to be an independent Non-Executive Director, if they are not a member of the Company's management and who is free of any business or other relationship that could materially interfere with or reasonably be perceived to materially interfere with the independent exercise of their judgement. The Board will consider the materiality of any given relationship on a case by case basis. The Board will review the independence of each Director in light of interests disclosed to the Board from time to time.

The Board Charter sets out guidelines for the purpose of determining independence of Directors in accordance with the ASX Recommendations and has adopted a definition of independence that is based on that set out in the ASX Recommendations.

The Board considers qualitative principles of materiality for the purpose of determining 'independence' on a case by case basis. The Board will consider whether there are any factors or considerations which may mean that the Director's interest, business or relationship could, or could be reasonably perceived to, materially interfere with the Director's ability to act in the best interests of the Company.

The Board believes that each of the independent Non-Executive Directors brings objective and independent judgement to the Board's deliberations, and that each of the independent Non-Executive Directors makes invaluable contributions to Harmoney through their deep understanding of Harmoney's business.

In the Board's opinion, each independent Non-Executive Director is free from any business or other relationship that could materially interfere with, or reasonably be perceived to materially interfere with, the independent exercise of that person's judgement.

6.4.2 Board Charter

The Board Charter adopted by the Board sets out the responsibilities of the Board in detail. It envisages that the Board should comprise Directors with a range of skills, experience, expertise and diversity which are relevant to the Company's business and the Board's responsibilities. The Board Charter allows the Board to delegate powers and responsibilities to committees established by the Board. The Board is accountable to Shareholders in discharging its duties.

Board committees

The Board may from time to time establish appropriate committees to assist in the discharge of its responsibilities. The Board has established an Audit and Risk Committee and a Nomination and Remuneration Committee. Other committees may be established by the Board as and when required.

6.4.2.1 Audit and Risk Committee

In summary, the Audit and Risk Committee's role is to:

- oversee the adequacy of the Company's corporate reporting processes and internal control framework;
- oversee the external auditor's role in the corporate reporting process and make recommendations to the Board regarding the external audit;
- oversee management carrying out their risk management roles in light of guidance from the Board; and
- make recommendations to the Board regarding risks the Company faces, action it should take, and the adequacy of the Company's risk management framework, and disclosure of risk.

The charter of the Audit and Risk Committee provides that the committee should comprise at least three Directors all of whom are Non-Executive Directors and a majority of whom are independent of management at all times. A member of the Audit and Risk Committee, who is an independent Director and who does not chair the Board, shall be appointed the chair of the committee. The Audit and Risk Committee will meet as required. The chair of the Audit and Risk Committee will routinely invite the Chief Executive Officer, Chief Financial Officer, internal audit manager (if any) and the partner in charge of the external audit to be present at meetings of the committee and seek advice from external advisors. Other senior managers may also be asked to attend when the Audit and Risk Committee is reviewing specific agenda items.

The Audit and Risk Committee will regularly report to the Board about committee activities, issues and related recommendations. As at the Prospectus Date, the committee comprises David Flacks and Tracey Jones (both independent Non-Executive Directors). It is proposed that following Completion of the Offer, Harmoney will undertake a search to identify and select an appropriate candidate to be appointed as a third independent Non-Executive Director on the Board. It is proposed that the Board will appoint the selected candidate as a Director once that person has been identified and selected following Completion of the Offer. That person would then hold office as a Director until Harmoney's next annual general meeting, where they would be eligible for reappointment as a Director. That person will also join the Audit and Risk Committee.

6.4.2.2 Nomination and Remuneration Committee

In summary, the Nomination and Remuneration Committee's role is to review and make recommendations to the Board in relation to:

- the Company's remuneration framework for Directors, including the process by which any pool of Directors' fees approved by Shareholders is allocated to Directors;
- the remuneration packages to be awarded to senior executives;
- equity-based remuneration plans for senior executives and other employees;
- superannuation arrangements for Directors, senior executives and other employees; and
- whether there is any gender or other inappropriate bias in remuneration for Directors, senior executives or other employees.

The Nomination and Remuneration Committee is also responsible for reviewing and making recommendations in relation to the composition and performance of the Board and senior executives, ensuring that proper succession plans for Directors and senior executives are in place for consideration by the Board (including for the recruitment and appointment of Directors and senior management). Independent advice will be sought where appropriate.

The Nomination and Remuneration Committee will meet at least quarterly as required by the Nomination and Remuneration Committee Charter. Following each meeting, the Nomination and Remuneration Committee will report to the Board on any matter that should be brought to the Board's attention and on any recommendation of the Nomination and Remuneration Committee that requires Board approval.

As at the Prospectus Date, the committee comprises David Flacks and Tracey Jones (both independent Non- Executive Directors). It is proposed that following Completion of the Offer, Harmoney will undertake a search to identify and select an appropriate candidate to be appointed as a third independent Non-Executive Director. It is proposed that the Board will appoint the selected candidate as a Director once that person has been identified and selected following Completion of the Offer. That person would then hold office as a Director until Harmoney's next annual general meeting, where they would be eligible for re-appointment as a Director. That person will also join the Nomination and Remuneration Committee.

6.5 Corporate governance policies

6.5.1 Disclosure and Communication Policy

Once listed, the Company will be required to comply with the continuous disclosure requirements of the ASX Listing Rules and the Corporations Act. The Company will be required to disclose to ASX and NZX any information concerning the Company which a reasonable person would expect to have a material effect on the price or value of the Company's securities.

The Board aims to ensure that Shareholders and other stakeholders are informed of all major developments affecting the Company's state of affairs. As such, the Company has adopted a Disclosure and Communication Policy, which establishes procedures to ensure that Directors and senior management are aware of, and fulfil their obligations in relation to providing timely, full and accurate disclosure of material information to the Company's stakeholders and comply with the Company's disclosure obligations under the Corporations Act and the ASX Listing Rules. The Disclosure and Communication Policy also sets out procedures for communicating with Shareholders, the media and the market.

Information will be communicated to Shareholders through the lodgement of information with the ASX and NZX as required by the Company's continuous disclosure obligations and publishing information on the Company's website. This policy is also designed to promote effective communication with Shareholders and other stakeholders and to encourage effective participation of relevant parties at general meetings.

6.5.2 Trading Policy

The Company has adopted a Trading Policy which will apply to the Company's key management personnel, employees or contractors of the Company and other persons nominated by the Board from time to time. The Trading Policy is intended to explain the types of conduct in relation to dealings in securities that are prohibited under the Corporations Act and the FMCA and to establish procedures in relation to dealings in securities including Shares.

Under the Trading Policy, various people including key management personnel, are prohibited from trading in Shares during all periods that are outside an available trading window. The trading windows are:

- four weeks beginning on the first trading day after the Company's half yearly results are announced to ASX and NZX;
- four weeks beginning on the first trading day after the Company's annual results are announced to ASX and NZX;
- four weeks beginning on the first trading day after the Company's annual general meeting;
- at any time a prospectus, cleansing notice or similar disclosure document has been lodged with ASIC and NZX and is open for acceptances; and
- at any other times as the Board permits.

In all instances, buying or selling Shares is not permitted at any time by any person who possesses price-sensitive information, in a manner contrary to the Corporations Act and the FMCA.

6.5.3 Code of Conduct

The Board recognises the need to observe the highest standards of corporate practice and business conduct. Accordingly, the Board has adopted a Code of Conduct, which sets out the way the Company conducts business. The Company will carry on business honestly and fairly, acting only in ways that reflect well on the Company in strict compliance with all laws and regulations. The Code of Conduct outlines Company employees' and Directors' obligations which include protection of the Company's business, protecting confidential information and avoiding conflicts of interest.

6.5.4 Diversity Policy

The Diversity Policy:

- expresses the Company's commitment to inclusion at all levels of the organisation, regardless of gender, marital or family status, sexual orientation, gender identity, age, disabilities, ethnicity, religious beliefs, cultural background, socio-economic background, perspective and experience;
- emphasises that in order to have an inclusive workplace, discrimination, harassment, vilification and victimisation cannot and will not be tolerated;
- contains the Company's commitment to ensuring that recruitment and selection practices at all levels (from the Board downwards) are appropriately structured so that a diverse range of candidates are considered and guarding against any conscious or unconscious biases that might discriminate against certain candidates;
- contains the Company's commitment to designing and implementing programs that will assist in the development of a broader and more diverse pool of skilled and experienced employees and that, over time, will prepare them for senior management and board positions;
- recognises that employees (female and male) at all levels may have domestic responsibilities and adopt flexible work practices that will assist them to meet those responsibilities; and
- provides opportunities for employees on extended parental leave to maintain their connection with the Company, for example, by offering them the option (without any obligation) to receive all-staff communications and to attend work functions and training programs.

6.5.5 Anti-bribery and Corruption Policy

The Company has adopted an Anti-bribery and Corruption Policy to demonstrate its commitment to conducting its business and operations with integrity and in a manner that applies the highest ethical standards, complementing the Code of Conduct. All employees, officers, Directors and agents acting for, or representing, the Company, in all their dealings including (but not limited to) interactions with customers, retailers, local authorities, government bodies, public officials, subcontractors or service providers, must not either directly or indirectly:

- give bribes or other improper payments or benefits to public officials;
- pay secret commissions to those acting in an agency or fiduciary capacity; or
- make any political or charitable donations on behalf of the Company, that exceed an agreed monetary threshold without prior written approval.

6.5.6 Whistleblower Policy

The Company has adopted a Whistleblower Policy, which encourages the reporting of suspected unethical, illegal, fraudulent, corrupt or dishonest conduct and that those who promptly report may do so with confidence and without fear of intimidation, ramifications or adverse consequences, complementing its Code of Conduct. Examples of reportable conduct under the Whistleblower Policy include (but are not limited to):

- dishonest, corrupt, fraudulent or unlawful conduct or practices, including bribery;
- financial irregularities;
- unfair, dishonest or unethical dealings with a customer or third party; and
- unethical or serious improper conduct including breaches of any legal or regulatory obligations.

The Whistleblower Policy ensures protection for whistleblowers by allowing for anonymous reports to be made, protecting confidentiality of the whistleblowers and not tolerating any detriment caused or threatened to be caused against any person who has made or who is believed to have made a report regarding the reportable conduct.

6.5.7 Corporate governance

Harmoney's commitment to corporate governance

From Listing, the Company will need to comply with the ASX Recommendations.

The Board recognises the importance of corporate governance in achieving the objectives of the Company and discharging its responsibilities to all stakeholders of the Company The governance framework, as summarised below, has been designed to ensure that the Company is effectively managed, the statutory obligations are met, and a culture of corporate integrity is reinforced.

Due consideration has been given to the ASX Recommendations and any departure from these ASX Recommendations is noted below.

The ASX Recommendations are not prescriptive, but guidelines against which entities have to report on an "if not, why not" basis. Under the ASX Listing Rules, the Company must prepare a corporate governance statement that discloses the extent to which it has followed the ASX Recommendations during each reporting period. Where the Company does not follow a recommendation in the ASX Recommendations for any part of the reporting period, it must identify that recommendation and the period during which it was not followed and give reasons for not following it. The Company must also explain what (if any) alternative governance practices it adopted in lieu of the recommendation during that period.

The Company intends to comply with all of the ASX Recommendations from the date of Listing, and currently does not anticipate that it will depart from the ASX Recommendations. However, it may do so in the future if it considers that such a departure would be reasonable or appropriate.

Table 7: ASX Corporate governance principles

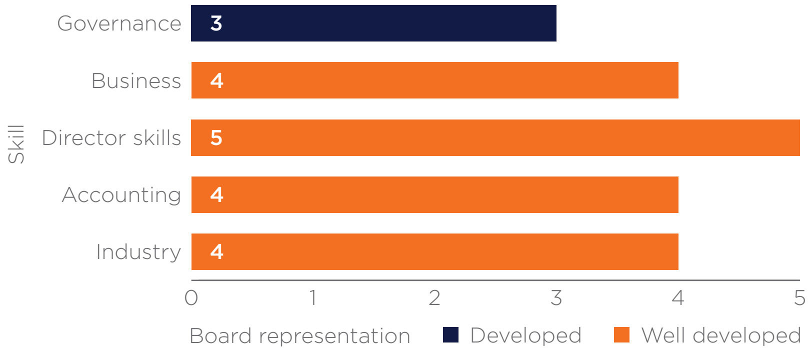
Principle	**Comments**
Principle 1: Lay solid foundations for management and oversight	
ASX Recommendation 1.1 – A listed entity should have and disclose a board charter setting out: a) the respective roles and responsibilities of its board and management; and b) those matters expressly reserved to the board and those delegated to management.	The Board is committed to effectively representing and promoting the Company and providing long-term value to all Shareholders. The Board is accountable to Shareholders for the management of the Company's business and affairs and as such is responsible for the overall strategy, governance and performance of the Company. To clarify the roles and responsibilities of Directors and management, and to assist the Board in discharging its responsibilities, the Company has established a governance framework which sets out the functions reserved to the Board and provides for the delegation of functions to Board Committees and management. The Board Charter sets out the Board's responsibilities which include monitoring operational performance and management of the Company and determining policy and processes to ensure the integrity of risk management and internal controls. The Board Charter is available to view at www.harmoney.com.au/investor. Those executives and senior managers that have responsibility for the business activities of the Company have delegated authority to make decisions in respect of the day to day management of the Company and its assets, including appointment of advisors, and approvals of business plans, budgets, capital expenditure and hedging.
ASX Recommendation 1.2 – A listed entity should: a) undertake appropriate checks before appointing a director or senior executive or putting someone forward for election as a director; and b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.	Such checks as the Board considers appropriate in the circumstances are made before appointing a person as a Director. When a candidate's nomination for election is being put forward for approval by Shareholders at an annual general meeting, all material information in the Board's possession that the Board considers relevant to the candidate's election as a Director will be provided to Shareholders in the relevant notice of meeting. When considering the appointment of a new Director, the Nomination and Remuneration Committee may engage the services of an external executive search firm to identify suitable candidates for consideration and to carry out appropriate reference and background checks.

Principle	Comments
ASX Recommendation 1.3 – A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	The Company has a written agreement with each Director setting out the terms of their appointment. The letter documents, among other matters: • the roles and responsibilities of the Board and each of its committees; • expectations of the time commitment to be made by Directors in serving on the Board and its committees, and of their participation in an annual review of the Board, its committees and individual Directors; • requirements with respect to the disclosure of Directors' interests; • the confidentiality of all non-public information obtained during the Director's appointment; • the fees payable to the Directors; and • other key policies that Directors are required to comply with, such as the Trading Policy. The CEO and each of the executives who report to him have service contracts setting out their responsibilities, conditions of service and termination entitlements.
ASX Recommendation 1.4 – The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.	n/a – there is no formal company secretary because the Company is a foreign registered company.

6 Key people, interests and benefits

Principle	Comments
ASX Recommendation 1.5 – A listed entity should: a) have and disclose a diversity policy; b) through its board or committee of the board set measurable objectives for achieving gender diversity in the composition of its board, senior executives and workforce generally; and c) disclose in relation to each reporting period: 1. the measurable objectives set for that period to achieve gender diversity; 2. the entity's progress towards achieving those objectives; and 3. either: A. the respective proportions of men and women on the board, in senior executive positions and across the whole workforce (including how the entity has defined "senior executive" for these purposes); or B. if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.	The Company has a Diversity Policy which has been implemented to comply with the ASX Recommendations. A copy of the Diversity Policy is available at www.harmoney.com.au/investor. The Board maintains that all appointments should be based on merit as well as complementing the skills, knowledge and experience of the Board or senior management team as a whole. The Board believes that the promotion of diversity on the Board, in senior management and within all levels of the Company: • broadens the pool for recruitment of high-quality Directors and employees; • is likely to support employee retention; • through the inclusion of a variety of skill-sets, is likely to encourage greater innovation and improve the quality of decision making, productivity and teamwork; • enhances customer service and market reputation through a workforce that respects and reflects the diversity of its members; and • is in line with best practice corporate governance responsibilities. However, given the size of the Board and management team, it is not practicable at this stage to set any measurable diversity objectives. The Board will review this regularly and will implement measurable diversity objectives as and when appropriate.
ASX Recommendation 1.6 – A listed entity should: a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and b) disclose, for each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process during or in respect of that period.	The Board and individual Directors have their overall performance reviewed annually in order to identify areas for improvement in the discharge of individual Directors' and the Board's functions on an annual basis. Each of the Board's committees reviews their performance annually or whenever there are major changes to the committee structure. This review is undertaken by the Chairman and, if so determined by the Board, an independent service provider. The performance review of the Chairman is carried out by the lead independent Director. This process will be undertaken for FY21 as the committees were only recently established.

Principle	Comments
ASX Recommendation 1.7 – A listed entity should: a) have and disclose a process for evaluating the performance of its senior executives at least once every reporting period; and b) disclose for each reporting period whether a performance evaluation has been undertaken in accordance with that process during or in respect of that period.	The Board regularly monitors the performance of senior executives and the implementation of strategy against measurable and qualitative indicators. The performance of the CEO is evaluated and assessed by the Board each year. The CEO conducts performance reviews of senior executives (key management personnel) by comparing performance against agreed measures, examining the effectiveness and quality of performance of the individual, both as a divisional leader and in their individual capacity, and assessing whether various expectations of stakeholders have been met. This process will be undertaken for FY21.
Principle 2: Structure the board to add value	
ASX Recommendation 2.1 – The board of a listed entity should: a) Have a nomination committee which: 1. has at least three members, a majority of whom are independent directors; and 2. is chaired by an independent director and disclose: 3. the charter of the committee; 4. the members of the committee; and 5. as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.	The Nomination and Remuneration Committee is a standing committee of the Board. The Nomination and Remuneration Committee is chaired by an independent Non-Executive Director. As at the Prospectus Date, the Nomination and Remuneration Committee has two members, both of whom are independent. Once an additional independent Director is appointed to the Board, that Director will join the Nomination and Remuneration Committee. The Nomination and Remuneration Committee assists the Board and makes recommendations on the selection and appointment of Directors, the process of evaluating Directors' performance, the composition of the Board, and succession planning for the Board. The committee ensures that Directors bring a variety of perspectives, experiences, skills and diversity. The Nomination and Remuneration Committee charter sets out the responsibilities, composition, structure, membership requirements and procedures for appointing members to the Board and is available at www.harmoney.com.au/investor. The Nomination and Remuneration Committee will meet at least four times per year. Having only been established recently, the Nomination and Remuneration Committee has not met as yet. The members of the Nomination and Remuneration Committee are David Flacks and Tracey Jones.

Principle	Comments
ASX Recommendation 2.2 – A listed entity should have and disclose a board skills matrix setting out the mix of skills that the board currently has or is looking to achieve in its membership.	The Board has approved the following board skills matrix which sets out the skills of the Board. All Directors (including the CEO) have been assessed against the skills matrix. The board skills matrix will continue to develop as the Company's strategy develops. All areas of the skills matrix are currently well represented on the Board. 
ASX Recommendation 2.3 – A listed entity should disclose: a) the names of the directors considered by the board to be independent directors; b) if a director has an interest, position, association or relationship of the type described in Box 2.3, but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position or relationship in question and an explanation of why the board is of that opinion; and c) the length of service of each director.	The Board considers that a Director is independent if they are independent of management and free of any interest, position, association or relationship that might influence, or could reasonably be perceived to influence, in a material respect their capacity to bring an independent judgement to bear on issues to the Board and to act in the best interests of the Company and its Shareholders generally. The Board evaluates the materiality of any interests or relationships that could be perceived to compromise independence on a case by case basis, having regard to the circumstances of each Director. As at the Prospectus Date, the Board is comprised of two Executive Directors and two Non-Executive Directors. All of the Non-Executive Directors are independent Directors. The Chairman of the Board is an independent Non-Executive Director. Directors are expected to be meticulous in their disclosure of any material personal or family contract or relationship. Directors must also strictly adhere to constraints on their participation and voting in relation to matters in which they may have an interest. The Board regularly assesses whether Directors are independent, and each Director is required to provide information relative to this assessment. Details of Directors and their length of service, experience and qualifications can be found in Section 6.1 of this Prospectus.
ASX Recommendation 2.4 – A majority of the board of a listed entity should be independent directors.	As at the Prospectus Date, there are two Executive Directors and two independent Non-Executive Directors. The Company is currently undertaking a search to appoint a third independent Non-Executive Director. Once this occurs, the majority of the Board will comprise Non-Executive Directors and the majority of Non-Executive Directors will be independent, noting that currently both the Non-Executive Directors are independent.
ASX Recommendation 2.5 – The Chairman of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.	The Chairman of the Company is Mr David Flacks. He is independent and is not the same person as the CEO.

Principle	Comments
ASX Recommendation 2.6 – A listed entity should have a program for inducting new directors and for periodically reviewing whether there is a need for existing directors to undertake professional development to maintain the skills and knowledge needed to perform their role as directors effectively.	The Board has established an orientation program to familiarise incoming Directors with the Company's operations, senior management and business environment, and to inform them of their duties and responsibilities. There is also an annual review undertaken as to whether further professional development opportunities should be provided. Directors are able to raise any areas in which they wish to receive additional training at any time.
Principle 3: Instil a culture of acting lawfully, ethically and responsibly	
ASX Recommendation 3.1 – A listed entity should articulate and disclose its values.	The Board has approved a statement of values and charged the senior executive team with the responsibility of inculcating those values across the Company. The statement of values can be found in the Code of Conduct available at www.harmoney.com.au/investor.
ASX Recommendation 3.2 – A listed entity should: a) have and disclose a code of conduct for its directors, senior executives and employees; and b) ensure that the board or a committee of the board is informed of any material breaches of that code.	The Company has established a Code of Conduct which applies to the Company and is periodically reviewed and endorsed by the Board. The code forms the basis for ethical behaviour by staff and is the framework that provides the foundation for maintaining and enhancing the Company's reputation for all its employees. The objective of the code is to ensure that Directors, other stakeholders and the broader community can be confident that the Company conducts its affairs honestly and in accordance with ethical values and practices. The code sets the standards for dealing ethically with employees, investors, customers, regulatory bodies and the financial and wider community. Employees are trained regularly on matters pertaining to ethical behaviour in the workplace. The Board will be informed of any material breaches of the code. A copy of the Code of Conduct is available to view at www.harmoney.com.au/investor.
ASX Recommendation 3.3 – A listed entity should: a) have and disclose a whistleblower policy; and b) ensure that the board or a committee of the board is informed of any material incidents reported under that policy.	The Whistleblower Policy promotes and supports the reporting of matters of concern and suspected wrongdoing, such as dishonest or fraudulent conduct, breaches of legislation and other conduct that may cause financial loss to the Company or be otherwise detrimental to its reputation or interests. The policy sets out the approach to disclosure, investigation and reporting and outlines the protection to be afforded to those who report such conduct against reprisals, discrimination, harassment or other disadvantage resulting from their reports. The Company uses an external independent whistleblower reporting service that enables those who wish to report conduct (either anonymously or otherwise) to do so. The Board will be informed of any material breaches of the policy. A copy of the Whistleblower Policy can be found at www.harmoney.com.au/investor.

Principle	**Comments**
ASX Recommendation 3.4 – A listed entity should: a) have and disclose an anti-bribery and corruption policy; and b) ensure that the board or a committee of the board is informed of any material breaches of that policy.	The Company's position is that bribery and corruption are unethical and unacceptable and are inconsistent with its values and its Code of Conduct. In support of this position, the Company has an extensive anti-bribery and corruption program including an Anti-bribery and Corruption Policy. A copy of the Anti-bribery and Corruption Policy can be found at www.harmoney.com.au/investor. The Board is informed of any material breaches of the Policy.
Principle 4: Safeguard the integrity of corporate reports	
ASX Recommendation 4.1 – The board of a listed entity should: a) have an audit committee which: 1) has at least three members, all of whom are Non-Executive Directors and a majority of whom are independent directors; and 2) is chaired by an independent director, who is not chair of the board, and disclose: 3) the charter of the committee; 4) the relevant qualifications and experience of the members of the committee; and 5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or b) if it does not have an audit committee, disclose the fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.	The Board has established an Audit and Risk Committee to oversee the quality and integrity of accounting, audit, financial and risk management practices for the Company. The Audit and Risk Committee is comprised of two independent Non-Executive Directors and is chaired by an independent Director who is not the Chairman of the Board. Once an additional independent Director is appointed to the Board, that Director will join the Audit and Risk Committee. The Board has developed a charter which sets out the Audit and Risk Committee's role, responsibilities, composition, structure and membership requirements. A copy of the Committee Charter is available at www.harmoney.com.au/investor. An external auditor meets privately with the Audit and Risk Committee as frequently as is necessary, is invited to attend Audit and Risk Committee meetings, and has access to the chairman of the Audit and Risk Committee. The Audit and Risk Committee members all have an appropriate level of financial and industry expertise. Information on Audit and Risk Committee members can be found in Section 6.4.2.1 of this Prospectus. The Audit and Risk Committee will meet at least four times per year. Having only been established recently, the Audit and Risk Committee has not met as yet.

Principle	Comments
ASX Recommendation 4.2 – The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained, and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.	The Board will, before it approves the Company's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the Company have been properly maintained, and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the Company and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.
ASX Recommendation 4.3 – A listed entity should disclose its process to verify the integrity of any periodic corporate report it releases to the market that is not audited or reviewed by an external auditor.	Harmoney will not be issuing any periodic corporate reports that are not audited or reviewed by an external auditor.
Principle 5: Make timely and balanced disclosure	
ASX Recommendation 5.1 – A listed entity should have and disclose a written policy for complying with its continuous disclosure obligations under ASX Listing Rule 3.1.	The Board strives to provide timely, open and accurate information to all stakeholders, including Shareholders, regulators and the wider investment community. This includes presenting a balanced approach to disclosure. The Board has adopted a Disclosure and Communication Policy which summarises the internal processes to ensure compliance with ASX Listing Rules and Australian law in respect of continuous disclosure. A disclosure committee has also been established by management to review issues surrounding continuous disclosure and to determine whether disclosure is required, and make corresponding recommendations to the Board. The policy includes procedures for dealing with potentially price-sensitive information, including referral to the disclosure committee and the Board where necessary, for a determination as to the appropriate disclosure required. A copy of the Disclosure and Communication Policy is available to view at www.harmoney.com.au/investor.
ASX Recommendation 5.2 – A listed entity should ensure that its board receives copies of all material market announcements promptly after they have been made.	The Board will be provided with copies of all material market announcements promptly after they have been made.

Principle	Comments
ASX Recommendation 5.3 – A listed entity that gives a new and substantive investor or analyst presentation should release a copy of the presentation materials on the ASX Market Announcements Platform ahead of the presentation.	The Company will ensure that any new and substantive presentation given in relation to the Company is uploaded to the ASX Market Announcement Platform ahead of the presentation.
Principle 6: Respect the rights of Shareholders	
ASX Recommendation 6.1 – A listed entity should provide information about itself and its governance to investors via its website.	The Board and management aim to ensure that Shareholders are informed of all information necessary to fully assess the Company's performance. The Company has a dedicated Shareholder website that can be found at www.harmoney.com.au/investor. This website provides relevant information for Shareholders in a dedicated place and in an easy to navigate manner, including particulars of the Directors, copies of the Company's Constitution, Board and committee charters, corporate governance policies and other policies, sustainability activities and copies of annual reports and financial statements. All information, including announcements to ASX, is posted on the Shareholder website soon after release to the market by ASX.
ASX Recommendation 6.2 – A listed entity should have an investor relations program that facilitates effective two-way communication with investors.	The Company will provide clear and effective communications to stakeholders on matters affecting the Company, in accordance with the Disclosure and Communication Policy.
ASX Recommendation 6.3 – A listed entity should disclose how it facilitates and encourages participation at meetings of Shareholders.	The Company will hold an annual general meeting. Each annual general meeting will cover formal business, but also provide Shareholders with an opportunity to be updated on the activities of the Company, and to ask questions of the Board and management. The external auditor of the Company will also attend each annual general meeting to answer questions on the audited accounts of the Company. Notices of meeting and explanatory memoranda for Shareholder resolutions will be provided to Shareholders in accordance with the Constitution and the Corporations Act, and will be accessible on the Company's website, as well as being lodged with ASX. Shareholders who are not able to attend an annual general meeting are able to vote by proxy.
ASX Recommendation 6.4 – A listed entity should ensure that all substantive resolutions at a meeting of security holders are decided by a poll rather than by a show of hands.	The Company will ensure that all substantive resolutions are decided on a poll to enfranchise all security holders, not just those who attend a meeting in person.

Principle	**Comments**
ASX Recommendation 6.5 – A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	The Company is committed to providing Shareholders with timely communications regarding matters that impact or have the potential to influence the investment performance of the Company. The Company understands the regulatory requirements applicable to it in respect of continuous disclosure and various other legal obligations as a consequence of its listing on ASX. Shareholders are able to elect to receive communications from, and send communications to, the Company and its security registry electronically.
Principle 7: Recognise and manage risk	
ASX Recommendation 7.1 – The board of a listed entity should: a) have a risk committee or committees to oversee risk, each of which: i) has at least three members, a majority of whom are independent directors; and ii) is chaired by an independent director, and disclose: iii) the charter of the committee; iv) the members of the committee; and v) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or b) if it does not have a risk committee or committees to satisfy a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.	The Board has established an Audit and Risk Committee, the composition of which is determined in accordance with the charter (published on www.harmoney.com.au/investor), which includes the following: • the committee will have at least three members; • all members of the committee will be Non-Executive Directors, a majority of whom are independent; and • the committee chairman cannot also be the Chairman of the Board. As at the Prospectus Date, the Audit and Risk committee is comprised of two independent Non-Executive Directors and is chaired by an independent Director who is not the Chairman of the Board. Once an additional independent Director is appointed to the Board, that Director will join the Audit and Risk Committee. As at the Prospectus Date, the members of the committee are David Flacks and Tracey Jones. The Audit and Risk Committee will meet at least four times per year. Having only been established recently, the Audit and Risk Committee has not met as yet. The external auditors are invited to attend committee meetings to discuss relevant matters including audit related agenda items. The minutes of each meeting of the Audit and Risk Committee are reviewed at the subsequent meeting of the Board and the committee chairman reports to the Board on any matters under consideration.
ASX Recommendation 7.2 – The board or a committee of the board should: a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and b) disclose, in relation to each reporting period, whether such a review has taken place.	The roles and responsibilities delegated to the Audit and Risk Committee are set out in its charter. To fulfil its responsibilities and duties, the committee will review and recommend to the Board the Company's risk appetite statement and monitor the performance of the business by reference to that statement. The committee also reviews and approves the Company's risk management system (including policy and framework) for identifying, assessing and managing risk (both financial and non-financial).

Principle	Comments
ASX Recommendation 7.3 – A listed entity should: a) disclose if it has an internal audit function, how the function is structured and what role it performs; or b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.	The Company does not have an internal audit function. The Audit and Risk Committee is responsible for reviewing and monitoring the process of risk management. Management is responsible for the implementation of risk management and internal control processes on a continual basis and are subject to the oversight of the Audit and Risk Committee. The Audit and Risk Committee will regularly consider whether there is a need for an internal audit function.
ASX Recommendation 7.4 – A listed entity should disclose whether it has any material exposure to environmental or social risks and, if it does, how it manages or intends to manage those risks.	The Company is committed to playing a leading role in achieving a sustainable future. The Audit and Risk Committee oversees and reports on sustainability issues, relevant to the Company although the Company has no material exposure to environmental or social risks.
Principle 8: Remunerate fairly and responsibly	
ASX Recommendation 8.1 – The board of a listed entity should: a) have a remuneration committee which: i) has at least three members, a majority of whom are independent directors; and ii) is chaired by an independent director and disclose: iii) the charter of the committee; iv) the members of the committee; and v) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or b) if it does not have a remuneration committee, disclose the fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.	The Board has established a Nomination and Remuneration Committee to consider and make recommendations to the Board on, among other things, remuneration policies applicable to Board members and senior management. The composition of the Nomination and Remuneration Committee is determined in accordance with the committee charter (published www.harmoney.com.au/investor), which includes the following: • the committee will have at least three members; • all members of the committee will be Non-Executive Directors and a majority of them will be independent Directors; and • the committee chairman will be an independent Director. As at the Prospectus Date, the Nomination and Remuneration Committee is comprised of two independent Non-Executive Directors and is chaired by an independent Director who is not the Chairman of the Board. Once an additional independent Director is appointed to the Board, that Director will join the Nomination and Remuneration Committee. The current members are David Flacks and Tracey Jones. The roles and responsibilities delegated to the Nomination and Remuneration Committee are set out in the committee charter. The committee regularly updates the Board on the committee's activities and recommendations. The committee will meet at least four times each year. Having only been established recently, the Nomination and Remuneration Committee has not met as yet.

Principle	Comments
ASX Recommendation 8.2 – A listed entity should separately disclose its policies and practices regarding the remuneration of Non-Executive Directors and the remuneration of Executive Directors and other senior executives.	The Company clearly distinguishes the structure of Non-Executive Directors' remuneration from that of Executive Directors and other senior executives. The Nomination and Remuneration Committee reviews remuneration of senior executives and Non-Executive Directors. The committee will engage an independent remuneration consultant as required in relation to executive remuneration and market rates to assist it in making recommendations to the Board for remuneration practices and the structure of Non-Executive Directors' remuneration and the remuneration of senior executives. The remuneration of senior executives (who are key management personnel), including the Chief Executive Officer, have the following remuneration components: • base salary; • statutory entitlements (including superannuation and long service leave, as applicable); and • a long-term incentive (subject to performance thresholds). Further information in relation to the Company's remuneration policies and practices for senior executives and Non-Executive Directors is provided on page 141. Remuneration for Non-Executive Directors is fixed. Board and committee fee rates are reviewed by the Nomination and Remuneration Committee and approved by the Board. The total annual remuneration paid to Non-Executive Directors must not exceed the fee pool set by the Company's Shareholders.
ASX Recommendation 8.3 – A listed entity which has an equity-based remuneration scheme should: a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and b) disclose that policy or a summary of it.	The Trading Policy prohibits key management personnel from: • entering into margin lending arrangements in relation to the Company's securities; • entering into transactions or arrangements with anyone which could have the effect of limiting the exposure of the person to risk relating to an element of the person's remuneration that: – has not vested in the person; or – has vested in the person but remains subject to a holding lock; or • dealing at any time in financial products over or in respect of the Company's securities, except as permitted by law or by the policy. The Trading Policy is subject to regular review by the Board and has been lodged with ASX. The Trading Policy is available to view at www.harmoney.com.au/investor.

Section 7

Details of the Offer

7 Details of the Offer

7.1 The Offer

This Prospectus relates to the offer of Shares. The Offer comprises an initial public offering of 26.4 million Shares, comprising 20.0 million New Shares and up to 6,428,572 Sale Shares raising proceeds of up to A$92.5 million[49] at the Offer Price of A$3.50 per Share. The Offer is an invitation to apply for:

- 20.0 million New Shares offered by the Company to raise proceeds of A$70.0 million; and
- up to 6,428,572 Sale Shares offered by SaleCo to raise proceeds of A$22.5 million;

The Shares being offered under the Offer will represent 26% of the Shares on issue at Completion.

The total number of Shares on issue at Completion will be 100.9 million and all Shares on issue will rank equally with each other.

Any Shares issued on vesting of performance rights granted under the Existing Incentive Plan will also be issued pursuant to this Prospectus.

A summary of the rights attaching to the Shares is set out in Section 7.15.

The Offer is made on the terms, and is subject to the conditions, set out in this Prospectus.

7.1.1 Structure of the Offer

The Offer comprises:

- the Broker Firm Offer, which is only open to eligible Australian resident retail clients and New Zealand resident retail clients of Brokers who have received an invitation from their Broker to acquire Shares under this Prospectus (see Section 7.5 for detail); and
- the Institutional Offer, which is open to Institutional Investors in Australia, New Zealand and Other Permitted Jurisdictions (see Section 7.7 for detail).

No general public offer of Shares will be made under the Offer. The allocation of Shares between the Broker Firm Offer and Institutional Offer will be determined by the Joint Lead Managers, in consultation with the Company, having regard to the allocation policies outlined in Sections 7.5.4 and 7.7.2.

The Offer is fully underwritten by the Underwriters. A summary of the Underwriting Agreement, including the events which would entitle the Joint Lead Managers to terminate the Underwriting Agreement, are set out in Section 9.7.3.

7.1.2 Purpose of the Offer

The Offer is being conducted to:

- provide Harmoney with capital to fund growth opportunities, including the transition from peer-to-peer lending to a 100% warehouse funding model;
- provide Harmoney with access to capital markets, which it expects will better allow it to pursue future growth opportunities to improve its financial flexibility;
- provide a liquid market for the Shares and an opportunity for other investors (beyond the Existing Shareholders) to invest in Harmoney;
- allow employee and director shareholders to sell a portion of their Shares earned in the course of their employment, through SaleCo, for the dominant purpose of enabling them to cover income tax liabilities associated with those Shares; and
- pay the costs of the Offer.

At this stage, Harmoney anticipates that the primary proceeds of the Offer will:

- provide Harmoney with capacity (in addition to the Warehouse Facilities) to fund growth in its personal loan originations for a period of at least 12 months following the Offer Date, and to fund related marketing costs; and
- be used to pay the costs of the Offer.

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[49] Subject to the Australian dollar/New Zealand dollar foreign exchange rate fluctuations between 7:00pm AEDT on the Closing Date and Settlement in respect of the proceeds received from Applicants in New Zealand dollars only.

Table 1: Sources and uses of Offer proceeds

Sources	A$m	Uses	A$m
Cash proceeds received for New Shares issued under the Offer	A$70.0 million	Funds to invest in our core business model and pursue our growth strategies	A$61.4 million
Cash proceeds received for Sale Shares sold under the Offer	A$22.5 million	Payment of proceeds from the sale of up to 6,428,572 Sale Shares to Selling Shareholders	A$22.5 million
		Costs of the Offer	A$8.6 million
Total sources	**A$92.5 million**[50]	**Total uses**	**A$92.5 million**

7.1.3 Potential effect of the fundraising on the future of the Company

The Directors believe that on Completion, the Company will have sufficient funds available from its share of the proceeds of the Offer and its operations to fulfil the purposes of the Offer and meet its stated business objectives.

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[50] Subject to the Australian dollar/New Zealand dollar foreign exchange rate fluctuations between 7:00pm AEDT on the Closing Date and Settlement in respect of the proceeds received from Applicants in New Zealand dollars only.

7.2 Shareholding structure

The details of the ownership of Shares immediately prior to and on Completion are set out below.

Table 2: Ownership of Shares immediately prior to and on Completion

	Pre-restructure shareholdings		**Shares held immediately prior to Completion**		**Shares held on Completion**	
	#	%	#	%	#	%
Neil Roberts Trustee Company Limited as trustee of the Neil Roberts Business Trust[51]	**Shares:** 19,766,152	27.5%	19,766,152	24.4%	18,611,152	18.4%
Michael Lookman and 187 Bridge Trustees 53 Limited as trustees of the Lookman Family Trust	**Shares:** 3,249,311 **Series C shares:** 5,820,307	12.6%	9,069,618	11.2%	9,069,618	9.0%
Kirwood Capital Partners IB Pty Limited as trustee of the Kirwood Capital Partners Fund IB Trust	**Series C shares:** 8,730,461	12.1%	8,730,461	10.8%	8,730,461	8.7%
Heartland Group Holdings Limited	**Shares:** 6,552,309 **Series B shares:** 1,966,555	11.8%	8,518,864	10.5%	8,518,864	8.4%
Trade Me Limited	**Shares:** 726,901 **Series A shares:** 6,564,032 **Series B shares:** 330,026	10.6%	7,620,959	9.4%	7,620,959	7.6%
Alternative Credit Investments PLC	**Shares:** 3,933,109	4.9%	3,933,109	4.9%	3,933,109	3.9%
David John Stevens & CR Trustees Limited as trustees for Liquid Asset Trust[52]	**Shares:** 408,673 **Performance rights:** 2,383,067	0.6%	2,791,740	3.5%	1,870,465	1.9%
Other Existing Shareholders	**Shares:** 11,510,633 **Series B shares:** 6,272,657 **Performance rights:** 6,631,640	19.9%	20,481,821	25.3%	16,129,524	16.0%
New shareholders acquiring Shares under the Offer	–	–	–	–	26,428,572	26.2%
Total	**Shares:** 42,213,979 **Series A shares:** 6,564,032 **Series B shares:** 8,569,238 **Series C shares:** 14,550,768 **Performance rights:** 9,014,707	**100%**	**80,912,724**	**100.0%**	**100,912,724**	**100.0%**

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[51] These are entities affiliated with Neil Roberts, who is a Director.

[52] These are entities affiliated with David Stevens, who is the Chief Executive Officer and Managing Director.

The Selling Shareholders will sell their Shares into the Offer through their arrangements with SaleCo (see Section 9.3).

At Completion, 72% of the Shares on issue will be subject to voluntary escrow arrangements.
See Section 7.10 for further information.

7.3 Control implications of the Offer

The Directors do not expect any Shareholder will control (within the meaning in Section 50AA of the Corporations Act) the Company on Completion.

7.4 Terms and conditions of the Offer

Table 3: Terms and conditions of the Offer

Topic	Summary
What is the type of security being offered?	Shares (being fully paid ordinary shares in the Company).
What are the rights and liabilities attached to the securities?	A description of the Shares, including the rights and liabilities attaching to them, is set out in Section 7.15.
What is the consideration payable for each security being offered?	The Offer Price, being A$3.50 per Share.
What is the Offer Period?	The key dates, including details of the Offer Period, are set out on page 5. The key dates are indicative only and may change. Unless otherwise indicated, all times are stated in AEDT. The Company and SaleCo, in consultation with the Joint Lead Managers, reserve the right to vary any and all of the times and dates without notice (including, subject to the ASX Listing Rules and the Corporations Act) to close the Offer early, to extend the Offer Period relating to any component of the Offer or to accept late Applications, either generally or in particular cases, or to cancel or withdraw the Offer before Settlement, in each case without notifying any recipient of this Prospectus or any Applicants. If the Offer is cancelled or withdrawn before the allocation of Shares, then all Application Monies will be refunded in full (without interest) as soon as possible in accordance with the requirements of the Corporations Act. No Shares will be issued on the basis of this Prospectus later than the Expiry Date of 13 months after the Prospectus Date.
What are the cash proceeds to be raised?	Approximately A$92.5 million[53] is expected to be raised under the Offer based on the Offer Price, of which A$22.5 million is expected to be paid to SaleCo as the proceeds of the sale of up to 6,428,572 Sale Shares.
Is the Offer underwritten?	Yes. The Offer is fully underwritten by the Underwriters. More detail on the underwriting arrangements is set out in Section 9.7.3.

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[53] Subject to the Australian dollar/New Zealand dollar foreign exchange rate fluctuations between 7:00pm AEDT on the Closing Date and Settlement in respect of the proceeds received from Applicants in New Zealand dollars only.

Topic	Summary
Who are the Joint Lead Managers to the Offer?	The Joint Lead Managers are Jarden Australia Pty Ltd (ABN 33 608 611 687) and Ord Minnett Limited (ABN 86 002 733 048).
What is the minimum and maximum Application size under the Broker Firm Offer?	The minimum Application under the Broker Firm Offer is as determined by the Applicant's Broker. There is no maximum Application under the Broker Firm Offer. Harmoney, SaleCo and the Joint Lead Managers reserve the right to reject any Application or to allocate a lesser number of Shares than that applied for, in their absolute discretion.
What is the allocation policy?	The allocation of Shares between the Broker Firm Offer and Institutional Offer was determined by the Joint Lead Managers, in consultation with the Company, having regard to the allocation policies outlined in Sections 7.5.4 and 7.7.2.
When will I receive confirmation that my Application has been successful and any refund relating to my Application?	Successful Applicants will be formally notified of the success of their Application by the receipt of initial holding statements. It is expected that initial holding statements will be dispatched to Successful Applicants by standard post on or about Wednesday, 18 November 2020. Refunds (without interest) to Applicants who make an Application and receive an allocation of Shares, the value of which is smaller than the amount of the Application Monies, will be made as soon as practicable after Completion of the Offer.
Will the Shares be quoted on ASX?	The Company will apply to ASX within seven days of the Prospectus Date, for its admission to the Official List and quotation of Shares (under the code "HMY"). The issue and allotment of Shares is conditional on ASX approving this application. If approval is not given within three months after such application is made (or any longer period permitted by law), the Offer will be withdrawn and all Application Monies received will be refunded (without interest), as soon as practicable in accordance with the requirements of the Corporations Act.
Will the Shares be quoted on NZX?	Harmoney will apply for listing with NZX as a foreign exempt issuer and for quotation of the Shares on the NZX Main Board. Failure to achieve admission to the NZX Main Board will not, of itself, prevent the Offer from proceeding and the Offer will not be withdrawn. In that situation, there will be no active trading market in the Shares on NZX, thereby potentially decreasing the overall liquidity of the Shares.
When are the Shares expected to commence trading?	It is expected that trading of the Shares on ASX and NZX will commence on or about Thursday, 19 November 2020 on a normal settlement basis once the Company has advised ASX that initial holding statements have been dispatched to Successful Applicants. **It is the responsibility of each Applicant to confirm their holding before trading in Shares. Applicants who sell Shares before they receive an initial holding statement do so at their own risk.** The Company, SaleCo, the Share Registry and the Joint Lead Managers disclaim all liability, whether in negligence or otherwise, to persons who sell Shares before receiving a holding statement, even if that person received confirmation of their allocation from the Harmoney IPO Offer Information Line or confirmed their firm allocation through a Broker.

Topic	Summary
Are there any escrow arrangements?	Yes. Details are provided in Section 7.10.
Has any ASIC relief or ASX waiver or confirmation been sought, obtained or been relied on?	Details of ASX waivers or confirmations are provided in Section 9.11. No ASIC relief has been sought, obtained or relied on.
Are there any tax considerations?	Yes. Details are provided in Section 9.12.
Is there any brokerage, commission or stamp duty considerations?	No brokerage, commission or stamp duty is payable by Applicants on acquisition of Shares under the Offer.
Will the Offer be extended into New Zealand?	Shares offered to investors in New Zealand under the Offer are being offered under the New Zealand Mutual Recognition Regime.
What should you do with any enquiries?	All enquiries in relation to this Prospectus should be directed to the Harmoney IPO Offer Information Line on: • within Australia: 1800 817 266; or • outside Australia: +61 1800 817 266, from 8.30am to 5.30pm (AEDT), Monday to Friday. If you have any questions about whether to invest, you should seek advice from your accountant, financial advisor, stockbroker, lawyer or other professional advisor before deciding whether to invest in Harmoney.

7.5 Broker Firm Offer

7.5.1 Who can apply?

The Broker Firm Offer is open to retail clients of participating Brokers who:

- are Australian resident retail clients or New Zealand resident retail clients, with a registered address in Australia or New Zealand respectively;
- who received an invitation from a Broker to acquire Shares under this Prospectus; and
- are not in the United States.

You should contact your Broker to determine whether you can receive an allocation of Shares under the Broker Firm Offer.

7.5.2 How to apply

If you have received an invitation to apply for Shares from your Broker and wish to apply for those Shares under the Broker Firm Offer, you should contact your Broker for information about how to submit your Broker Firm Offer Application Form and for payment instructions. Applicants under the Broker Firm Offer should not send their Application Forms or payment to the Share Registry.

Applicants under the Broker Firm Offer should contact their Broker to request a Prospectus and Application Form, or download a copy at https://events.miraqle.com/harmoney-ipo. Your Broker will act as your agent and it is your Broker's responsibility to ensure that your Application Form and Application Monies are received before 5.00pm (AEDT) on the Closing Date or any earlier closing date as determined by your Broker.

Applicants under the Broker Firm Offer with a registered address in New Zealand may apply in Australian dollars or New Zealand dollars. The Offer Price is an Australian dollar amount. If you apply for a New Zealand dollar amount of Shares, the Joint Lead Managers will convert the Australian dollar Offer Price to New Zealand dollars at the applicable exchange rate published by the RBA on its website at 7:00pm AEDT on the Closing Date. In this case, you will be taken to have applied for the New Zealand dollar amount of Shares applied for. Any New Zealand dollar amount applied for in excess of the New Zealand dollar amount of Shares applied for will be refunded in full (without interest).

By making an Application, you declare that you were given access to the Prospectus, together with an Application Form. The Corporations Act prohibits any person from passing an Application Form to another person unless it is attached to, or accompanied by, a hard copy of this Prospectus or the complete and unaltered electronic version of this Prospectus.

Applicants under the Broker Firm Offer should contact their Broker about the minimum and maximum Application size. Harmoney, SaleCo and the Joint Lead Managers reserve the right to aggregate any Applications that they believe may be multiple Applications from the same person. Harmoney may determine a person to be eligible to participate in the Broker Firm Offer, and may amend or waive the Broker Firm Offer application procedures or requirements, in its discretion, in compliance with applicable laws.

The Company, SaleCo, the Joint Lead Managers and the Share Registry take no responsibility for any acts or omissions committed by your Broker in connection with your Application.

The Broker Firm Offer opens at 9.00am (AEDT) on Tuesday, 10 November 2020 and is expected to close at 5.00pm (AEDT) on Monday, 16 November 2020. The Company, SaleCo and the Joint Lead Managers may elect to close the Broker Firm Offer or any part of it early, extend the Broker Firm Offer or any part of it, or accept late Applications either generally or in particular cases. The Broker Firm Offer or any part of it may be closed at any earlier time and date, without notice. Your Broker may also impose an earlier closing date. Applicants are therefore encouraged to submit their Applications as early as possible. Contact your Broker for instructions.

7.5.3 How to pay

Applicants under the Broker Firm Offer must pay their Application Monies to their Broker in accordance with instructions provided by that Broker.

7.5.4 Broker Firm Offer allocation policy

The allocation of Shares to Brokers has been determined by the Joint Lead Managers in consultation with the Company and SaleCo. Shares which are allocated to Brokers for allocation to their retail clients will be issued or sold to the Applicants nominated by those Brokers (subject to the rights of the Joint Lead Managers, the Company and SaleCo to reject, aggregate or scale back Applications). It will be a matter for each Broker as to how they allocate Shares among their retail clients, and they (and not the Joint Lead Managers or the Company) will be responsible for ensuring that retail clients who have received an allocation from them receive the relevant Shares.

Applicants in the Broker Firm Offer will be able to call the Harmoney IPO Offer Information Line on 1800 817 266 (within Australia) from 8.30am to 5.30pm (AEDT), Monday to Friday and +61 1800 817 266 (outside Australia) from 8.30am to 5.30pm (AEDT), Monday to Friday to confirm their allocation. Applicants under the Broker Firm Offer will also be able to confirm their allocation through the Broker from whom they received their allocation. Successful Applicants will be formally notified of the success of their Application by the receipt of initial holding statements.

If you sell Shares before receiving a holding statement, you do so at your own risk, even if you obtained details of your holding from the Harmoney IPO Offer Information Line or confirmed your allocation through the Broker from whom you received your allocation.

7.6 Application Monies

The Company and SaleCo reserve the right to decline any Application in whole or in part, without giving any reason. Application Monies received under the Broker Firm Offer will be held in a special purpose account until Shares are issued or sold to Successful Applicants. Applicants under the Broker Firm Offer whose Applications are not accepted, or who are allocated a lesser number of Shares than the amount applied for, will receive a refund of all or part of their Application Monies, as applicable. Interest will not be paid on any monies refunded.

Applicants whose Applications are accepted in full will receive the whole number of Shares calculated by dividing the Application Monies by the Offer Price. Where the Offer Price does not divide evenly into the Application Monies, the number of Shares to be allocated will be rounded down. No refunds arising solely from rounding will be provided.

Interest will not be paid on any monies refunded and any interest earned on Application Monies pending the allocation or refund will be retained by the Company.

You should ensure that sufficient funds are held in the relevant account(s) to cover the amount of your cheque(s), bank draft(s) or BPAY® payment. If the amount of your cheque(s), bank draft(s) or BPAY® payment for Application Monies (or the amount of those cheque(s), bank draft(s) or BPAY® that clear in time for allocation) is less than the amount specified on the Application Form, you may be taken to have applied for such lower dollar amount of Shares or your Application may be rejected.

7.7 Institutional Offer

7.7.1 Invitations to bid

Under the Institutional Offer, Institutional Investors in Australia, New Zealand and Other Permitted Jurisdictions were invited to bid for an allocation of Shares under this Prospectus. The Joint Lead Managers separately advised the Institutional Investors of the Application procedures for the Institutional Offer.

7.7.2 Allocation policy under the Institutional Offer

The allocation of Shares under the Institutional Offer and the basis of allocation amongst Institutional Investors was determined by the Joint Lead Managers in their absolute discretion in consultation with the Company.

Participants in the Institutional Offer have been advised of their allocation of Shares, if any, by the Joint Lead Managers. The allocation policy was influenced, but not constrained, by the following factors:

- the number of Shares bid for by particular Applicants;
- the timeliness of the bid by particular Applicants;
- the Company's desire for an informed and active trading market following Completion;
- the Company's desire to establish a wide spread of institutional Shareholders;
- the overall anticipated level of demand under the Broker Firm Offer and Institutional Offer;
- the size and type of funds under management of particular Applicants;
- the likelihood that particular Applicants will be long-term Shareholders; and
- any other factors that the Company and the Joint Lead Managers considered appropriate.

7.8 Acknowledgements

Each Applicant under the Offer will be deemed to have:

- agreed to become a member of the Company and to be bound by the terms of the Constitution and the terms and conditions of the Offer;
- acknowledged having personally received a printed or electronic copy of the Prospectus (and any supplementary or replacement prospectus) including or accompanied by the Application Form and having read them all in full;
- declared that all details and statements in their Application Form are complete and accurate;
- declared that the Applicant(s), if a natural person, is/are over 18 years of age;
- acknowledged that, once the Company, SaleCo or a Broker receives an Application Form, it may not be withdrawn;
- applied for the number of Shares at the Australian dollar amount shown on the front of the Application Form;
- agreed to being allocated and issued or sold the number of Shares applied for (or a lower number allocated in accordance with this Prospectus), or no Shares at all;
- authorised the Company, SaleCo, the Joint Lead Managers and their respective officers or agents, to do anything on behalf of the Applicant(s) that is necessary for the Shares to be allocated to the Applicant(s), including to act on instructions received by the Share Registry, using the contact details in the Application Form;
- acknowledged that, in some circumstances, the Company may not pay dividends, or that any dividends paid may not be franked;
- acknowledged that the information contained in this Prospectus (or any supplementary or replacement prospectus) is not financial product advice or a recommendation that the Shares are suitable for the Applicant(s), given the investment objectives, financial situation and particular needs (including financial and taxation issues) of the Applicant(s);
- declared that the Applicant(s) is/are a resident of Australia or New Zealand (except as applicable to the Institutional Offer);
- acknowledged and agreed that the Offer may be withdrawn by the Company or SaleCo or may otherwise not proceed in the circumstances described in this Prospectus; and
- acknowledged and agreed that if Listing does not occur for any reason, the Offer will not proceed.

Each Applicant in the Broker Firm Offer, and each person to whom the Institutional Offer has been made under this Prospectus, will be taken to have represented, warranted and agreed that:

- it understands that the Shares have not been, and will not be, registered under the US Securities Act or the securities laws of any state of the United States and may not be offered or sold in the United States, except in a transaction exempt from, or not subject to, registration under the US Securities Act and any other applicable state securities laws;
- it is not in the United States;
- it has not sent, and will not send, the Prospectus or any other material relating to the Offer to any person in the United States; and
- it will not offer or sell the Shares in the United States or in any other jurisdiction outside Australia or New Zealand except in transactions exempt from, or not subject to, registration requirements of the US Securities Act and in compliance with all applicable laws in the jurisdiction in which Shares are offered and sold.

7.9 Underwriting arrangements

The Offer is fully underwritten. For further details of the Underwriting Agreement, see Section 9.7.3.

7.10 Voluntary escrow arrangements

At Completion, 72% of the Shares on issue will be subject to voluntary escrow arrangements.

Table 4: Voluntary Escrowed Shareholders

Escrowed Shareholder	Number of Escrowed Shares (on Completion of the Offer)[54]	Escrowed Shares (as a % of Shares on issue on Completion of the Offer)
Neil Roberts Trustee Company Limited as trustee of the Neil Roberts Business Trust[55]	18,611,152	18.4%
Michael Lookman and 187 Bridge Trustees 53 Limited as trustees of the Lookman Family Trust[56]	9,069,618	9.0%
Kirwood Capital Partners IB Pty Limited as trustee of the Kirwood Capital Partners Fund IB Trust[58]	8,730,461	8.7%
Heartland Group Holdings Limited[58]	8,518,864	8.4%
Trade Me Limited[58]	7,620,959	7.6%
Alternative Credit Investments PLC	3,933,109	3.9%
David John Stevens & CR Trustees Limited as trustees of Liquid Asset Trust[57]	1,870,465	1.9%
Other Existing Shareholders[58]	14,597,387	14.5%
Total	**72,952,015**	**72.3%**

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[54] At Completion of the Offer, approximately 49.0% of the Escrowed Shares will be held by Affiliated Shareholders and approximately 51.0% will be held by Unaffiliated Shareholders.

[55] These are entities affiliated with Neil Roberts, who is a Director. This Escrowed Shareholder is also an Affiliated Shareholder.

[56] This Escrowed Shareholder is an Unaffiliated Shareholder.

[57] These are entities affiliated with David Stevens, who is the Chief Executive Officer and Managing Director. This Escrowed Shareholder is also an Affiliated Shareholder.

[58] This includes Escrowed Shareholders who are both Affiliated Shareholders and Unaffiliated Shareholders.

Escrowed Shares held immediately following Completion by the Escrowed Shareholders will be subject to voluntary escrow arrangements as set out in this Section 7.10. The Escrowed Shares will comprise approximately 72% of the total Shares on issue at Completion. The Company's free float at the time of Listing will be not less than 20% for the purposes of ASX Listing Rule 1.1, Condition 7. The reason for the voluntary escrow arrangements is to promote investor confidence in the Company and an orderly market.

Each Escrowed Shareholder has entered into voluntary escrow arrangements in respect of their Escrowed Shares, which prevents them from selling or otherwise dealing in tranches of their Escrowed Shares during the applicable Escrow Period subject to certain permitted exceptions as set out in those voluntary escrow arrangements.

The terms of the voluntary escrow arrangements will have no effect on any rights of the Escrowed Shareholders to receive dividends, a return of capital or other distribution attaching to the Escrowed Shares or to exercise voting rights in respect of the Escrowed Shares.

During the relevant Escrow Period, an Escrowed Shareholder may grant a security interest over any (or all) of its Escrowed Shares to a bona fide third-party financial institution as security for a loan, hedge or other financial accommodation in certain circumstances.

7.10.1 Terms of voluntary escrow arrangements

The following partial and final release dates will apply to all Affiliated Shareholders in relation to their Escrowed Shares (subject to ASX Listing Rule 3.10A):

- in respect of the first 25% tranche of the Escrowed Shares held by that Escrowed Shareholder (rounded down to the nearest whole Escrowed Share), on and from 4.15pm on the Trading Day following the day on which the Company's full year results for the financial year ending 30 June 2021 are released to ASX and NZX;
- in respect of the second 25% tranche of the Escrowed Shares held by that Escrowed Shareholder (rounded down to the nearest whole Escrowed Share), on and from 4.15pm on the Trading Day following the day on which the Company's half year results for the financial half year ending 31 December 2021 are released to ASX and NZX; and
- in respect of all remaining Escrowed Shares held by that Escrowed Shareholder, on and from 4.15pm on the Trading Day following the day on which the Company's full year results for the financial year ending 30 June 2022 are released to ASX and NZX.

The following partial and final release dates will apply to all Unaffiliated Shareholders in relation to their Escrowed Shares:

- in respect of the first 50% tranche of the Escrowed Shares held by that Escrowed Shareholder (rounded down to the nearest whole Escrowed Share), on and from the earlier of (subject in each case to ASX Listing Rule 3.10A):
    - 4.15pm on the Trading Day following the day on which the Company's results for the financial year ending 30 June 2021 are released to ASX and NZX; or
    - 4.15pm on any Trading Day following the day on which the Company's half year results for the financial half year ending 31 December 2020 are released to ASX and NZX, where the VWAP calculated over a period of ten consecutive Trading Days from after the day of release of those half year results is at least 50% higher than the Offer Price and the five business days' notice period required under ASX Listing Rule 3.10A has expired; and
- in respect of all remaining Escrowed Shares held by that Escrowed Shareholder, on and from 4.15pm on the Trading Day following the day on which the Company's results for the financial half year ending 31 December 2021 are released to ASX and NZX.

7.10.2 Other exceptions

An Escrowed Shareholder may have some or all of its Escrowed Shares released early from these escrow obligations to enable:

- the Escrowed Shareholder to accept an offer made under a Takeover Offer for any of its Escrowed Shares, provided that the holders of at least half of the Shares that are not subject to escrow arrangements and to which the offers under the Takeover Offer relate, have accepted the Takeover Offer (provided that, if for any reason any or all Escrowed Shares are not transferred or cancelled in accordance with the Takeover Offer (including because it does not become unconditional), then the Escrowed Shares will be returned to escrow);
- the Escrowed Shareholder to tender any of its Escrowed Shares into a bid acceptance facility established in connection with a Takeover Offer, provided that holders of at least half of the Shares that are not subject to escrow arrangements and to which the offers under the Takeover Offer relate, have either accepted the Takeover Offer or tendered (and not withdrawn) their Shares into the bid acceptance facility (provided that, if for any reason any or all Escrowed Shares are not transferred or cancelled in accordance with the Takeover Offer (including because it does not become unconditional), then the Escrowed Shares will be returned to escrow);

- the Escrowed Shares held by the Escrowed Shareholder to be transferred or cancelled as part of a merger or an acquisition of share capital being implemented by way of a scheme of arrangement under Part 15 of the Companies Act which has received all necessary approvals, including all such necessary approvals by Shareholders and courts (provided that, if for any reason any or all Escrowed Shares are not transferred or cancelled in accordance with the scheme of arrangement, then the Escrowed Shares will be returned to escrow);
- where the Escrowed Shares are beneficially held, the Escrowed Shareholder to transfer the Escrowed Shares to a transferee when the transfer does not result in a change in the beneficial ownership of the Escrowed Shares, the transfer does not extend the relevant Escrow Period and the transferee enters into voluntary escrow arrangements, including that the transferee agrees to inherit the same restrictions on voting and disposal as under the existing voluntary escrow arrangements;
- the Escrowed Shares to be dealt with in the case of the incapacity or death of the Escrowed Shareholder; or
- the Escrowed Shares to be dealt with pursuant to any applicable laws (including an order of a court of competent jurisdiction).

7.11 Restrictions on distribution

7.11.1 Restrictions on distribution

No action has been taken to register or qualify this Prospectus, the Shares or the Offer or otherwise to permit a public offering of the Shares in any jurisdiction outside Australia or New Zealand.

This Prospectus does not constitute an offer or invitation to apply for Shares in any jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or invitation or issue under this Prospectus.

This Prospectus may not be distributed in the United States, and may only be distributed to persons outside Australia and New Zealand to Institutional Investors to whom the Offer may lawfully be made in accordance with the laws of any applicable jurisdiction.

In particular, the Shares have not been, and will not be, registered under the US Securities Act or the securities laws of any state or other jurisdiction of the United States and may not be offered or sold, directly or indirectly, in the United States, except in transactions exempt from, or not subject to, the registration requirements of the US Securities Act and applicable US state securities laws.

Each Applicant under the Institutional Offer will be required to make certain representations, warranties and covenants set out in the confirmation of allocation letter distributed to it.

7.11.2 International offer restrictions

This Prospectus does not constitute an offer of Shares in any jurisdiction in which it would be unlawful. In particular, this document may not be distributed to any person, and the Shares may not be offered or sold, in any country outside Australia and New Zealand except to the extent permitted below.

Hong Kong

WARNING: This document has not been, and will not be, registered as a prospectus under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong, nor has it been authorised by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong (**SFO**). No action has been taken in Hong Kong to authorise or register this document or to permit the distribution of this document or any documents issued in connection with it. Accordingly, the Shares have not been and will not be offered or sold in Hong Kong other than to "professional investors" (as defined in the SFO and any rules made under that ordinance).

No advertisement, invitation or document relating to the Shares has been or will be issued, or has been or will be in the possession of any person for the purpose of issue, in Hong Kong or elsewhere that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Shares that are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors. No person allotted Shares may sell, or offer to sell, such securities in circumstances that amount to an offer to the public in Hong Kong within six months following the date of issue of such securities.

The contents of this document have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the offer. If you are in doubt about any contents of this document, you should obtain independent professional advice.

Singapore

This document and any other materials relating to the Shares have not been, and will not be, lodged or registered as a prospectus in Singapore with the Monetary Authority of Singapore. Accordingly, this document and any other document or materials in connection with the offer or sale, or invitation for subscription or purchase, of Shares, may not be issued, circulated or distributed, nor may the Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore except pursuant to and in accordance with exemptions in Subdivision (4) Division 1, Part XIII of the Securities and Futures Act, Chapter 289 of Singapore (**SFA**), or as otherwise pursuant to, and in accordance with, the conditions of any other applicable provisions of the SFA.

This document has been given to you on the basis that you are (i) an existing holder of the Company's shares, (ii) an "institutional investor" (as defined in the SFA) or (iii) an "accredited investor" (as defined in the SFA). In the event that you are not an investor falling within any of the categories set out above, please return this document immediately. You may not forward or circulate this document to any other person in Singapore.

Any offer is not made to you with a view to the Shares being subsequently offered for sale to any other party. There are on-sale restrictions in Singapore that may be applicable to investors who acquire Shares. As such, investors are advised to acquaint themselves with the SFA provisions relating to resale restrictions in Singapore and comply accordingly.

United Kingdom

Neither this document nor any other document relating to the offer has been delivered for approval to the Financial Conduct Authority in the United Kingdom and no prospectus (within the meaning of Section 85 of the *Financial Services and Markets Act 2000*, as amended (**FSMA**) has been published or is intended to be published in respect of the Shares.

The Shares may not be offered or sold in the United Kingdom by means of this document or any other document, except in circumstances that do not require the publication of a prospectus under Section 86(1) of the FSMA. This document is issued on a confidential basis in the United Kingdom to "qualified investors" (within the meaning of Article 2(e) of the Prospectus Regulation (2017/1129/EU), replacing Section 86(7) of the FSMA). This document may not be distributed or reproduced, in whole or in part, nor may its contents be disclosed by recipients, to any other person in the United Kingdom.

Any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received in connection with the issue or sale of the Shares has only been communicated or caused to be communicated and will only be communicated or caused to be communicated in the United Kingdom in circumstances in which Section 21(1) of the FSMA does not apply to the Company.

In the United Kingdom, this document is being distributed only to, and is directed at, persons (i) who have professional experience in matters relating to investments falling within Article 19(5) (investment professionals) of the *Financial Services and Markets Act 2000* (Financial Promotions) Order 2005 (**FPO**), (ii) who fall within the categories of persons referred to in Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc.) of the FPO or (iii) to whom it may otherwise be lawfully communicated (together **relevant persons**). The investment to which this document relates is available only to relevant persons. Any person who is not a relevant person should not act or rely on this document.

7.12 Discretion regarding the Offer

The Company and SaleCo may withdraw the Offer at any time before the issue of New Shares or sale of Sale Shares to Successful Applicants under the Offer. If the Offer, or any part of it, does not proceed, all relevant Application Monies will be refunded (without interest). The Company, SaleCo and the Joint Lead Managers also reserve the right to close the Offer or any part of it early, extend the Offer or any part of it, accept late Applications either generally or in particular cases, reject any Application, or allocate to any Applicant fewer Shares than those applied for.

7.13 ASX listing, registers and holding statements

7.13.1 Application to ASX for listing of the Company and quotation of Shares

The Company will apply to ASX within seven days of the Prospectus Date, for its admission to the Official List and quotation of Shares (which is expected to be under the code "HMY").

ASX takes no responsibility for this Prospectus or the investment to which it relates. The fact that ASX may admit the Company to the Official List is not to be taken as an indication of the merits of the Company or the Shares offered for subscription.

If permission is not granted for the official quotation of the Shares on ASX within three months after the Prospectus Date (or any later date permitted by law), the Offer may be withdrawn and all Application Monies received by the Company will be refunded (without interest) as soon as practicable in accordance with the requirements of the Corporations Act.

Subject to certain conditions (including any waivers obtained by the Company from time to time), the Company will be required to comply with the ASX Listing Rules.

7.13.2 CHESS and issuer sponsored holdings

The Company has applied to participate in ASX's Clearing House Electronic Subregister System (**CHESS**) and will comply with the ASX Listing Rules and the ASX Settlement Operating Rules. CHESS facilitates the clearing and settlement of trades in shares and provides an electronic subregister for shares in listed companies.

When the Shares become Approved Financial Products (as defined in the ASX Settlement Operating Rules), holdings will be registered in one of two subregisters, being an electronic CHESS subregister, maintained by ASX Settlement, or an issuer sponsored subregister, maintained by the Company. For all Successful Applicants, the Shares of a Shareholder who is an authorised participant in CHESS, or the Shares of a Shareholder sponsored by an authorised participant in CHESS, will be registered on the CHESS subregister.

Following Completion, Shareholders will be sent a holding statement that sets out the number of Shares that have been issued to them. This statement will also provide details of a Shareholder's Holder Identification Number (**HIN**) for CHESS holders or, where applicable, the Securityholder Reference Number (**SRN**) of issuer sponsored holders.

Shareholders will subsequently receive statements showing any changes to their shareholding. Share certificates will not be issued.

Shareholders will receive subsequent statements during the first week of the following month if there has been a change to their holding on the register and as otherwise required under the ASX Listing Rules and the Corporations Act. Additional statements may be requested at any other time either directly through the Shareholder's sponsoring broker in the case of a holding on the CHESS electronic subregister or through the Share Registry in the case of a holding on the issuer sponsored subregister. The Company and the Share Registry may charge a fee for these additional statements.

7.14 NZX foreign exempt listing

Contemporaneous with the Company's application for its admission to the Official List and quotation of Shares on ASX, the Company will apply for listing with NZX as a foreign exempt issuer and for quotation of the Shares on the NZX Main Board.

NZX Listing Rule 1.7.1 sets out how the NZX Listing Rules are modified for foreign exempt issuers. In broad terms, if the Company is admitted to the NZX Main Board as a foreign exempt issuer, it will need to comply with the ASX Listing Rules (other than as waived by ASX) but will not need to comply with the vast majority of the NZX Listing Rules. Rather, the Company will need to comply only with the rules specified in NZX Listing Rule 1.7.2, which are relatively procedural in nature. The Company will not be subject to substantive NZX Listing Rule requirements, such as the rules on continuous disclosure, periodic reporting, shareholder approval of share issuances, escrow, transactions with persons of influence and significant transactions.

Failure to achieve admission to the NZX Main Board will not, of itself, prevent the Offer from proceeding and the Offer will not be withdrawn. In that situation, there will be no active trading market in the Shares on NZX, thereby potentially decreasing the overall liquidity of the Shares.

NZX takes no responsibility for the contents of this Prospectus or for the merits of the investment to which this Prospectus relates. The fact that NZX may admit the Company to the NZX Main Board and quote the Shares the on the NZX Main Board is not to be taken as an indication of the merits, or as an endorsement by NZX, of the Company or the Shares. NZX is not a licensed market under the Corporations Act.

If a Successful Applicant wishes to trade its Shares on the NZX Main Board, then the Applicant must apply to the Share Registry and request that its Shares on the CHESS subregister are removed from the CHESS subregister and transferred to the NZX Clearing System. Once this has been completed, the Applicant will be able to trade its Shares on the NZX Main Board.

If you wish to sell any of your Shares on the NZX Main Board, after confirming your allocation of Shares, you must contact an NZX Firm (as defined in the NZX Limited Participant Rules) and have a CSN and an Authorisation Code (FIN). Opening a new broker account can take a number of days depending on the NZX Firm's new client procedures.

7.15 Summary of rights and liabilities attaching to Shares and other material provisions of the Constitution

7.15.1 Introduction

Given that the Company is incorporated under the laws of New Zealand, the rights and liabilities attaching to the Shares are governed by New Zealand law and the Constitution. Once listed on ASX, the Company will also become subject to the ASX Listing Rules, and the ASX Settlement Operating Rules. Prior to the Prospectus Date, a shareholder resolution of the Company was passed by the requisite majority to approve the replacement of the Company's current constitution through the adoption of the Constitution, subject to and with effect from Completion. Accordingly, the current constitution of the Company will remain in place until Completion, at which time the revocation of the current constitution and the adoption of the Constitution will become effective.

A summary of the key rights, liabilities and obligations attaching to the Shares and a description of certain provisions of the Constitution are set out below. This summary is not an exhaustive statement of all relevant laws, rules, regulations and the Constitution, nor does it constitute a definitive statement of the rights and liabilities of Shareholders. It is intended as a general guide only.

7.15.2 Voting at a general meeting

At a general meeting of Harmoney, every Shareholder present in person and each other person present as a proxy, attorney or Representative of a Shareholder has one vote on a show of hands and, on a poll, each Shareholder present in person has one vote for each Share held and each person present as proxy, attorney or Representative of a Shareholder has one vote for each Share held by the Shareholder that the person represents (with adjusted voting rights for partly paid ordinary Shares). The chairman of the meeting is not entitled to a casting vote.

A Shareholder is not entitled to vote at a general meeting in respect of Shares that are subject of certain restrictions set out in the Constitution.

7.15.3 Meetings of Shareholders

Subject to any restrictions in the Constitution, the Companies Act and any rights or restrictions attached to any class or classes of Shares, each shareholder is entitled to receive notice of, attend and vote at general meetings of Harmoney and to receive all notices, reports, accounts and other documents required to be sent to Shareholders under the Constitution, the Companies Act and the ASX Listing Rules.

Harmoney must give at least 28 days' written notice of a general meeting.

7.15.4 Dividends

Subject to the Constitution and the terms of issue or rights of any Shares with special rights to dividends, the Board may from time to time authorise a dividend.

For further information in respect of Harmoney's proposed dividend policy, see Section 4.8.

7.15.5 Transfer of Shares

Subject to any restrictions under law, the Constitution, the ASX Listing Rules or the ASX Settlement Operating Rules, Shares may be transferred:

- as provided by the ASX Settlement Operating Rules of an applicable CF Facility (as defined in the Corporations Act) or any other method of transfer which is required or permitted by the Corporations Act and ASX;
- under a system of transfer approved under Sections 376 to 378 of the FMCA which is applicable to Harmoney;
- under any other share transfer system which operates in relation to the trading of securities on any stock exchange outside New Zealand on which Shares are listed and which is applicable to Harmoney; or
- by an instrument of transfer which complies with the Constitution.

7.15.6 Issue of further Shares

Subject to the ASX Listing Rules and any rights and restrictions attached to Shares, the Board has full discretion to issue, consolidate or subdivide Shares, grant options over unissued Shares.

Further, if a Shareholder does not pay a call on a Share when it is due, the Board may by resolution, forfeit, sell or otherwise dispose of the Share on such terms and in such manner as it determines (subject to certain notice requirements under the Constitution).

7.15.7 Liquidation

If Harmoney is liquidated, the liquidator may, with the sanction of an ordinary resolution of Shareholders, divide among Shareholders in kind the whole or any part of Harmoney's surplus assets, attribute values to assets as the liquidator considers appropriate and determine how the division is to be carried out between Shareholders or different classes of Shareholders. With the approval of Shareholders by ordinary resolution, the liquidator may vest the whole or any part of any surplus assets of Harmoney in trustees upon trust for the benefit of Shareholders.

Subject to the rights of security holders in Harmoney, if Harmoney is liquidated, the surplus assets of Harmoney must be distributed among the Shareholders in proportion to their shareholding.

7.15.8 Unmarketable parcels

Subject to the ASX Listing Rules, the Board may sell the Shares of a Shareholder who holds less than a marketable parcel by following the procedures set out in the Constitution.

7.15.9 Share buy-backs

Subject to the Constitution, the Companies Act and the ASX Listing Rules, Harmoney may buy back Shares in itself.

7.15.10 Alteration of rights

At present, Harmoney's only class of shares on issue is Shares. Subject to the Constitution, Harmoney is permitted to issue any further Shares or Equity Securities (including Shares) which rank equally with, or in priority to, any existing Shares or Equity Securities (including Shares), whether as to voting rights or distributions. The issue of such further Shares or Equity Securities will not be deemed to be an action affecting the rights attached to the existing Shares or other existing Equity Securities.

7.15.11 Consolidation and subdivision of Equity Securities

Subject to the Constitution, the Board may consolidate and divide the Equity Securities or a class of Equity Securities or subdivide the Equity Securities or a class of Equity Securities.

7.15.12 Preference Shares

Subject to the Constitution, Harmoney may issue further Shares in the Company (including different classes of Shares) that confer preferential rights to distributions of capital or income or have preferred or other special rights, whether as to voting rights or distributions or otherwise.

7.15.13 Directors – appointment and removal

Under the Constitution, Harmoney will have at least three Directors, the number of Directors being fixed from time to time by the Board. There must be an election of Directors at each annual general meeting of Harmoney and a Director may be appointed by ordinary resolution. Retirement will occur on a rotational basis so that at least one Director must retire from office at each annual general meeting, determined in accordance with the Constitution. Any Director who has held office for more than three years or past the third annual general meeting following their appointment or last election (whichever is longer) faces re-election. The Board may also appoint a Director to fill a casual vacancy on the Board or as an addition to the existing Directors, who (excluding any managing Director) will then hold office until the next annual general meeting of Harmoney.

7.15.14 Directors – voting

A resolution of the Board is passed if it is agreed to by all Directors present without dissent or a majority of the votes cast on it are in favour of it. A Director present at a meeting of the Board is presumed to have agreed to, and to have voted in favour of, a resolution of the Board unless that Director expressly dissents or expressly abstains from voting on, or votes against, the resolution.

A resolution in writing, signed or assented to by a majority of the Directors entitled to vote on that resolution, is as valid and effective as if it had been passed at a meeting of the Board duly convened and held.

7.15.15 Indemnities

Harmoney, to the maximum extent permitted by the Companies Act, may indemnify any current or former director, or officer, of Harmoney or its subsidiaries against any liability incurred by that person in that capacity, including certain legal costs.

Under the Constitution, Harmoney may provide indemnification and may obtain insurance for each director, or officer, of Harmoney or its subsidiaries during their period of office and for a certain period after the person ceases to be a director, or officer, of Harmoney or its subsidiaries.

Harmoney has entered into a deed of access, indemnity and insurance in favour of the Directors. This is summarised in Section 6.3.2.4.

7.15.16 Powers and duties of Directors

The Board is responsible for overseeing the proper management of the business of Harmoney, which (in addition to the powers and authorities conferred on it by the Constitution) may exercise all powers and do all things that are within Harmoney's power (that are not required by law or by the Constitution to be exercised by Shareholders).

7.15.17 Amendments

The Constitution can only be amended by special resolution passed by at least three quarters of Shareholders present (in person or by proxy) and entitled to vote and voting on the resolution at a general meeting of Harmoney.

Section 8

Investigating Accountant's Report

8 Investigating Accountant's Report

The Directors
Harmoney Corp Limited
79 Carlton Gore Road,
Newmarket, Auckland 1023,
New Zealand

The Directors
Harmoney Share Sale Company Limited
79 Carlton Gore Road,
Newmarket, Auckland 1023,
New Zealand

30 October 2020

Dear Directors

Investigating Accountant's Report

Independent Limited Assurance Report on Harmoney Corp Limited historical and forecast financial information and Financial Services Guide

We have been engaged by Harmoney Corp Limited (the **Company**) and Harmoney Share Sale Company Limited (**SaleCo**) to report on the historical and forecast financial information of the Company, as defined below, for inclusion in the Prospectus (**Offer Document**) dated on or about 30 October 2020 and relating to the issue and transfer of ordinary shares in the Company as part of an initial public offering and associated listing of the Company on the Australian Securities Exchange and a foreign exempt listing on the New Zealand Stock Exchange.

Expressions and terms defined in the Offer Document have the same meaning in this report.

The nature of this report is such that it can only be issued by an entity which holds an Australian financial services licence under the Corporations Act 2001 (Cth) (**Corporations Act**). PricewaterhouseCoopers Securities Ltd, which is wholly owned by PricewaterhouseCoopers holds the appropriate Australian financial services licence under the Corporations Act. This report is both an Investigating Accountant's Report, the scope of which is set out below, and a Financial Services Guide, as attached at Appendix A.

PricewaterhouseCoopers Securities Ltd, ACN 003 311 617, ABN 54 003 311 617, Holder of Australian Financial Services Licence No 244572
One International Towers Sydney, Watermans Quay, Barangaroo NSW 2000, GPO BOX 2650 Sydney NSW 2001
T: +61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au
Level 11, 1PSQ, 169 Macquarie Street, Parramatta NSW 2150, PO Box 1155 Parramatta NSW 2124
T: +61 2 9659 2476, F: +61 2 8266 9999, www.pwc.com.au

Each reference in this investigating accountant's report to "you" is a reference to the Company and SaleCo collectively.

Scope

You have requested PricewaterhouseCoopers Securities Ltd to review the following financial information of the Company (the responsible party) and its subsidiaries included in the Offer Document (**Financial Information**):

The **Historical Financial Information** of the Company and its subsidiaries comprising:

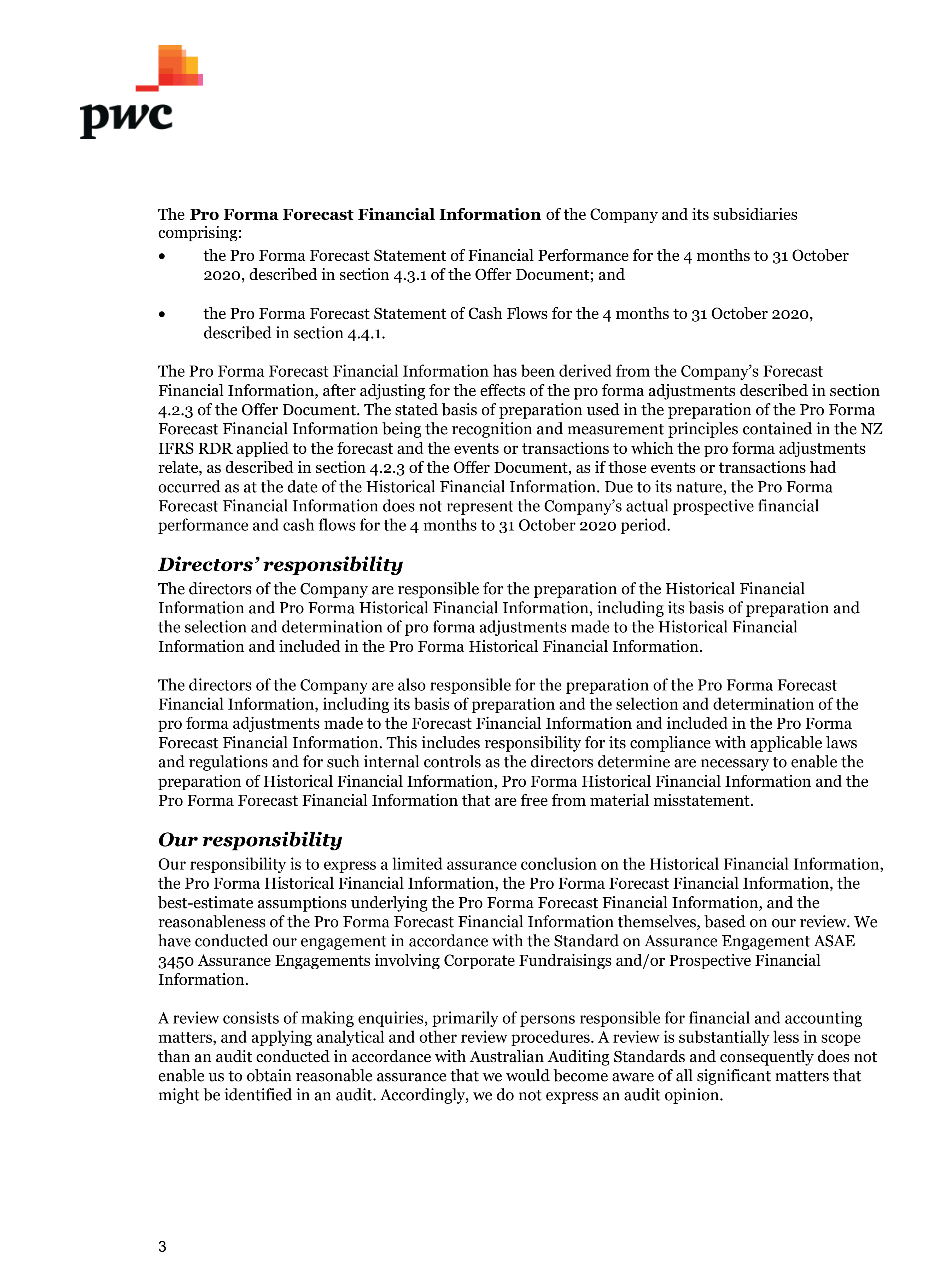
- the Statements of Financial Performance for the 12 months ended 31 March 2018 and 31 March 2019 and for the 15 month period ended 30 June 2020;
- the Statement of Financial Position as at 30 June 2020; and
- the Statements of Cash Flows for the 12 months ended 31 March 2018 and 31 March 2019 and for the 15 month period ended 30 June 2020.

The Historical Financial Information has been prepared in accordance with the stated basis of preparation, being the recognition and measurement principles contained in New Zealand equivalents to the International Financial Reporting Standards Reduced Disclosure Regime (**NZ IFRS RDR**) and the Company's adopted accounting policies. The Historical Financial Information has been extracted from the financial report of the Company for the 12 months ended 31 March 2018 and 31 March 2019 and for the 15 month period ended 30 June 2020, which were audited by PricewaterhouseCoopers New Zealand in accordance with the International Standards on Auditing (New Zealand) (**ISAs (NZ)**) and International Standards on Auditing (**ISAs**). PricewaterhouseCoopers New Zealand issued unmodified audit opinions on each of these financial reports. The Historical Financial Information is presented in the Offer Document in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by NZ IFRS RDR and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act.

The **Pro Forma Historical Financial Information** of the Company and its subsidiaries comprising:

- the Pro Forma Historical Statements of Financial Performance for the 12 months to 30 June 2018 (**FY18**), 30 June 2019 (**FY19**) and 30 June 2020 (**FY20**) and 4 months to 31 October 2019 (**4M to Oct19**);
- the Pro Forma Historical Statement of Financial Position as at 30 June 2020; and
- the Pro Forma Historical Statement of Cash Flows for FY18, FY19, FY20 and 4M to Oct19.

The Pro Forma Historical Financial Information has been derived from the Historical Financial Information of the Company and its subsidiaries, after adjusting for the effects of pro forma adjustments described in sections 4.3.3, 4.4.1 and 4.5.1 of the Offer Document. The stated basis of preparation is the recognition and measurement principles contained in NZ IFRS RDR and the Company's adopted accounting policies applied to the Historical Financial Information and the events or transactions to which the pro forma adjustments relate, as described in section 4.2.2 of the Offer Document, as if those events or transactions had occurred as at the date of the Historical Financial Information. Due to its nature, the Pro Forma Historical Financial Information does not represent the Company's actual or prospective financial position, financial performance and cash flows.



The **Pro Forma Forecast Financial Information** of the Company and its subsidiaries comprising:

- the Pro Forma Forecast Statement of Financial Performance for the 4 months to 31 October 2020, described in section 4.3.1 of the Offer Document; and
- the Pro Forma Forecast Statement of Cash Flows for the 4 months to 31 October 2020, described in section 4.4.1.

The Pro Forma Forecast Financial Information has been derived from the Company's Forecast Financial Information, after adjusting for the effects of the pro forma adjustments described in section 4.2.3 of the Offer Document. The stated basis of preparation used in the preparation of the Pro Forma Forecast Financial Information being the recognition and measurement principles contained in the NZ IFRS RDR applied to the forecast and the events or transactions to which the pro forma adjustments relate, as described in section 4.2.3 of the Offer Document, as if those events or transactions had occurred as at the date of the Historical Financial Information. Due to its nature, the Pro Forma Forecast Financial Information does not represent the Company's actual prospective financial performance and cash flows for the 4 months to 31 October 2020 period.

Directors' responsibility

The directors of the Company are responsible for the preparation of the Historical Financial Information and Pro Forma Historical Financial Information, including its basis of preparation and the selection and determination of pro forma adjustments made to the Historical Financial Information and included in the Pro Forma Historical Financial Information.

The directors of the Company are also responsible for the preparation of the Pro Forma Forecast Financial Information, including its basis of preparation and the selection and determination of the pro forma adjustments made to the Forecast Financial Information and included in the Pro Forma Forecast Financial Information. This includes responsibility for its compliance with applicable laws and regulations and for such internal controls as the directors determine are necessary to enable the preparation of Historical Financial Information, Pro Forma Historical Financial Information and the Pro Forma Forecast Financial Information that are free from material misstatement.

Our responsibility

Our responsibility is to express a limited assurance conclusion on the Historical Financial Information, the Pro Forma Historical Financial Information, the Pro Forma Forecast Financial Information, the best-estimate assumptions underlying the Pro Forma Forecast Financial Information, and the reasonableness of the Pro Forma Forecast Financial Information themselves, based on our review. We have conducted our engagement in accordance with the Standard on Assurance Engagement ASAE 3450 Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information.

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

Our engagement did not involve updating or re-issuing any previously issued audit or review report on any financial information used as a source of the financial information.

Conclusions

Historical Financial Information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the Historical Financial Information of the Company and its subsidiaries, as described in sections 4.3.1, 4.4.2 and 4.5.1 of the Offer Document are not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in section 4.2.2 of the Offer Document being the recognition and measurement principles contained in NZ IFRS RDR and the Company's adopted accounting policies.

Pro Forma Historical Financial Information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the Pro Forma Historical Financial Information of the Company and its subsidiaries as described in sections 4.3.1, 4.4.1 and 4.5.1 of the Offer Document are not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in section 4.2.2 of the Offer Document being the recognition and measurement principles contained in NZ IFRS RDR and the Company's adopted accounting policies applied to the Historical Financial Information and the events or transactions to which the pro forma adjustments relate, as described in section 4.2.2 of the Offer Document, as if those events or transactions had occurred as at the date of the Pro Forma Historical Financial Information.

Pro Forma Forecast Financial Information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that:

- the directors' best-estimate assumptions used in the preparation of the Pro Forma Forecast Financial Information do not provide reasonable grounds for the Pro Forma Forecast Financial Information; and
- in all material respects, the Pro Forma Forecast Financial Information:
  - is not properly prepared on the basis of the directors' best-estimate assumptions, as described in section 4.6.2 of the Offer Document; and
  - is not presented fairly in accordance with the stated basis of preparation, being the recognition and measurement principles contained in NZ IFRS RDR and the Company's adopted accounting policies, applied to the Forecast Financial Information and the pro forma adjustments as if those adjustments had occurred as at the date of the forecast; and
- the Pro Forma Forecast Financial Information itself is unreasonable.

Pro Forma Forecast Financial Information

The Pro Forma Forecast Financial Information has been prepared by management and adopted by the directors in order to provide prospective investors with a guide to the potential financial performance of the Company and its subsidiaries for the 4 months to 31 October 2020 period. There is a considerable degree of subjective judgment involved in preparing forecasts since they relate to events and transactions that have not yet occurred and may not occur. Actual results are likely to be different from the Pro Forma Forecast Financial Information since anticipated events or transactions frequently do not occur as expected and the variation may be material.

The directors' best-estimate assumptions on which the Pro Forma Forecast Financial Information is based relate to future events and/or transactions that management expect to occur and actions that management expect to take and are also subject to uncertainties and contingencies, which are often outside the control of the Company. Evidence may be available to support the directors' best-estimate assumptions on which the Pro Forma Forecast Financial Information is based however such evidence is generally future-oriented and therefore speculative in nature. We are therefore not in a position to express a reasonable assurance conclusion on those best-estimate assumptions, and accordingly, provide a lesser level of assurance on the reasonableness of the directors' best-estimate assumptions. The limited assurance conclusion expressed in this report has been formed on the above basis.

Prospective investors should be aware of the material risks and uncertainties in relation to an investment in the Company, which are detailed in the Offer Document, and the inherent uncertainty relating to the Pro Forma Forecast Financial Information. Accordingly, prospective investors should have regard to the investment risks and sensitivities as described in sections 5 and 4.7 of the Offer Document. The sensitivity analysis described in section 4.7 of the Offer Document demonstrates the impact on the Pro Forma Forecast Financial Information of changes in key best-estimate assumptions. We express no opinion as to whether the Pro Forma Forecast Financial Information will be achieved.

The Pro Forma Forecast Financial Information has been prepared by the directors for the purpose of inclusion in the Offer Document. We disclaim any assumption of responsibility for any reliance on this report, or on the Pro Forma Forecast Financial Information to which it relates, for any purpose other than that for which it was prepared. We have assumed, and relied on representations from certain members of management of the Company, that all material information concerning the prospects and proposed operations of the Company has been disclosed to us and that the information provided to us for the purpose of our work is true, complete and accurate in all respects. We have no reason to believe that those representations are false.

Notice to investors outside Australia and New Zealand

Under the terms of our engagement this report has been prepared solely to comply with Australian Auditing Standards applicable to review engagements.

This report does not constitute an offer to sell, or a solicitation of an offer to buy, any securities. We do not hold any financial services licence or other licence outside Australia. We are not recommending or making any representation as to suitability of any investment to any person.

Restriction on Use

Without modifying our conclusions, we draw attention to section 4.2 of the Offer Document, which describes the purpose of the Financial Information, being for inclusion in the Offer Document. As a result, the Financial Information may not be suitable for use for another purpose.

Consent

PricewaterhouseCoopers Securities Ltd has consented to the inclusion of this assurance report in the Offer Document in the form and context in which it is included.

Liability

The liability of PricewaterhouseCoopers Securities Ltd is limited to the inclusion of this report in the Offer Document. PricewaterhouseCoopers Securities Ltd makes no representation regarding, and has no liability for, any other statements or other material in, or omissions from the Offer Document.

Independence or Disclosure of Interest

PricewaterhouseCoopers Securities Ltd does not have any interest in the outcome of this proposed initial public offering other than the preparation of this report and participation in due diligence procedures for which normal professional fees will be received.

Financial Services Guide

We have included our Financial Services Guide as Appendix A to our report. The Financial Services Guide is designed to assist retail clients in their use of any general financial product advice in our report.

Yours faithfully

Troy Porter
Authorised Representative
PricewaterhouseCoopers Securities Ltd

Appendix A – Financial Services Guide

PRICEWATERHOUSECOOPERS SECURITIES LTD

FINANCIAL SERVICES GUIDE

This Financial Services Guide is dated 30 October 2020

1. About us

PricewaterhouseCoopers Securities Ltd (ABN 54 003 311 617, Australian Financial Services Licence no 244572) (**PwC Securities**) has been engaged by Harmoney Corp Limited (the **Company**) and Harmoney Share Sale Company Limited (**SaleCo**) (collectively, **you)** to provide a report in the form of an Investigating Accountant's Report in relation to the historical and pro forma financial information of the Company (the "**Report**") for inclusion in the Offer Document dated on or about 30 October 2020 relating to the proposed initial public offering of ordinary shares in the Company and listing on the Australian Securities Exchange and a foreign exempt listing on the New Zealand Stock Exchange.

You have not engaged us directly but have been provided with a copy of the Report as a retail client because of your connection to the matters set out in the Report.

2. This Financial Services Guide

This Financial Services Guide ("**FSG**") is designed to assist retail clients in their use of any general financial product advice contained in the Report. This FSG contains information about PwC Securities generally, the financial services we are licensed to provide, the remuneration we may receive in connection with the preparation of the Report, and how complaints against us will be dealt with.

3. Financial services we are licensed to provide

Our Australian financial services licence allows us to provide a broad range of services, including providing financial product advice in relation to various financial products such as securities, interests in managed investment schemes, derivatives, superannuation products, foreign exchange contracts, insurance products, life products, managed investment schemes, government debentures, stocks or bonds, and deposit products.

4. General financial product advice

The Report contains only general financial product advice. It was prepared without taking into account your personal objectives, financial situation or needs.

You should consider your own objectives, financial situation and needs when assessing the suitability of the Report to your situation. You may wish to obtain personal financial product advice from the holder of an Australian Financial Services Licence to assist you in this assessment.

5. Fees, commissions and other benefits we may receive

PwC Securities charges fees to produce reports, including this Report. These fees are negotiated and agreed with the entity who engages PwC Securities to provide a report. Fees are charged on an hourly basis or as a fixed amount depending on the terms of the agreement with the person who engages us. Our fees charged for preparation of the Report are outlined in section 6.3.1 of the Offer Document.

Directors or employees of PwC Securities, PricewaterhouseCoopers, or other associated entities, may receive partnership distributions, salary or wages from PricewaterhouseCoopers.

6. Associations with issuers of financial products

PwC Securities and its authorised representatives, employees and associates may from time to time have relationships with the issuers of financial products. For example, PricewaterhouseCoopers may be the auditor of, or provide financial services to, the issuer of a financial product and PwC Securities may provide financial services to the issuer of a financial product in the ordinary course of its business. PricewaterhouseCoopers New Zealand is the auditor of the Company.

7. Complaints

If you have a complaint, please raise it with us first, using the contact details listed below. We will endeavour to satisfactorily resolve your complaint in a timely manner. In addition, a copy of our internal complaints handling procedure is available upon request.

If we are not able to resolve your complaint to your satisfaction within 45 days of your written notification, you are entitled to have your matter referred to the Australian Financial Complaints Authority (**"AFCA"**), an external complaints resolution service. AFCA can be contacted by calling 1800 931 678. You will not be charged for using the AFCA service.

8. Contact Details

PwC Securities can be contacted by sending a letter to the following address:

Mr Troy Porter
PricewaterhouseCoopers Securities Ltd
One International Towers Sydney, Watermans Quay,
Barangaroo NSW 2000

Section 9

Additional information

9 Additional information

9.1 Registration

The Company was registered in New Zealand with NZCN 5177041 on 1 May 2014. The Company was registered as a foreign company in Australia with Australian Registered Body Number (ARBN) 645 036 595 on 12 October 2020.

Harmoney Services Australia Pty Ltd has been appointed as local agent of the Company under the Corporations Act. The Company's General Counsel has been engaged to act as the person responsible for communications with ASX under ASX Listing Rule 12.6.

9.2 Company tax status and financial year

Harmoney is a company incorporated in New Zealand and is registered as a foreign company in Australia and as such, it will be treated as a foreign company for Australian taxation purposes. The Company's financial year ends on 30 June, annually. The financial statements of the Company will be prepared in accordance with NZ GAAP. The Company complies with NZ IFRS, and other applicable financial reporting standards as appropriate for profit-orientated entities. The financial statements of the Company will continue to be audited in accordance with International Standards on Auditing and International Standards on Auditing (New Zealand). The Company is a tax resident in New Zealand and subject to New Zealand income tax at a current rate of 28%.

9.3 Role of SaleCo

SaleCo is a special purpose vehicle which has been established to facilitate the sale of Sale Shares held by the Selling Shareholders, including Shares that Selling Shareholders may acquire prior to Completion as part of the Restructure, as described in Section 9.5.

SaleCo was incorporated in New Zealand on 1 October 2020 and was registered as a foreign company in Australia on 12 October 2020.

The shareholder of SaleCo is David Flacks. David Flacks, David Stevens, Neil Roberts and Tracey Jones are the directors of SaleCo, in addition to being the directors of the Company, as described in Section 6.1.

Each of the Selling Shareholders, the Company and SaleCo has entered, or will enter, into a Sell Down Deed under which the Selling Shareholders agree to sell a nominated number of their Shares (as determined by the Company prior to Completion) to SaleCo, free from encumbrances and third-party rights, so that those Sale Shares can be sold and transferred by SaleCo as part of the Offer. The Selling Shareholders have agreed to sell up to 6,428,572 Shares (in aggregate) to SaleCo, as shown in Section 7.2.

Following settlement of the sale of the Sale Shares to SaleCo, the Sale Shares will then be sold to Successful Applicants at the Offer Price under the Offer. The aggregate price payable by SaleCo to all the Selling Shareholders is the Offer Price multiplied by the number of Sale Shares. The Company will separately issue New Shares to Successful Applicants at the Offer Price under the Offer.

SaleCo has no material assets, liabilities or operations other than its rights, interests and obligations under the Sell Down Deed and the Underwriting Agreement.

9.4 Corporate structure

Figure 1 shows the corporate structure of the Group on Listing.

Figure 1: Corporate structure

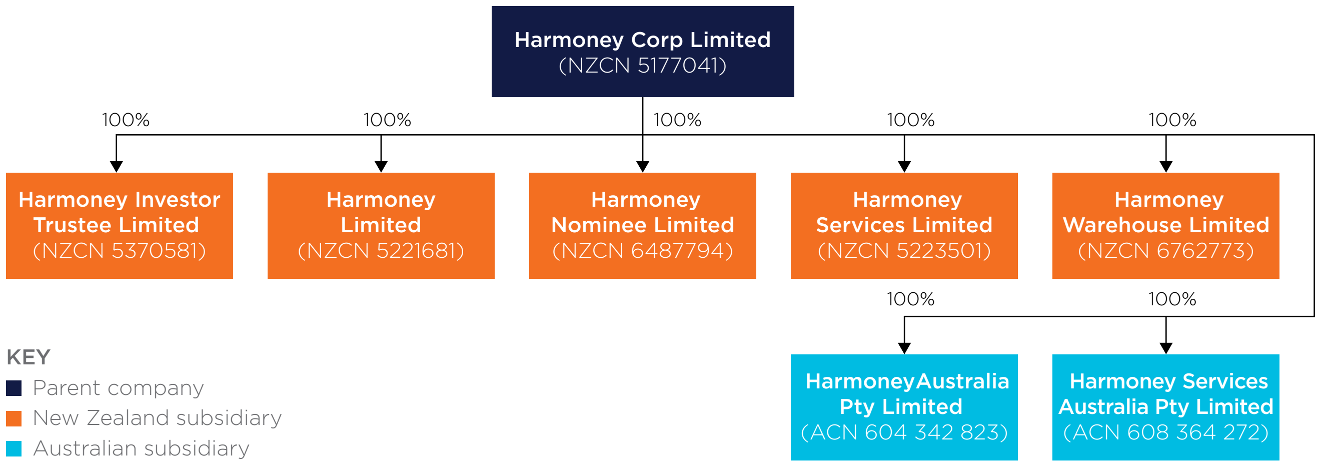


Table 1 below summarises the companies in the Group on Listing.

Table 1: Harmoney Group companies on Listing

Company name	Place of incorporation	Nature of business
Harmoney Corp Limited (NZCN 5177041)	New Zealand	Group holding company
Harmoney Investor Trustee Limited (NZCN 5370581)	New Zealand	Lender of record for legacy peer-to-peer loans in New Zealand
Harmoney Limited (NZCN 5221681)	New Zealand	Provider of platform services for legacy peer-to-peer loans in New Zealand
Harmoney Nominee Limited (NZCN 6487794)	New Zealand	Lender of record for all other loans in New Zealand
Harmoney Services Limited (NZCN 5223501)	New Zealand	Operating entity for New Zealand, and provider of platform services for all other loans in New Zealand
Harmoney Warehouse Limited (NZCN 6762773)	New Zealand	Funder to the New Zealand Warehouse Trust
Harmoney Australia Pty Limited (ACN 604 342 823)	Australia	ACL and AFSL holder, and lender of record for all loans in Australia
Harmoney Services Australia Pty Limited (ACN 608 364 272)	Australia	Operating entity for Australia

9.5 Restructure

The Restructure involves simplifying the Company's capital structure by (a) consolidating the four classes of shares that are on issue as at the Prospectus Date into Shares; and (b) the Board determining to exercise its discretion under the Existing Incentive Plan so that performance rights issued under Existing Incentive Plan will vest immediately prior to completion of the Offer, and thereafter may be immediately exercised and settled, by the Company issuing to each participant one Share for each vested performance right held by them. The Restructure will take place immediately prior to completion of the Offer.

9.5.1 Consolidation of existing classes of shares

As at the Prospectus Date, the Company has four classes of shares on issue:

- 42,213,979 Shares (fully paid ordinary shares);
- 6,564,032 Series A shares;
- 8,569,238 Series B shares; and
- 14,550,768 Series C shares.

Each of the Series A shares, Series B shares and Series C shares are fully paid, and are convertible into Shares on a one for one basis in certain circumstances, and have the following rights:

- one vote for every Share into which they are convertible (except on votes relating to the appointment of Directors);
- a right to an equal share of dividends;
- a right to an equal share of surplus assets on a winding up (as if they had been converted to Shares for these purposes); and

- the right to a preference on a "Liquidation Event" (effectively a >50% share sale, asset sale, return of capital or distribution of assets on winding up), where ranking of priority for payment is Series C shares, then Series B shares, and then Series A shares.

Pursuant to the terms of the current constitution of the Company (which will continue to apply until Completion of the Offer), the Series A shares, Series B shares and Series C shares will all mandatorily convert into shares on a one for one basis immediately prior to Completion.

9.5.2 Vesting and exercise of existing performance rights

Immediately prior to the Prospectus Date, the Company has 9,014,707 performance rights on issue, with each performance right entitling the holder to be issued one Share for no consideration.

These performance rights were allocated to participants in FY20 under the Existing Incentive Plan, comprising more than 60 current employees and Directors (including four individuals who had provided services to the Company prior to the Prospectus Date).

The terms of these performance rights provide that they will vest if the Company's equity value exceeds the vesting hurdle at Completion. The Board expects that this vesting condition will be satisfied on completion of the Offer. In the expectation and assumption that this condition will be met, the Board has determined to exercise its discretion under the Existing Incentive Plan so that these performance rights will vest immediately prior to completion of the Offer.

9.5.3 Position after the Restructure

After implementation of the Restructure, but before the allotment of Shares under the Offer:

- the Company will have 80,912,724 Shares on issue;
- the Company will not have any other classes of shares on issue; and
- except to the extent that the Warrants and/or the performance rights granted under the Existing Incentive Plan have not been exercised prior to Settlement, there will be no other securities or rights (vested or unvested) in the capital of the Company.

The Company intends to grant performance rights under the Amended Incentive Plan after Completion, subject to compliance with the ASX Listing Rules and applicable laws.

9.6 Warrants

The Company has granted warrants to Blue Line Ventures, LLC (**Blue Line**) pursuant to an agreement dated 15 February 2016 to enable Blue Line to subscribe for Shares at a strike price of $2.03 per Share (**Warrants**), in consideration for Blue Line having assisted in the arrangement of Harmoney's funding arrangements with a peer-to-peer institutional funder. The grant of the Warrants formed part of Blue Line's remuneration for its services to the Company and the last grant was made in June 2017.

The Warrants are exercisable by Blue Line giving at least seven-days' written notice, and paying the relevant aggregate strike price, to the Company. On exercise, the Warrants will entitle Blue Line to be issued an aggregate of 187,588 Shares. As at the Prospectus Date, Blue Line has not given notice of exercise of any of the Warrants. The Warrants have a five-year term from the date earned, with the last tranche expiring on 30 June 2022.

9.7 Material contracts

9.7.1 Harmoney Warehouse No.1 Trust

The New Zealand Warehouse Trust is a limited recourse special purpose vehicle (**SPV**) established for the funding of new loans originated within New Zealand. The New Zealand Warehouse Trust is revolving in nature, allowing Harmoney to draw and repay the facility as required, subject to not exceeding the total facility limit and that there is no event of default or amortisation trigger breach.

9 Additional information

Table 2 below outlines the key features of the New Zealand Warehouse Trust:

Table 2: New Zealand Warehouse trust

Feature	Description
Limit	$153 million (as at 30 September 2020)
Drawn	$133 million (as at 30 September 2020)
Undrawn	$20 million (as at 30 September 2020)
Maturity	20 December 2021
Purpose	To fund the loans originated by Harmoney in New Zealand
Structure	Six-tiered notes structure: • Class 1 Notes: the highest ranking notes with the credit support provided by the Class 2, Class 3, Class 4, Class 5 and Class 6 Notes; • Class 2 Notes: the second highest ranking notes with credit support provided by the Class 3, Class 4, Class 5 and Class 6 Notes; • Class 3 Notes: the third highest ranking notes with credit support provided by the Class 4, Class 5 and Class 6 Notes; • Class 4 Notes: the fourth highest ranking notes with credit support provided by the Class 5 and Class 6 Notes; • Class 5 Notes: the fifth highest ranking notes with credit support provided by the Class 6 Notes; and • Class 6 Notes: the lowest ranking notes (or 'first loss' capital) held by Harmoney.
Commitments	The commitment to subscribe for new notes issued by the New Zealand Warehouse Trust for each class of notes is processed through a common subscription agreement that is entered into between The New Zealand Guardian Trust Company Limited in its capacity as trustee of the New Zealand Warehouse (**Trustee**), the senior and mezzanine note funders and Harmoney. There is currently one major bank that subscribed to the Class 1 Notes. The Class 2 Notes, Class 3 Notes, Class 4 Notes and Class 5 Notes are held by one large Australian asset manager. The Class 6 Notes, the lowest ranking notes, are held by Harmoney.

Feature	Description
Eligible loans	Loan receivables acquired by the New Zealand Warehouse Trust are subject to complying with the agreed eligibility criteria between Harmoney and the financiers. The eligibility criteria test is applied at the time of the loans are sold into the New Zealand Warehouse Trust. For example, the eligibility criteria requirements include: • the loan is denominated and payable in New Zealand dollars; • the customer is a New Zealand citizen or permanent resident; • the loan does not exceed the agreed maximum loan amount; • the loan is for a term that does not exceed the maximum allowable loan term; and • the customer is not identified as being insolvent or bankrupt. If it is found that a loan that was sold into the New Zealand Warehouse Trust did not satisfy the eligibility criteria at the time of the sale, Harmoney will be required to repurchase the ineligible loan back from the New Zealand Warehouse Trust. The loans held in the New Zealand Warehouse Trust are required to comply with a number of pooled portfolio parameters such as single customer, risk grade and geographic concentration levels and minimum interest rate yield. A failure to satisfy the portfolio parameters (which is not remedied within a specific period) would result in a stop funding event, meaning that Harmoney would no longer be able to originate loan receivables via the New Zealand Warehouse Trust until the failure is cured.
Cost of funding	The Class 1 Notes, Class 2 Notes, Class 3 Notes, Class 4 Notes and Class 5 Notes are floating rate notes with the total interest cost being the sum of the base rate (1m BKBM) with the agreed margin for each class of notes as agreed in the facility documents. The interest rate payable on borrowings is floating while the interest rate on assets is fixed. The trust hedges a portion of its borrowings by entering into interest rate swaps. The New Zealand Warehouse Trust also incurs fees and charges that are paid to third-party service providers to establish and manage the ongoing operation of the warehouse such as trustee, security trustee, trust manager and standby servicer fees.
Capital support	Harmoney is the sole subscriber to the Class 6 Notes issued by the New Zealand Warehouse Trust and has a minimum equity requirement (via the Class 6 Notes) of the total drawn notes of the New Zealand Warehouse Trust. The Class 6 Notes provide a capital support buffer to the Class 1 Notes, Class 2 Notes, Class 3 Notes, Class 4 Notes and Class 5 Notes, acting as the 'first loss' capital to absorb any losses that might arise on the loan receivables.
Security and limited recourse	The recourse of the creditors of the New Zealand Warehouse Trust is limited to the assets within the Warehouse Facility (being the loan receivables acquired by the New Zealand Warehouse Trust). As customers make scheduled periodic repayments on their loan obligations, the collections are passed through and used for the servicing of the required interest and principal payments for the financiers' debt.
Income	Harmoney is entitled to 100% of the residual income units that flow from the New Zealand Warehouse Trust, which is equal to the interest income less the cost of funds and trust expenses (inclusive of losses) and assuming that there have been no breaches of covenants or amortisation triggers.

Feature	Description
Events of default	As is standard in a warehouse facilities of this type, the events of default include: • non-payment in respect of the senior notes; • the trustee or Harmoney becomes insolvent; • breach of obligations by the trustee or Harmoney; and • breach of representations or warranties by the trustee or Harmoney. An event of default enables the financiers to recover their outstanding debt through the appointment of a security trustee to collect on the outstanding loan receivables of the New Zealand Warehouse Trust.
Amortisation events	The New Zealand Warehouse Trust contains a number of amortisation events such as breaches in specified arrears and impairment levels, exceeding portfolio parameters, insolvency, and other breaches of representations, warranties and undertakings. If an amortisation event were to occur, it would result in a stop funding event where Harmoney would no longer be able to originate loan receivables via the New Zealand Warehouse Trust (unless waived by the financiers).

9.7.2 Australian Warehouse Trust

In January 2020, Harmoney established its second limited recourse SPV Warehouse Facility, the Australian Warehouse Trust, for the funding of new loans originated within Australia. As per the New Zealand Warehouse Trust, the Australian Warehouse Trust is revolving in nature, subject to a range of terms and conditions and eligibility criteria being met.

Table 3 below outlines the key features of the Australian Warehouse Trust.

Table: 3: Australian Warehouse Trust

Feature	Description
Limit	A$115 million (as at 30 September 2020)
Drawn	A$30 million (as at 30 September 2020)
Undrawn	A$85 million (as at 30 September 2020)
Maturity	22 January 2022
Purpose	To fund the loans originated by Harmoney in Australia
Structure	Six-tiered notes structure: • Class A Notes: the highest ranking notes with the credit support provided by the Class B, Class C, Class D, Class E and Class F Notes; • Class B Notes: the second highest ranking notes with credit support provided by the Class C, Class D, Class E and Class F Notes; • Class C Notes: the third highest ranking notes with credit support provided by the Class D, Class E and Class F Notes; • Class D Notes: the fourth highest ranking notes with credit support provided by the Class E and Class F Notes; • Class E Notes: the fifth highest ranking notes with credit support provided by the Class F Notes; and • Class F Notes: the lowest ranking notes (or 'first loss' capital) held by Harmoney.

Feature	Description
Commitments	The commitment to subscribe for new notes issued by the Australian Warehouse Trust for each class of notes is processed through a common subscription agreement that is entered into between the Australian Warehouse Trust, the senior and mezzanine note financiers and Harmoney. There is currently one major bank that subscribed to the Class A Notes. The Class B Notes, Class C Notes, Class D Notes and Class E Notes are held by a large Australian asset manager. The Class F Notes, the lowest ranking notes, are held by Harmoney.
Eligible loans	Loan receivables acquired by the Australian Warehouse Trust must meet the eligibility criteria, agreed between Harmoney and the financiers, at the time the loan receivables are sold into the Australian Warehouse Trust. For example, the eligibility criteria requirements include: • the loan is denominated and payable in Australian dollars; • the customer is an Australian citizen or permanent resident; • the loan is enforceable in accordance with its terms; • the loan is greater than the minimum loan amount and does not exceed the maximum loan amount; • the customer meets the minimum external credit score requirement; and • the customer is not identified as being insolvent or bankrupt. If it is found that a loan receivable that was sold into the Australian Warehouse Trust did not satisfy the eligibility criteria at the time of the sale, Harmoney will be required to repurchase the ineligible loan back from the Australian Warehouse Trust. The loan receivables held in the Australian Warehouse Trust are required to comply with a number of portfolio parameters (tested on a pool basis). For example, portfolio parameters include: • the percentage of total loans with customers located in the same territory or state does not exceed a set maximum percentage; • the percentage of total loans with a loan balance greater than a certain prescribed balance does not exceed a set maximum percentage; and • the percentage of total loans with customers with less than a certain external credit score does not exceed a set maximum percentage. A failure to satisfy the portfolio parameters (which is not remedied within a specific period): • would result in an amortisation event, meaning that Harmoney would no longer be able to fund the origination of new loan receivables via the Australian Warehouse Trust; and • may lead to the senior and mezzanine note financiers taking enforcement action against the Australian Warehouse Trust.
Cost of funding	The Class A Notes, Class B Notes, Class C Notes, Class D Notes, Class E Notes and Class F Notes are floating rate notes with the total interest cost being the sum of the base rate (one-month BBSY) with the margin for each class of notes as agreed in the facility documents. The interest rate payable on borrowings is floating while the interest rate on assets is fixed. The trust hedges a portion of its borrowings by entering into interest rate swaps. The Australian Warehouse Trust also incurs fees and charges that are paid to third-party service providers to establish and manage the ongoing operation of the warehouse such as trustee, security trustee and standby servicer fees.

Feature	Description
Capital support	Harmoney is the sole subscriber to the Class F Notes issued by the Australian Warehouse Trust and has a minimum equity requirement (via the Class F Notes) of the total drawn notes of the Australian Warehouse Trust. The Class F Notes provide a capital support buffer to the Class A Notes, Class B Notes, Class C Notes, Class D Notes and Class E Notes, acting as the ‘first loss’ capital to absorb any losses that might arise on the loan receivables.
Security and limited recourse	The recourse of the creditors of the Australian Warehouse Trust is limited to the assets within the Warehouse Facility (primarily being the loan receivables acquired by the Australian Warehouse Trust). As customers make scheduled periodic repayments on their loan obligations, the collections received by the Australian Warehouse Trust are passed through and used to pay costs and expenses of the Australian Warehouse Trust including the making of required interest and principal payments to the financiers.
Income	Harmoney is entitled to 100% of distributions on the residual income units that flow from the Australian Warehouse Trust, which is equal to the interest income received by the Australian Warehouse Trust less the cost of funds and trust expenses (inclusive of losses) and assuming that there have been no breaches of covenants or amortisation triggers.
Events of default	The Australian Warehouse Trust contains events of default which are typical for a Warehouse Facilities of this type, including: • non-payment in respect of the senior notes; • material breach of obligations by the Trustee or Harmoney; and • material breach of representations or warranties by the Trustee or Harmoney. An event of default enables the financiers to recover their outstanding debt through the appointment of a security trustee to collect on the outstanding loan receivables of the Australian Warehouse Trust.
Amortisation events	The Australian Warehouse Trust contains amortisation events such as breaches in specified arrears and impairment levels, exceeding portfolio parameters, insolvency, and other breaches of representations, warranties and undertakings. If an amortisation event were to occur (unless waived by the financiers), it: • would mean that Harmoney would no longer be able to fund the origination of new loan receivables via the Australian Warehouse Trust; and • may lead to the financiers taking enforcement action against the Australian Warehouse Trust.

9.7.3 Underwriting Agreement

The Underwriting Agreement has been entered into by the Company, SaleCo, the Underwriters and the Joint Lead Managers. Under the Underwriting Agreement:

- the Joint Lead Managers have agreed to act as joint lead managers and bookrunners to the Offer and to arrange and manage the Offer; and
- the Underwriters have agreed to act as the underwriters for the Offer,

in accordance with the terms and conditions of the Underwriting Agreement. The Underwriters are fully underwriting the Offer proceeds of A$92.5 million[59].

A summary of the key terms of the Underwriting Agreement is set out below.

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[59] Subject to the Australian dollar/New Zealand dollar foreign exchange rate fluctuations between 7:00pm AEDT on the Closing Date and Settlement in respect of the proceeds received from Applicants in New Zealand dollars only.

(a) Fees and expenses paid by the Company

Subject to certain customary obligations being met, the Company has agreed to pay the Joint Lead Managers a selling, offer management and underwriting fee of 3.00% (plus any applicable GST) of the Offer proceeds (being the Offer Price multiplied by the number of New Shares and Sale Shares) (**Offer Proceeds**), payable to the Joint Lead Managers in equal proportions on the day of Settlement (**IPO Fee**).

The Company may also, in its sole discretion, pay to the Joint Lead Managers an incentive fee of up to 1.00% (plus any applicable GST) of the Offer Proceeds on the day of Settlement (**incentive fee**). Half of any incentive fee may be paid to the Joint Lead Managers in equal proportions and the other half may be paid to either or both Joint Lead Managers in such proportions as the Company decides in its sole discretion.

In addition to the fees described above, the Company has also agreed to reimburse the Joint Lead Managers for certain agreed costs and expenses incurred by the Joint Lead Managers in relation to the Offer.

Any fees payable to any co-managers (including the Co-Manager) and Brokers appointed in relation to the Offer (including any applicable GST) are payable by the Joint Lead Managers on behalf of the Company in the manner determined by the Joint Lead Managers in their absolute discretion by paying those fees out of the IPO Fee at no additional cost to the Company or SaleCo.

(b) Conditions, representations, warranties and undertakings

The Underwriting Agreement includes customary conditions precedent, including that certain due diligence materials are provided to the Joint Lead Managers and that certain regulatory filings are made by the Company and SaleCo.

The Underwriting Agreement also contains customary representations and warranties given by the parties to other parties to the agreement in relation to matters such as, among other things, authority and approvals to enter into the Underwriting Agreement.

The Company and SaleCo each give representations and warranties to the Joint Lead Managers in relation to, among other things, disclosure, compliance with the Corporations Act and, in any material respect, any other applicable law, that SaleCo will be the registered and beneficial owner of the Sale Shares prior to Completion, and that the Sale Shares will be validly transferred at Completion.

The Company also gives a number of further representations and warranties to the Joint Lead Managers, including in respect of (among other things) the Company's working capital, the representation of the financial information in the Prospectus, litigation, material contracts, licences, the Company's eligibility for listing on ASX, future matters and that the New Shares will be validly issued at Completion.

The Company and SaleCo also give a number of customary undertakings. This includes, among other things, that the Company undertakes to the Joint Lead Managers that it will not, during the period from after the date of the Underwriting Agreement (dated 30 October 2020) and up to 150 days after Completion, allot, or agree to allot, or indicate in any way that it may or will allot, or agree to allot, any Shares or other securities that are convertible or exchangeable into equity, or that represent the right to receive equity, of the Company or any member of the Group, without the prior written consent of the Joint Lead Managers (such consent not to be unreasonably withheld or delayed), subject to certain exceptions including, without limitation, in relation to the Offer or where disclosed in the Prospectus.

(c) Indemnity

Subject to certain prescribed exclusions such as (among others) fraud, wilful misconduct, gross negligence or a fine or penalty which the Joint Lead Managers and Underwriters (and certain affiliated parties of each) are required to pay for a contravention of any applicable law, the Company agrees to indemnify and hold harmless the Joint Lead Managers and Underwriters (and certain affiliated parties of each) against certain losses related, directly or indirectly, to the Offer, including, without limitation, in relation to this Prospectus, certain other disclosure documents and the Underwriting Agreement.

(d) Termination events

The Underwriting Agreement is subject to a number of termination events which permit a Joint Lead Manager to terminate its appointment before 4.00pm on the day of Settlement without cost or liability to that Joint Lead Manager (or any affiliated Underwriter), including (without limitation):

- a statement in the Offer documents is misleading or deceptive or likely to mislead or deceive, or there is an omission from the Offer Documents of material required by sections 710, 711, 715A or 716 of the Corporations Act;
- a new circumstance arises after this Prospectus is lodged, that would have been required to be included in this Prospectus if it had arisen before lodgement and the new circumstance is materially adverse from the point of view of an investor;

- the Company and SaleCo issue or are required to issue a supplementary Prospectus because of the operation of section 719(1) of the Corporations Act or lodge a supplementary Prospectus with ASIC in a form and substance that has not been approved by the Joint Lead Managers;
- certain sell down or escrow documents are withdrawn, varied, terminated, rescinded, altered or amended, breached or failed to be complied with;
- at any time before the day of Settlement, the S&P/ASX200 Index falls to a level that is 87.5% or less of the level as at the close of trading on the business Day immediately prior to the date of the Underwriting Agreement (being dated 30 October 2020) and closes at or below that 87.5% level on 2 consecutive business days;
- certain actions being taken in relation to this Prospectus or the Offer;
- approval is refused or not granted prior to the day of Settlement, or approval is granted subject to conditions other than customary conditions, to:
  - the Company's admission to the official list of ASX prior to the day of Settlement; or
  - the quotation of the Shares on ASX or for the Shares to be traded through CHESS on or before Thursday, 19 November 2020,

  or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld;
- the Company is prevented from allotting and issuing, and SaleCo is prevented from transferring (as applicable) the New Shares or Sale Shares within the time required by the Listing Rules;
- any of the material obligations of the relevant parties under a contract summarised in Sections 9.7.1 or 9.7.2 of this Prospectus is not capable of being performed in accordance with their terms (in the reasonable opinion of the terminating Joint Lead Manager) or if all or any part of any of those contracts is (or becomes capable of being) terminated, withdrawn, rescinded, avoided or repudiated or otherwise ceases to have effect (other than in accordance with its terms) or is or becomes void, voidable, illegal, invalid or unenforceable (other than by reason only of a party waiving any of its rights) or it becomes of limited force and effect or its performance is or becomes illegal;
- the Offer timetable becomes subject to certain delays;
- a change occurs in the Directors or Chief Executive Officer of the Company from those persons disclosed in Section 6.1 of the Prospectus, or a Director or the Chief Executive Officer dies or becomes permanently incapacitated; or
- a director of the Company, SaleCo or the Group or a member of Senior Management is charged with an indictable offence relating to a financial or corporate matter, is disqualified from managing a company under the Companies Act, is subject to certain regulatory actions or otherwise engages in any fraudulent conduct or activity (or the Company or SaleCo or any member of the Group engages in any fraudulent conduct or activity).

If both the Joint Lead Managers terminate the Underwriting Agreement, the Offer may not proceed.

(e) Termination events subject to materiality

In addition, there are certain events under the Underwriting Agreement which entitle a Joint Lead Manager to terminate its appointment under the Underwriting Agreement before 4.00pm on the day of Settlement without cost or liability to that Joint Lead Manager (or any affiliated Underwriter) if the Joint Lead Manager has reasonable grounds to believe, and does believe, that the event:

- has, or is likely to have, a materially adverse effect on the success, settlement, marketing or outcome of the Offer, the ability of the Joint Lead Managers to promote or settle the Offer or on the likely price at which the Shares will trade on ASX; or
- will, or is likely to, give rise to:
  - the Joint Lead Manager contravening, or being involved in a contravention of, any applicable law or regulation, including the Corporations Act; or
  - a liability of the Joint Lead Manager under any applicable law or regulation.

These events include, without limitation:

- there are not, or there cease to be, reasonable grounds for any statement or estimate in the Offer documents, which relates to a future matter or any statement or estimate in the Offer documents that relates to a future matter is, in the reasonable opinion of the terminating Joint Lead Manager, unlikely to be met in the projected timeframe (including in each case financial forecasts);
- all or any part of a contract summarised in Sections 9.7.1 or 9.7.2 of this Prospectus is altered, amended or varied without the consent of the Joint Lead Managers (acting reasonably) or is breached, or there is a failure by a party to comply;

- any of the Offer documents or any aspect of the Offer does not comply with the Corporations Act, the ASX Listing Rules, certain NZ securities laws or any other applicable law or regulation;
- any information supplied (including any information supplied prior to the date of the Underwriting Agreement) by or on behalf of a member of the Group to the Joint Lead Managers in respect of the Offer or the Group is, or is found to be, misleading or deceptive, or is likely to mislead or deceive (including by omission);
- a statement in certain of the public and other media statements made by, or on behalf of, and with the knowledge of, the Company or SaleCo in relation to the business or affairs of the Group or the Offer (other than the Offer documents), is or becomes misleading or deceptive or likely to mislead or deceive;
- an event occurs which is, or is likely to give rise to an adverse change in the assets, liabilities, financial position or performance, profits, losses, earnings, prospects or condition or otherwise of the Group from those disclosed in the Prospectus lodged with ASIC on the Prospectus Date, or an adverse change in the nature of the business conducted by the Group as disclosed in the Prospectus lodged with ASIC on the Prospectus Date;
- hostilities not presently existing commence (whether or not war or a national emergency has been declared), a major escalation in existing hostilities occurs (whether or not war or a national emergency has been declared), or a major terrorist act is perpetrated, in respect of one or more of certain countries or any diplomatic, military, commercial or political establishment of any of those countries;
- there is introduced, or there is a public announcement of a proposal to introduce, a new law or regulation or policy in Australia or any State or Territory of Australia (including a policy of the Reserve Bank of Australia);
- there is a contravention by the Company or any entity in the Group of its constitution or other constituent document, or any applicable law, regulation, authorisation, ruling, consent, judgment, order or decree of any government authority;
- a representation or warranty contained in the Underwriting Agreement on the part of the Company or SaleCo is breached, becomes not true or correct or is not performed or an undertaking or other obligation under the Underwriting Agreement is breached by the Company or SaleCo;
- certain proceedings are commenced against the Company, SaleCo or any member of the Group or against any director of those entities in that capacity or any regulatory body commences an action against a member of the Group;
- a general moratorium on commercial banking activities in certain countries is declared by the relevant central banking authority in any of those countries, or there is a disruption in commercial banking or security settlement or clearance services in any of those countries;
- trading in all securities quoted or listed on ASX, the London Stock Exchange or the New York Stock Exchange is suspended for at least 1 day on which that exchange is open for trading;
- trading in all securities quoted or listed on the NZX Main Board is suspended on the date of Settlement and it is not or will not be practicable to settle allotments on NZX on the date of Settlement or the following 4 days on which that exchange is open for trading; or
- any adverse change or disruption to the existing financial markets, political or economic conditions of, or currency exchange rates or controls in, certain countries, or the international financial markets or any adverse change in national or international political, financial or economic conditions.

If both the Joint Lead Managers terminate the Underwriting Agreement, the Offer may not proceed.

9.8 Litigation and claims

The Company may, from time to time, be party to various disputes and legal proceedings incidental to the conduct of its business. These disputes may lead to legal and other proceedings, and may cause the Company to suffer additional costs.

As far as the Directors are aware, other than the litigation with the Commerce Commission described in Section 9.8.1 there is no current or threatened civil litigation, arbitration proceeding or administrative appeal, or criminal or governmental prosecution of a material nature in which the Company is directly or indirectly concerned which is likely to have a material adverse impact on the business or financial position of the Company.

9.8.1 Commerce Commission litigation

Harmoney was established in 2014 as an intermediary offering peer-to-peer lending services under the new regime set out in the FMCA. Harmoney Limited was licensed as an intermediary by the FMA, and its platform allowed for the matching of borrowers with lenders. Harmoney charged borrowers an establishment fee.

In 2015, the Commerce Commission began investigating whether Harmoney's establishment fee was a credit fee and whether or not Harmoney was a creditor, both as regulated under the CCCFA. The CCCFA requires that a creditor's credit fees must not be unreasonable, which is understood from case law to mean that if Harmoney's establishment fee is a credit fee, Harmoney may only recover costs that are sufficiently close and relevant to the establishment of a loan within any amount charged to a borrower for the establishment of their loan.

Harmoney's position was that it was an intermediary, not a lender, and that as a result, its establishment fee was not a credit fee for the purposes of the CCCFA (e.g. Harmoney did not directly receive any interest from the borrower). Harmoney cooperated with the Commerce Commission investigation. Further, to mitigate risk, Harmoney developed a methodology (**Model**) to calculate its reasonable loan establishment costs and therefore its establishment fees, on a historical and go forward basis. This resulted in Harmoney changing its pricing of its establishment fees from a percentage of the loan to a fixed fee.

In a test case for peer-to-peer lending, the Commerce Commission commenced:

- a "case-stated" proceeding in 2016, to clarify the applicability of the CCCFA to Harmoney's peer-to-peer lending transactions. The New Zealand High Court and Court of Appeal found, on limited facts, that Harmoney Limited was a creditor and that its establishment fee was a credit fee. While disappointed with the outcome, Harmoney has decided not to appeal these decisions further; and
- litigation in 2017, to claim that the establishment fees charged by Harmoney between August 2014 and May 2018 were unreasonable credit fees. The Commerce Commission has not quantified the extent to which it considers that these establishment fees were unreasonable in this time period, and would be required to demonstrate this with evidence at trial. This claim is set down to be heard in the New Zealand High Court from 6 September 2021.

Harmoney entered into approximately 43,500 loans between August 2014 and May 2018, in respect of which the total establishment fees charged by Harmoney were $20.5 million. If the Court finds that Harmoney charged borrowers unreasonable credit fees, Harmoney would be liable to pay compensation to borrowers for the amount by which its establishment fees exceeded its reasonable costs during the relevant period (plus interest and the Commerce Commission's legal costs). Depending on the margin by which the Court found the fee was unreasonable, the Commerce Commission claim could have a material adverse effect on Harmoney's future financial position and performance.

In order to assess possible outcomes of the Commerce Commission litigation, Harmoney has calculated what reasonable compensation to affected borrowers could be, based on the Model. The methodology applied to determine the amount of potential compensation payments has been the subject of independent expert review in 2020 and assessed to be reasonable. However, there is intrinsic risk in litigation and it remains uncertain as to what, if any, compensation might be ordered by a Court.

Given this inherent uncertainty, Harmoney has accrued for the risk of a financial obligation relating to the Commerce Commission litigation in its FY20 financial statements. Harmoney's accrual, as at 30 June 2020, exceeded its assessment of reasonable compensation to borrowers (plus accrued interest) and thereby allows for a level of uncertainty inherent in pending litigation.

While this litigation is ongoing, the Commerce Commission claim has the potential to divert Harmoney's management resources and Harmoney will continue to incur fees for external legal advisors.

The establishment fees at issue in the Commerce Commission litigation are historic, given that Harmoney no longer offers peer-to-peer lending. However, Harmoney does charge establishment fees for its current loan offerings. Harmoney continues to apply the Model to calculate reasonable loan establishment costs and, therefore, the level of establishment fees it applies to new lending. If Harmoney's establishment fees in the Commerce Commission litigation are found to be unreasonable, this may impact Harmoney's ability to recover certain establishment costs through such fees. Ultimately, that may reduce Harmoney's income from establishment fees. Harmoney can vary interest rates to offset any reduction in establishment fees.

9.9 Ownership restrictions

The sale and purchase of Shares in Australia and New Zealand are regulated by laws that restrict the level of ownership or control by any one person (either alone or in combination with others). This Section 9.9 contains a general description of these laws.

9.9.1 Corporations Act

The takeover provisions in Chapter 6 of the Corporations Act restrict acquisitions of shares in listed companies if the acquirer's (or another party's) voting power would increase to above 20%, or would increase from a starting point that is above 20% and below 90%, unless certain exceptions apply. The Corporations Act also imposes notification requirements on persons having voting power of 5% or more in the Company, either themselves or through an associate.

9.9.2 New Zealand Takeovers Code

The Company will be a "code company" for the purposes of the Takeovers Code. Similar to Chapter 6 of the Corporations Act, the Takeovers Code restricts acquisitions of shares in code companies if the acquirer's (or its associated persons') voting rights attaching to shares would increase to above 20%, or would increase from a point above 20%. Similar to the Corporations Act, there are exceptions to this restriction, including where a takeover offer is made pursuant to the Takeovers Code or the acquisition is approved by Shareholders. There is a 5% annual "creep" allowance once above 50%. As described in Section 9.10, the FMCA includes a regime that imposes notification requirements on persons having a relevant interest in 5% or more of the Company's Shares.

9.10 Comparison of New Zealand and Australian laws

The Company is a company incorporated in New Zealand and it is principally governed by New Zealand laws. In Australia, the Company is registered with ASIC as a foreign company under Division 2 of Chapter 5B.2 of the Corporations Act. As the Company is not established in Australia, its general corporate activities (apart from any offering of securities in Australia) are not regulated by the Corporations Act or by ASIC but instead are regulated by the Companies Act and the FMCA, and the Registrar of Companies and the FMA.

The table below summarises the key features of the laws that apply to the Company as a New Zealand company (under New Zealand law) compared with the laws that apply to Australian incorporated publicly listed companies generally. This summary is not a complete review of all matters of New Zealand law applicable to companies and does not purport to highlight all provisions that may differ from the equivalent provisions in Australia.

Unless otherwise stated, the Corporations Act provisions referred to below do not apply to the Company as a registered foreign company.

Table 4: Comparison of New Zealand and Australian laws

Feature	New Zealand law	Australian law
Transactions requiring shareholder approval	Under the Companies Act, principal transactions or actions which require shareholder approval include: • adopting or altering the constitution of a company; • appointing or removing a director or auditor; • 'major transactions' – being transactions involving the acquisition or disposition (whether contingent or not) of assets, the value of which is more than half the value of the company's assets, or the acquisition of rights or interests or the incurring of obligations or liabilities (including contingent liabilities), the value of which is more than half the value of the company's total assets; • putting the company into liquidation (however, liquidation can also occur other than by shareholder approval); and • changes to the rights attached to shares.	Under the Corporations Act, shareholder approval is required for altering a company's constitution, appointing or removing directors, putting the company into liquidation, changes to the rights attaching to shares and certain transactions affecting share capital (e.g. share buy-backs, share splits and share capital reductions). Generally, there is no shareholder approval requirement for 'major transactions' under the Corporations Act, except that certain related party transactions require shareholder approval. Under the ASX Listing Rules, which will apply to the Company following Listing, shareholder approval is required for, amongst other things: • increases in the total amount of Non-Executive Directors' fees; • directors' termination benefits in certain circumstances; • certain transactions with related parties and parties of influence; • certain issues of shares; and • if a company proposes to make a significant change to the nature or scale of its activities or proposes to dispose of its main undertaking.

Feature	New Zealand law	Australian law
Changes in the rights attaching to shares	Under the Companies Act, a company must not take action that affects the rights attached to shares, unless that action has been approved by a special resolution of each interest group of shareholders. An 'interest group' in relation to an action or proposal affecting the rights attached to shares means a group of shareholders whose affected rights are identical and whose rights are affected by the action or proposal in the same way and who comprise the holders of one or more classes of shares in the company.	The Corporations Act allows a company to set out in its constitution the procedure for varying or cancelling rights attached to shares in a class of shares. Under the Corporations Act, if a company does not have a constitution, or has a constitution that does not set out such a procedure, such rights may only be varied or cancelled by: • a special resolution of the company; and • a special resolution passed at a meeting of the class of members holding shares in the class; or • a written consent of members with at least 75% of the votes in the class.
Shareholder protections against oppressive conduct	Under the Companies Act, a shareholder or former shareholder of a company (or any other person who holds any rights and powers of a shareholder under the constitution) who considers that the affairs of a company have been (or are being, or are likely to be) conducted in a manner that is (or any act or acts of the company have been, or are, or are likely to be) oppressive, unfairly discriminatory, or unfairly prejudicial to him or her in any capacity may apply to the court for relief. The court may, if it thinks it is just and equitable to do so, make such orders as it thinks fit.	Under the Corporations Act, shareholders have statutory remedies for oppressive or unfair conduct of the company's affairs and the court can make such orders as it considers appropriate.

Feature	New Zealand law	Australian law
Shareholders' rights to request a meeting	Under the Companies Act, a meeting of shareholders must be called by the board upon request of a shareholder or Shareholders holding shares carrying together at least 5% of the voting rights entitled to be exercised on the issue.	Under the Corporations Act, shareholders have a right to request a meeting through two methods: • Shareholders with at least 5% of the votes that may be cast at a general meeting have a right to call and arrange a general meeting at their own expense; or • the board is required to call and arrange a general meeting on the request of Shareholders with at least 5% of the votes that may be cast at the general meeting.
Shareholders' right of appointment of proxies	Shareholders have the right to appoint a proxy to attend and vote at meetings on their behalf under the Companies Act. The proxy must be appointed by notice in writing signed by the shareholder or, in the case of an electronic notice, sent by the shareholder to the company. The notice of appointment must specify whether the appointment is for a particular meeting or a specified term.	Under the Corporations Act, a shareholder of a company who is entitled to attend and cast a vote at a meeting of the company's members may appoint a proxy to attend and vote.
Shareholders' rights to bring or intervene in legal proceedings on behalf of the company	Under the Companies Act, a court may, on the application of a shareholder or director of a company, grant leave to that shareholder or director to bring proceedings in the name and on behalf of the company or any related company, or intervene in proceedings to which the company or any related company is a party, for the purpose of continuing, defending or discontinuing these proceedings on behalf of the company or related company.	The Corporations Act permits a shareholder to apply to the court for leave to bring proceedings on behalf of the company, or to intervene in proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for those proceedings, or for a particular step in those proceedings.

9 Additional information

Feature	New Zealand law	Australian law
Remuneration reports and the "2 strikes" rule	There is no equivalent of the "2 strikes" rule in relation to remuneration reports in New Zealand. New Zealand companies are not required to publish remuneration reports. There is however, an obligation to state in the company's annual report, in respect of each director or former director of the company, the total remuneration and the value of other benefits received by that director or former director from the company during the relevant accounting period. There is also an obligation to disclose the number of employees or former employees of the company, not being directors of the company, who received remuneration and any other benefits in their capacity as employees during the relevant accounting period, the value of which was $100,000 per annum or greater, stated in brackets of $10,000.	The Corporations Act requires that an Australian listed public company's annual report must include a report by the directors on the company's remuneration framework (called a remuneration report). The Corporations Act applies a "2 strikes" rule to Australian listed public companies. The "2 strikes" rule applies if at two consecutive annual general meetings of the company, at least 25% of the votes cast on a resolution that the remuneration report be adopted were against adoption of the report and a resolution was not put to the vote at the earlier annual general meeting under an earlier application of Section 250V of the Corporations Act. In this case, at the second annual general meeting, there must be put to the vote a resolution (the spill resolution) that: • another general meeting (the spill meeting) be held within 90 days; and • all the company's directors who were directors when the resolution to make the director's report considered at the second annual general meeting (and are not a managing director of the company who is entitled under the listing rules applicable to the company to hold office indefinitely) cease to hold office immediately before the end of the spill meeting; and • resolutions to appoint persons to offices that will be vacated be put to the vote at the spill meeting.

Feature	New Zealand law	Australian law
Disclosure of substantial holdings	The FMCA requires every person who is a 'substantial product holder' in a listed issuer to give notice to that listed issuer and NZX if the person: • begins to have, or ceases to have, a substantial holding in the company; • has a substantial holding in the company and there is a movement of at least 1% in their holding; or • is a substantial product holder and there is a change in the nature of any 'relevant interest' in the substantial holding. Under the FMCA, a person has a substantial holding if the person has a 'relevant interest' in quoted voting products that comprise 5% or more of a class of quoted voting products in a listed issuer. Subject to certain specific exceptions under the FMCA, a person has a 'relevant interest' in a financial product if: • the person is a registered or beneficial owner of the product; • the person has the power to exercise (or control the exercise of) a voting right attached to the product; or • the person has the power to acquire or dispose of (or control the acquisition or disposal of) the product. These disclosure obligations under the FMCA will apply to the company in addition to the equivalent disclosure regime under the Corporations Act.	The Corporations Act requires a person to notify, and give prescribed information in relation to their holding, to the listed company and to ASX if the person: • begins to have, or ceases to have, a substantial holding in the company; • has a substantial holding in the company and there is a movement of at least 1% in their holding; or • makes a takeover bid for securities of the company. Under the Corporations Act, a person has a substantial holding if: • the total votes attached to voting shares in the company in which they or their associates have relevant interests (or would have a relevant interest but for Section 609(6) (market traded options) or Section 609(7) (conditional agreements)) is 5% or more of the total number of votes attached to voting shares in the company; or • the person has made a takeover bid for voting shares in the company and the bid period has started and not yet ended.

Feature	New Zealand law	Australian law
Regulation of takeovers	The New Zealand position under the Takeovers Code is comparable to the Australian position in relation to the regulation of takeovers. For the purposes of the Takeovers Code, a "code company" is a company which is a listed issuer that has financial products that confer voting rights quoted on NZX or a company that has 50 or more shareholders and 50 or more parcels of shares and is at least medium-sized. A 20% threshold applies (under which a person may not become the holder or controller of an increased percentage of the voting rights in a code company unless, after the event, that person and their associates hold or control in total not more than 20% of the voting rights in the code company, or may not become the holder or controller of an increased percentage of voting rights if they already hold or control more than 20% of the voting rights). This is subject to certain exceptions, including full and partial offers, 5% creep over 12 months in the 50% to 90% range, and acquisitions with shareholder approval. Persons who hold or control 90% or more of the voting rights in a code company are permitted compulsory acquisitions.	The Corporations Act prohibits a person from acquiring a relevant interest in issued voting shares in a listed company, through a transaction entered into by or on behalf of the person acquiring the relevant interest, if the transaction would cause any person's voting power in the company to increase: • from 20% or below to greater than 20%; or • from a starting point that is above 20% and below 90%. Exceptions to the prohibition apply (e.g. acquisitions with shareholder approval, maximum 3% creep over six months and rights issues that satisfy prescribed conditions). Compulsory acquisitions are permitted by bidders under a takeover bid if by the end of the offer period, the bidder and their associates have acquired at least 75% (by number) of the securities that the bidder had offered to acquire under the bid, and have relevant interests in at least 90% (by number) of the securities in the bid class. The Australian takeovers regime will not apply to Harmoney as a foreign company.

9.11 ASX waivers and confirmations

The Company has applied for standard confirmations in connection with its application to ASX for admission to the Official List, including:

- a waiver from ASX Listing Rule 10.14 for a period of three years from Listing in respect of the issue of performance rights to David Stevens and Neil Roberts under the Amended Incentive Plan on the basis that all information required by ASX Listing Rules 10.15.1 to 10.15.10 is included in the Prospectus in respect of the Amended Incentive Plan;
- a confirmation that the Company will be able to rely on ASX Listing Rule 10.12 exception 8 on the basis of the above-mentioned Listing Rule 10.14 waiver being granted;
- a waiver from ASX Listing Rule 1.1 Condition 12 to enable any performance rights issued under the Existing Incentive Plan that remain on issue following the completion of the Offer to be exercised for nil consideration;
- a confirmation that the terms of the Existing Incentive Plan are acceptable to ASX pursuant to Chapter 6 of the ASX Listing Rules;
- a confirmation that the terms of the Amended Incentive Plan are acceptable to ASX pursuant to Chapter 6 of the ASX Listing Rules;
- a confirmation that the Company will be able to rely on ASX Listing Rule 7.2 exception 13 (as an exception to Listing Rule 7.1), for the issue of performance rights to employees and other participants under the Amended Incentive Plan for three years after Listing, on the basis that a summary of the terms of the plan and the maximum number of equity securities proposed to be issued under the plan are set out in this Prospectus,

in each case, subject to certain terms and conditions.

9.12 Taxation considerations

The following comments provide a general summary of Australian and New Zealand tax issues for potential Australian and New Zealand tax resident Shareholders who acquire Shares under this Prospectus.

The categories of Shareholders considered in this summary are limited to individuals, certain companies, trusts, partnerships and complying superannuation funds, each of whom hold their shares on capital account.

This summary does not consider the consequences for non-Australian or non-New Zealand tax resident Shareholders, or Australian or New Zealand tax resident Shareholders who are insurance companies, banks, Shareholders that hold their shares on revenue account or carry on a business of trading in shares, or Shareholders who are exempt from Australian or New Zealand tax or subject to concessional tax regimes (e.g. the Australian Investment Manager Regime). This summary also does not cover the consequences for Australian tax resident Shareholders who are subject to Division 230 of the *Income Tax Assessment Act 1997* (Cth) (the Taxation of Financial Arrangements or TOFA regime).

This summary is based on the law in Australia and New Zealand in force at the Prospectus Date. This summary does not take into account the tax law of countries other than Australia and New Zealand. This summary is general in nature and is not intended to be an authoritative or a complete statement of the applicable law. The taxation laws of Australia and New Zealand or their interpretation may change. The precise implications of ownership or disposal of the Shares will depend upon each Shareholder's specific circumstances.

Investors should obtain their own advice on the taxation implications of holding or disposing of the Shares, taking into account their specific circumstances.

9.12.1 Australian taxation

9.12.1.1 Tax residency of Harmoney

The Company is incorporated in New Zealand and is registered as a foreign company in Australia. Generally, a foreign company is a resident of Australia if it carries on business in Australia and has either its central management or control in Australia or its voting controlled by shareholders who are residents of Australia. The Company should not be an Australian resident for Australian income tax purposes.

9.12.1.2 Receipt of dividends on Shares

Trans-Tasman imputation

The Trans-Tasman imputation regime allows Australian and New Zealand companies to form a Trans-Tasman imputation group, thereby allowing a New Zealand tax resident company to operate an Australian franking account and pass on the benefit of franking credits to its Australian Shareholders when it pays a dividend, relative to their proportionate ownership.

The Company has not elected to enter into the Trans-Tasman imputation regime. Should the Company elect to enter the regime, it may in the future be in a position to frank dividends for Australian tax purposes in the year of election and later income years.

Individuals and complying superannuation entities

Where dividends on a Share are distributed by the Company, those dividends will constitute assessable income of an Australian tax resident Shareholder.

Australian tax resident Shareholders who are individuals or complying superannuation entities should include the dividend in their assessable income in the year the dividend is paid. On the basis that the Company is not an Australian tax resident company, dividends paid will be unfranked (unless the Company elects to enter the Trans-Tasman imputation regime). Accordingly, franking credits will not attach to any dividend paid by the Company to Australian tax resident individuals and complying superannuation entities and such Shareholders will generally be taxed at their prevailing marginal rate on the dividend received with no franking offset.

Australian tax resident Shareholders receiving dividends will generally be subject to New Zealand non-resident withholding tax (refer to Section 9.12.2.4 for a summary of the relevant withholding tax rates). To the extent dividend withholding tax is withheld on dividend payments to individuals and complying superannuation entities and no refund is available, Australian foreign income tax offsets (**FITOs**) may be available. For Australian income tax purposes, the amount of the dividend included in the Shareholder's assessable income is to be grossed up for any withholding tax deducted in New Zealand. A corresponding FITO may be available to the Shareholder for the withholding tax deducted in relation to the dividend paid. Broadly, a FITO should reduce the Australian tax payable on foreign income that has been subject to foreign income tax. The amount of FITO available to the Shareholder is equal to the foreign income tax paid, subject to a limit. The FITO limit is the greater of A$1,000 and the Australian tax that would be payable on the Shareholder's assessable foreign income for the year. Excess FITOs are not able to be carried forward and claimed in later income years.

Any additional supplementary dividend paid by the Company under the New Zealand foreign investor tax credit (FITC) regime (refer to Section 9.12.2.4) to offset the New Zealand non-resident withholding tax on the dividend, should also be included in the Shareholder's assessable income.

Corporate entities

Australian tax resident Shareholders who are corporate entities will ordinarily be required to include any dividend income in their assessable income.

An Australian tax resident corporate Shareholder which, broadly speaking, holds a relevant interest of at least 10% in the Company, may not be required to include dividends it receives on Shares in its assessable income.

Franking credits will not attach to any dividend paid by the Company to the Australian tax resident corporate Shareholder (unless the Company elects to enter the Trans-Tasman imputation regime – see above). Accordingly, such Shareholders will be taxed at the applicable company income tax rate on the dividend received with no franking offset.

To the extent New Zealand dividend withholding tax is withheld on dividend payments to Australian tax resident corporate Shareholders and no refund is available, Australian FITOs may be available. For Australian income tax purposes, the amount of the dividend included in the corporate Shareholder's assessable income is to be grossed up for any withholding tax deducted in New Zealand (refer to Section 9.12.2.4 for a summary of the relevant withholding tax rates). A corresponding FITO may be available to the Shareholder for the withholding tax deducted in relation to the dividend paid. Broadly, a FITO should reduce the Australian tax payable on foreign income that has been subject to foreign income tax. The amount of FITO available to the corporate Shareholder is equal to the foreign income tax paid, subject to a limit. The FITO limit is the greater of A$1,000 and the Australian tax that would be payable on the corporate Shareholder's assessable foreign income for the year. Excess FITOs are not able to be carried forward and claimed in later income years.

Any additional supplementary dividend paid by the Company under the New Zealand FITC regime (refer to Section 9.12.2.4) to offset the New Zealand non-resident withholding tax on the dividend, should also be included in the corporate Shareholder's assessable income.

Trusts and partnerships

Shareholders who are trustees (other than trustees of complying superannuation entities) or partnerships should include the dividend in determining the net income of the trust or partnership. The relevant beneficiary or partner will be required to include in their assessable income the amount of the dividend to which they are presently entitled (for beneficiaries) or that is equal to their share of the dividend income (for partners).

Franking credits will not attach to any dividend paid by the Company to an Australian trust or partnership (unless the Company elects to enter the Trans-Tasman imputation regime). To the extent New Zealand dividend withholding tax is withheld on dividend payments to Australian tax resident Shareholders and no refund is available, Australian FITOs may be available. For Australian income tax purposes, the amount of the dividend included in the net income of the trust or partnership is to be grossed up for any withholding tax deducted in New Zealand (refer to Section 9.12.2.4 for a summary of the relevant withholding tax rates). A corresponding FITO may be available to the relevant Australian tax resident beneficiary or partner for the withholding tax deducted in relation to the dividend paid. Where the benefits of a FITO are passed through to the beneficiary or partner, the amount of the FITO available is limited to the greater of A$1,000 and the amount of the 'FITO limit', which is broadly the Australian tax that would be payable on the beneficiary or partner's assessable foreign income for the year. Excess FITOs are not able to be carried forward and claimed in later income years.

Any additional supplementary dividend paid by the Company under the New Zealand FITC regime (refer to Section 9.12.2.4) to offset the New Zealand non-resident withholding tax on the dividend, should also be included in the Shareholder's assessable income.

9.12.1.3 Disposal of Shares

A disposal of a Share by an Australian tax resident Shareholder who holds the Share on capital account will be a capital gains tax (**CGT**) event. A capital gain will arise where the capital proceeds on disposal exceed the cost base of the Share (broadly, the amount paid to acquire the Share plus any transaction costs incurred in relation to the acquisition or disposal of the Share). In the case of an arm's length on-market sale, the capital proceeds will generally be the cash proceeds from the sale of the Share.

A CGT discount may be applied against the net capital gain where the Shareholder is an individual, complying superannuation entity or trustee, the Shares have been held for more than 12 months prior to the CGT event and certain other requirements have been met. Where the CGT discount applies, any capital gain arising to individuals and entities acting as trustees (other than a trust that is a complying superannuation entity) may be reduced by half after offsetting current year or prior year capital losses. For a complying superannuation entity, any capital gain may be reduced by one third, after offsetting current year or prior year capital losses.

Where the Shareholder is the trustee of a trust that has held the Shares for more than 12 months before disposal, the CGT discount may flow through to the beneficiaries of the trust if those beneficiaries are not companies. Shareholders that are trustees should seek specific advice regarding the tax consequences of distributions to beneficiaries who may qualify for discounted capital gains.

A capital loss will be realised where the reduced cost base of the Share exceeds the capital proceeds from disposal. Capital losses may only be offset against capital gains realised by the Shareholder in the same income year or future income years, subject to certain loss recoupment tests being satisfied. Capital losses cannot be offset against other assessable income.

9.12.2 New Zealand taxation

9.12.2.1 Receipt of dividends on Shares

A Shareholder's tax residence status will affect how New Zealand taxes apply to a return on their Shares. If a Shareholder is a New Zealand tax resident and is also a tax resident in another country, the following summary applying to New Zealand tax residents may not apply to the Shareholder, and the Shareholder should seek their own tax advice.

If the Shares are held through a tax transparent, fiscally transparent or hybrid entity, the following summary of the New Zealand tax implications may also not apply to the Shareholder, and the Shareholder should seek their own tax advice. For example, a New Zealand partnership is treated as a tax transparent entity under New Zealand tax law and, as a result, the Company may need to look through the partnership to determine what (if any) tax it must withhold on dividends. For Australian partnerships, protection under New Zealand's double tax treaty network and the application of New Zealand's withholding tax regime may depend on the tax residency of the partner(s).

Distributions received by a New Zealand tax resident Shareholder will generally be taxable dividends for New Zealand tax purposes. Some distributions a Shareholder receives from the Company may not be taxable dividends (e.g. non-taxable bonus issues and certain returns of capital).

New Zealand operates an imputation regime under which income tax paid by the Company gives rise to credits, known as imputation credits, which may be attached to dividends it pays. Imputation credits attached to dividends may be used by New Zealand tax resident Shareholders as a credit against their tax liability in respect of the dividends. The maximum ratio at which the Company can attach imputation credits to dividends is 28:72 (i.e. $28 of imputation credits to $72 of cash dividend).

9.12.2.2 Resident withholding tax

The Company will generally be required to withhold resident withholding tax (**RWT**) from dividends it pays to New Zealand tax resident Shareholders. If the dividends are fully imputed, then the RWT is generally 5% of the cash dividend. If the dividend is unimputed, then the RWT is 33%.

If a Shareholder has registered with the Commissioner of Inland Revenue to be exempt from RWT, then the Shareholder should notify and provide its Inland Revenue number to the Company.

9.12.2.3 Filing an income tax return

If a Shareholder files a New Zealand income tax return, they must include in their taxable income not only the cash dividend they receive, but also any imputation credits attached to the dividend and any RWT withheld. This total amount included in a Shareholder's taxable income is referred to as the gross dividend. A New Zealand Shareholder should be able to use attached imputation credits and (subject to certain criteria) the RWT to satisfy (or partially satisfy) their tax liability on the gross dividend. If the attached imputation credits and RWT deducted exceed the amount of tax on the gross dividend, a Shareholder's tax liability on other income they earn may be reduced as a result of receiving the dividend.

To the extent that a tax resident Shareholder cannot use the credit for RWT to satisfy (or partially satisfy) their tax liability, the Shareholder may get a refund of any excess RWT.

If the Shareholder is not required to file an income tax return and does not elect to file an income tax return, receiving dividends from the Company should not change that position. If the Shareholder is on a tax rate less than 33%, they may be able to reduce their other tax liabilities, or get a refund of any RWT on dividends, by filing an income tax return.

9.12.2.4 Non-resident withholding tax (NRWT) and Foreign Investor Tax Credit (FITC)

The below statements are made on the basis that Australian tax resident Shareholders are entitled to relief under the New Zealand – Australia double tax agreement. It is recommend each Australian tax resident Shareholder obtain its own tax advice on this matter.

The Company will generally be required to withhold New Zealand non-resident dividend withholding tax from dividends it pays to Australian tax resident Shareholders.

If the dividends are fully imputed and the Australian tax resident Shareholder holds at least 10% of the voting power in the Company, then the NRWT rate should be 0%. If the dividend is not fully imputed and the Australian tax resident Shareholder holds at least 10% of the voting power in the Company then the NRWT rate should be 5% for companies and 15% for all other Shareholders (e.g. individuals or trusts).

If the Australian tax resident Shareholder holds less than 10% of the issued Shares, a 15% NRWT will generally apply, regardless of whether the dividend is fully imputed or not. However, if the dividend is fully imputed, the Company may pay such non-resident Shareholders an additional supplementary dividend to effectively offset the NRWT on the dividend under the FITC regime.

If the Australian tax resident Shareholder is not entitled to relief under the New Zealand – Australia double tax agreement and the dividends are not imputed, then the NRWT rate should be 30%.

9.12.2.5 Disposal of Shares

New Zealand does not have a comprehensive capital gains tax. As a result, Shareholders that hold Shares on capital account for New Zealand tax purposes should not be subject to New Zealand tax on any gain on disposal. Similarly, a capital loss realised on disposal should not be deductible to Shareholders under New Zealand tax law.

Although New Zealand does not have a comprehensive capital gains tax, there are instances where a Shareholder will be subject to New Zealand tax on gains they make on the sale or disposal of their Shares or be allowed a deduction for any loss they make. A Shareholder must consider their individual circumstances to determine whether any gain on the sale or disposal of their Shares will be taxable (or loss deductible).

Generally, a Shareholder will be subject to tax on any gain (or allowed to deduct any loss) arising from the sale or disposal of their Shares if they:

- are in the business of dealing in shares;
- acquire their Shares as part of a profit-making undertaking or scheme; or
- acquire their Shares with the dominant purpose of selling them.

As noted above, the consequences for investors who hold their investment on revenue account or as trading stock have not been considered.

If the Shareholder is Australian tax resident, then they may be entitled to claim relief for New Zealand tax on any income account gain they derive from the sale of Shares, unless they have a ‘permanent establishment’ in New Zealand through which the shares are held and/or the Company is ‘land rich’ (which it currently is not).

9.12.3 Indirect tax considerations

9.12.3.1 Australian goods and services tax (GST) considerations

Shareholders should not be liable for Australian GST in respect of their investment in Shares. Shareholders may not be entitled to claim full input tax credits in respect of any GST paid on costs incurred in connection with their acquisition of the Shares. Separate GST advice should be sought by Shareholders in this respect.

9.12.3.2 New Zealand GST considerations

New Zealand GST should not apply to a Shareholder’s investment in Shares.

9.12.3.3 Australian stamp duty considerations

No Australian stamp duty should be payable by Shareholders on the acquisition of Shares under the Prospectus, unless they acquire, either alone with an associated/related person, an interest of 90% or more in the Company. Under current stamp duty legislation, no stamp duty would ordinarily be payable by Shareholders on any subsequent transfer of Shares provided the Shares remain quoted on ASX.

Shareholders should seek their own advice as to the impact of stamp duty in their own particular circumstances.

9.13 Consents to be named and statement of disclaimers and responsibility

Each of the parties listed below in this Section 9.13 is a consenting party and, to the maximum extent permitted by law, expressly disclaims all liabilities in respect of, makes no representations regarding and takes no responsibility, for any statements in or omissions from this Prospectus, other than the reference to its name in the form and context in which it is named and a statement or report included in this Prospectus with its consent as specified below.

Each of the parties listed below has given and has not, at the time of lodgement of this Prospectus with ASIC, withdrawn its written consent to the inclusion of statements in this Prospectus that are specified below in the form and context in which the statements appear:

- Grant Samuel Capital Advisory Pty Limited (ACN 003 241 745) has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as financial advisor in the form and context in which it is named;
- Jarden Australia Pty Ltd (ABN 33 608 611 687) has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as a Joint Lead Manager in the form and context in which it is named;
- Ord Minnett Limited (ABN 86 002 733 048) has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as a Joint Lead Manager in the form and context in which it is named;
- E.L. & C. Baillieu Limited (ABN 74 006 519 393) has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as a Co-Manager in the form and context in which it is named;
- King & Wood Mallesons has given, and has not withdrawn prior to lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as Australian legal advisor to Harmoney in relation to the Offer in the form and context in which it is named;
- Bell Gully has given, and has not withdrawn prior to lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as New Zealand legal advisor to Harmoney in relation to the Offer in the form and context in which it is named;
- PricewaterhouseCoopers Securities Ltd (ACN 003 311 617) has given, and has not withdrawn prior to lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as Investigating Accountant, in the form and context in which it is named, and has not withdrawn its consent to the inclusion in the Prospectus of its Investigating Accountant's Report in the form and context in which it is included;
- PricewaterhouseCoopers (ABN 52 780 433 757) has given, and has not withdrawn prior to lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as tax advisor to Harmoney in the form and context in which it is named;
- PricewaterhouseCoopers New Zealand has given, and has not withdrawn prior to lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as auditor to Harmoney in the form and context in which it is named; and
- Link Market Services Limited (ACN 083 214 537) has given, and has not withdrawn prior to lodgement of this Prospectus with ASIC, its written consent to be name in this Prospectus as the Share Registry in the form and context in which it is named. Link Market Services Limited has had no involvement in the preparation of any part of this Prospectus other than being named as Share Registry.

No entity or person referred to above in this Section 9.13 has made any statement that is included in this Prospectus or any statement on which a statement made in this Prospectus is based, except as stated above. Each of the persons and entities referred to above in this Section 9.13 has not authorised or caused the issue of this Prospectus, does not make any offer of Shares and expressly disclaims and takes no responsibility for any statements in or omissions from this Prospectus except as stated above in this Section 9.13.

9.14 Governing law

This Prospectus and the contracts that arise from the acceptance of the Applications under this Prospectus are governed by the laws applicable in New South Wales, Australia and each Applicant under this Prospectus submits to the non-exclusive jurisdiction of the courts of New South Wales, Australia.

9.15 Other additional information

9.15.1 Privacy

By completing an Application Form to apply for Shares, you are providing personal information (as defined under the Privacy Act) to the Company and SaleCo through the Share Registry, which is contracted by the Company and SaleCo to manage Applications. The Company, SaleCo and the Share Registry on behalf of the Company and SaleCo may collect, hold and use that personal information in order to process your Application, service your needs as a Shareholder, provide facilities and services that you request and carry out appropriate administration. Some of this personal information is collected as required or authorised by certain laws including the *Income Tax Assessment Act 1997* (Cth) and the Corporations Act.

If you do not provide the information requested in the Application Form, the Company, SaleCo and the Share Registry may not be able to process or accept your Application.

Your personal information may also be used from time to time to inform you about other products and services offered by the Company and its group companies, which it considers may be of interest to you.

Your personal information may also be provided to the Company's and SaleCo's members, agents and service providers on the basis that they deal with that information for the purposes for which the information was collected by the Company, SaleCo or the Share Registry on behalf of the Company and SaleCo and in accordance with the Privacy Policy and applicable laws. The members, agents and service providers of the Company and SaleCo may be located outside Australia and New Zealand, where your personal information may not receive the same level of protection as that afforded under Australian and New Zealand law. The types of agents and service providers that may be provided with your personal information and the circumstances in which your personal information may be shared are:

- the Share Registry for ongoing administration of the Shareholder register, including incidental matters such as communications in relation to the Offer;
- printers and other companies for the purpose of preparation and distribution of statements and for handling mail;
- market research companies for the purpose of analysing the Shareholder base and for product development and planning; and
- legal and accounting firms, auditors, contractors, consultants and other advisors for the purpose of administering, and advising on, the Shares and for associated actions.

The circumstances in which your personal information may be provided to the Company's members includes providing information to Company members in respect of the Shareholder register.

If an Applicant becomes a Shareholder, the Corporations Act or Companies Act (as applicable) requires the Company to include information about the Shareholder (including name, address and details of the Shares held) in its Shareholder register.

The information contained in the Shareholder register must remain there even if that person ceases to be a Shareholder. Information contained in the Shareholder register is also used to facilitate dividend payments and corporate communications (including the Company's financial results, annual reports and other information that the Company may wish to communicate to its Shareholders) and compliance by the Company with legal and regulatory requirements. An Applicant has a right to gain access to the information that the Company and the Share Registry hold about that person, subject to certain exemptions under law. A fee may be charged for access. Access requests must be made in writing or by telephone call to the Company's registered office or the Share Registry's office, details of which are disclosed in the Corporate directory on the inside back cover of this Prospectus. Applicants can obtain a copy of the Privacy Policy by visiting the Company's website (https://www.harmoney.co.nz/how-it-works/legal/privacy-policy (for New Zealand) and https://www.harmoney.com.au/how-it-works/legal/privacy-policy (for Australia)).

By submitting an Application, you agree that the Company, SaleCo and the Share Registry may communicate with you in electronic form or contact you by telephone in relation to the Offer. The personal information collected by the Company and SaleCo in connection with your Application may be used in accordance with this disclosure and as set out in the Privacy Policy. To the extent of any inconsistency, the more permissive provisions apply.

You may request access to your personal information held by or on behalf of the Company or SaleCo and you may correct the personal information held by or on behalf of the Company or SaleCo about you. You may be required to pay a reasonable charge to the Share Registry in order to access your personal information.
You can request access to your personal information by writing to or telephoning the Share Registry as follows:

Email: registrars@linkmarketservices.com.au

Telephone: +61 1300 554 474.

9.15.2 Photographs and diagrams

Photographs and diagrams used in this Prospectus that do not have descriptions are for illustration only and should not be interpreted to mean that any person shown in them endorses this Prospectus or its contents or that the assets shown in them are owned by the Company or SaleCo. Diagrams and maps used in this Prospectus are illustrative only and may not be drawn to scale. Unless otherwise stated, all data contained in charts, graphs and tables is based on information available at the Prospectus Date.

9.15.3 Company website

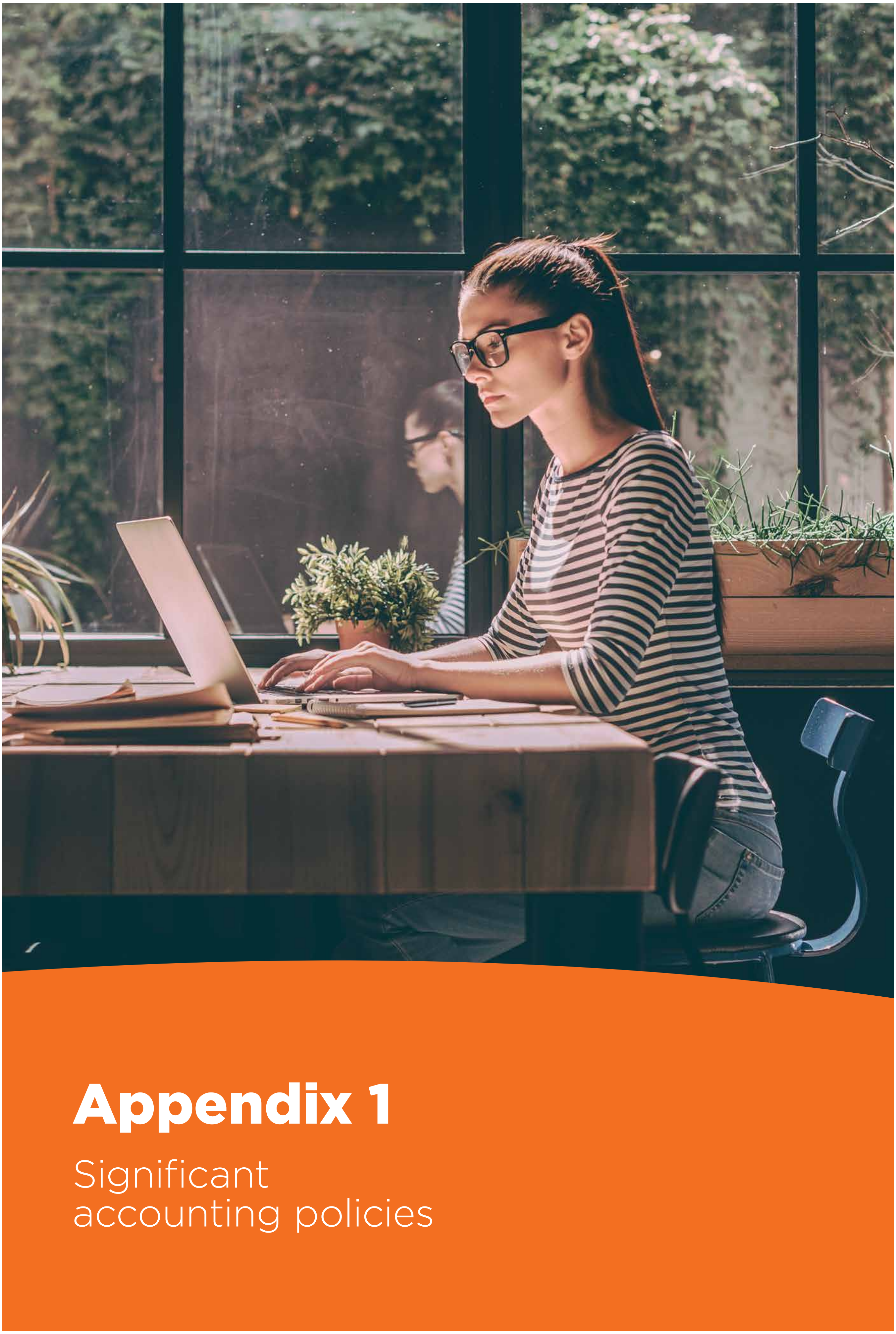
Any references to documents included on the Company's website at www.harmoney.com.au/investor are for convenience only, and none of the documents or other information available on the Company's website is incorporated into this Prospectus by reference.

9.15.4 Liquidity and capital resources

The Directors believe that the Company will have sufficient working capital to carry out its stated objectives in the forecast period and for at least 12 months from Completion.

9.16 Statement of directors

This Prospectus has been authorised by each director of the Company and of SaleCo who has consented to its lodgement with ASIC and its issue and has not withdrawn that consent.



Appendix 1

Significant accounting policies

Appendix 1 Significant accounting policies

The significant accounting policies adopted in the preparation of the Financial Information included in Section 4 are set out below.

Basis of preparation

The consolidated financial statements of Harmoney Corp Limited comply with New Zealand equivalents to the International Financial Reporting Standards Reduced Disclosure Regime and have been prepared in accordance with New Zealand generally accepted accounting practice (**NZ GAAP**). The Company is a for-profit entity for the purposes of complying with NZ GAAP.

The consolidated financial statements have been prepared on the historical cost, except where otherwise identified.

Basis of consolidation

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

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

The assets and liabilities of entities whose functional currency is not the New Zealand dollar, are translated at the exchange rates ruling at balance date. Income 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 intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Application of new and revised accounting standards

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

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

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

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

Segment reporting

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

Income recognition

The Group recognises income as follows:

Interest

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 rate method. The effective interest method allocates interest income or interest expense over the life of the contract, or when appropriate a shorter period, using the effective interest rate. The effective interest rate is the discount rate at which the present value of the future cash flows equals the net carrying amount of the financial asset or liability. When calculating the effective interest rate, the Group estimates the future cash flows considering all the contractual terms of the contract but does not include future expected credit losses.

Appendix 1 Significant accounting policies

Fee income

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

Distributing services

Distributing services refer to Harmoney facilitating the matching of creditworthy borrowers with lenders within criteria chosen by the lender. The fees charged for this service are recognised at the point matching is complete and to the extent that an aggregate reversal in income is not expected. Given only one material performance obligation, the transaction price is allocated to the single performance obligation.

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

Certain fees charged at the point of matching lenders with borrowers are rebateable if the lender does not achieve the required return on their investment. This is typically due to the borrower loan closing earlier than stated on the 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 income the amount of variable consideration to the extent that it is highly probable that a significant reversal in the cumulative income recognised will not occur. The Group's estimate of rebateable amounts is booked as distributing services rebate provision.

Other fees

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

Establishment fees

Establishment fees are a brokerage fee charged to borrowers for arranging a loan between a borrower and a lender. The performance obligation of arranging the loan is fulfilled at the point in time the loan is matched. Given only one material performance obligation, the transaction price is allocated to the single performance obligation. The fee is recognised as fees on loan contract date.

Where the Group is the lender, establishment fees are required to be amortised over the expected life of the finance receivable in accordance with NZ IFRS 9 *Financial Instrument*s. The deferred amount is recognised as a reduction to the finance receivable.

Protect fees

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

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

Where the Group is not the lender, the protect fee income is the amount charged to the lender for arrangement and management of the protect loan. Given only one material performance obligation, the transaction price is allocated to the single performance obligation. At the point the performance obligation, of matching the lender with a borrower is satisfied, the Group estimates and records as income the amount of variable consideration to the extent that it is highly probable that a significant reversal in the cumulative income recognised will not occur. The Group's estimate of rebateable amounts is recognised as a protect claims provision.

Other income

Grant and wage subsidy income

Grants from the New Zealand Government are recognised at their fair value where there is reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Harmoney received grants related to research and development activity as funded by Callaghan Innovation and the R&D loss tax credit as funded by Inland Revenue. Grants that compensate the Group for expenses incurred are recognised in profit or loss on a systematic basis in the same periods in which the expenses are recognised.

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

Research and development (R&D)

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

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

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

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

Capitalised development costs are amortised on a straight-line basis over the period of their expected benefit.

Employee benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date, are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date is measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Defined contribution superannuation expense

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

Appendix 1 Significant accounting policies

Income tax

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

Current tax

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

Deferred tax

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

Cash and cash equivalents

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

Finance receivables

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

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

Stage 1

ECL resulting from default events within the next 12-month ECL are recognised for financial instruments that remain in stage 1.

Stage 2

An assessment of whether credit risk has increased significantly since initial recognition is performed at each reporting period end by considering the change in the risk of default occurring over the remaining life of the finance receivable. Unless identified at an earlier stage, all financial assets are deemed to have suffered a significant increase in credit risk when past due. Significant increase in credit risk is measured by comparing loss ratio for the remaining term estimated at origination with the equivalent estimation at reporting date.

Stage 3

The Group determines that a financial instrument is credit-impaired and in stage 3 by considering relevant objective evidence, primarily whether:

- contractual payments of either principal or interest are past due for more than 120 days; and
- the loan is otherwise considered to be in default.

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

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

Write-off

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

Measurement of ECL provision

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

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

Period over which ECL is measured

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

Forward-looking economic inputs

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

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

Trade and other assets

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

Leased property and equipment

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 the income statement 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 the income statement. Short-term leases are leases with a lease term of 12 months or less.

Borrowings

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

Payables and accruals

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

Goods and services tax

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

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

Appendix 1 Significant accounting policies

Current and non-current classification

Assets and liabilities in the statement of financial position based are classified as current and non-current within the applicable notes.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Financial assets and liabilities

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

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

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

1. 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;
2. 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
3. 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.

Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a re-assessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

Share-based compensation

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

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

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

Cash flow hedge reserve

The Group borrows funds in order to purchase finance receivables (note 15). The interest rate payable on the borrowings is floating while the interest receivable is fixed at the point the funds are lent. The interest rate risk is managed and mitigated through the use of interest rate swaps, which exchanges floating interest payments with fixed interest payments. The swaps are entered into to match the maturity profile of estimated repayments of the Group's borrowings. These are accounted for at trade date.

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

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

The valuations were based on market rates at 30 June 2020 of between 0.27% per annum for the one-month BKBM and 0.36% per annum for the five-year swap rate for New Zealand (2019: 1.76% to 1.85% per annum) and 0.09% per annum for the one-month BBSW and 0.27% per annum for the five-year swap rate for Australia.

Fair value

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

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

Discount rates include an adjustment for counterparty credit risk.

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. New Zealand Dollars) are recognised directly in other comprehensive income and accumulated in the foreign currency translation reserve.

Issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Dividends

Dividends are recognised when declared during the financial year and no longer at the discretion of the Group.

Appendix 2

Glossary

Appendix 2 Glossary

Term	Definition
$	New Zealand dollars
A$	Australian dollars
2M to Oct20F	the two months forecast ending 31 October 2020
4M to Oct19	the four months ended 31 October 2019
4M to Oct20F	the four months forecast ending 31 October 2020
12M to Mar18	the 12 months ended 31 March 2018
12M to Mar19	the 12 months ended 31 March 2019
15M to Jun20	the 12 months ended 30 June 2020
ABN	Australian Business Number
ABS	Australian Bureau of Statistics
ACL	Australian Credit Licence
ACN	Australian Company Number
AEDT	Australian Eastern Daylight Time
Affiliated Shareholder	an Existing Shareholder who is, or is a representative or related person of, a director, executive, employee or consultant to the Company or one of its subsidiaries and has entered into voluntary escrow arrangements with the Company
AFSL	Australia Financial Services Licence
Amended Incentive Plan	the amended long-term incentive plan adopted by the Company on or about the Prospectus Date
AML	anti-money laundering
Anti-bribery and Corruption Policy	the policy described in Section 6.5.5
Applicant	a person who submits an Application
Application	an application made to subscribe for Shares offered under this Prospectus
Application Form	the application form attached to or accompanying this Prospectus
Application Monies	the amount of monies accompanying an Application Form submitted by an Applicant
ARBN	Australian Registered Body Number
APRA	Australian Prudential Regulation Authority
ASIC	the Australian Securities and Investments Commission

Appendix 2 Glossary

Term	**Definition**
ASX	the Australian Securities Exchange
ASX Corporate Governance Council	the council convened in August 2002 by ASX primarily to issue principles-based recommendations on the corporate governance practices to be adopted by ASX listed entities
ASX Listing Rules	the listing rules of ASX, as amended, modified or waived from time to time
ASX Recommendations	the 4th Edition of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations
ASX Settlement	ASX Settlement Pty Limited (ABN 49 008 504 532)
ASX Settlement Operating Rules	the operating rules of ASX Settlement
Audit and Risk Committee	the committee that assists the Board in carrying out its accounting, auditing and financial reporting responsibilities described in Section 6.4.2.1
Australian Warehouse Trust	Harmoney Australia Warehouse No. 1 Trust
Banking Royal Commission	the Australian Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry
Board	the board of Directors
Broker	any broker selected by the Joint Lead Managers in consultation with the Company to act as a broker to the Offer
Broker Firm Offer	the offer of Shares under this Prospectus to Australian and New Zealand resident retail clients of participating Brokers who have received a firm allocation from their Broker (provided that such clients are not in the United States), as described in Section 7.5
Broker Firm Offer Applicant	an Applicant under the Broker Firm Offer
Broker Firm Offer Application Form	the Application Form made available with a copy of this Prospectus, identified as the Broker Firm Offer Application Form
CAGR	compound annual growth rate
CCCFA	the *Credit Contracts and Consumer Finance Act 2003*
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CGT	capital gains tax
Chairman	Chairman of the Board
CHESS	the Clearing House Electronic Subregister System operated in accordance with the Corporations Act

Term	Definition
Chi-X	Chi-X Australia Pty Ltd (ACN 129 584 667)
Chief Executive Officer and Managing Director	David Stevens. See Section 6.1 for further information
Chief Financial Officer	Simon Ward. See Section 6.2 for further information
Closing Date	the date on which the Broker Firm Offer is expected to close, being Monday, 16 November 2020
Code of Conduct	the code of conduct described in Section 6.5.3
Commerce Commission	the New Zealand Commerce Commission
Companies Act	the *Companies Act 1993* (NZ)
Company	Harmoney Corp Limited (NZCN 5177041, ARBN 645 036 595)
Completion of the Offer	the issue of New Shares and sale of Sale Shares to the Successful Applicants under this Prospectus
Constitution	the Constitution that will be adopted by the Company with effect from Completion, as described in Section 7.15
Corporate Debt Facility	the Australian dollar corporate loan facility provided by an Australian asset manager
Corporations Act	the *Corporations Act 2001* (Cth)
Co-Manager	E.L. & C. Baillieu Limited
CTF	counter-terrorism financing
Customer Lifetime Value	a measure of profitability to Harmoney over the duration of its relationship with the customer, which considers initial customer acquisition costs, customer retention, and funding profitability
Director	each of the directors of the Company from time to time
Disclosure and Communication Policy	the policy described in Section 6.5.1
Diversity Policy	the policy described in Section 6.5.4
ECL	expected credit loss
Equity Security	has the meaning given in the Constitution, being an "equity security", as defined in the ASX Listing Rules, which has been issued, or is to be issued, by Harmoney, as the case may require

Appendix 2 Glossary

Term	Definition
Escrow Period	the time period for which the escrow restrictions under the voluntary escrow arrangements apply to the relevant Escrowed Shares, as set out in Section 7.10.1
Escrowed Shareholders	the Affiliated Shareholders and the Unaffiliated Shareholders
Escrowed Shares	in respect of each Escrowed Shareholder, the Existing Shares retained immediately following Completion by that Escrowed Shareholder
Executive Director	each of the executive directors of the Company from time to time
Existing Incentive Plan	the long-term incentive plan adopted by the Company on 21 January 2020
Existing Shareholders	persons who are Shareholders immediately prior to Completion
Existing Shares	the Shares held by the Existing Shareholders immediately prior to Completion, including any Shares issued prior to Completion as part of the implementation of the Restructure
Expiry Date	the date on which the Prospectus expires, being a date which is 13 months after the Prospectus Date
Exposure Period	the seven-day period after the Prospectus Date, which may be extended by ASIC for up to an additional seven days, during which an Application must not be accepted
Financial Information	the Historical Financial Information and the Forecast Financial Information
FMA	the Financial Markets Authority in New Zealand
FMCA	the *Financial Markets Conduct Act 2013*
Forecast Financial Information	as described in Section 4.1
FTE	Full-time employee
Funding Debt	the borrowings that Harmoney uses to fund loans provided to customers, including the Warehouse Facilities and from peer-to-peer lenders. It does not include borrowings under the Corporate Debt Facility
Google Smart Bidding	a subset of automated bid strategies that optimise for conversions or conversion value. It uses machine learning to optimise bids to maximise conversions and conversion value across campaigns or bidding portfolios
Group	Harmoney and its subsidiaries
GST	goods and services tax
Harmoney	Harmoney Corp Limited (NZCN 5177041, ARBN 645 036 595)

Term	Definition
Harmoney IPO Offer Information Line	1800 817 266 (within Australia) from 8.30am to 5.30pm (AEDT), Monday to Friday and +61 1800 817 266 (outside Australia) from 8.30am to 5.30pm (AEDT) Monday to Friday
Historical Financial Information	as described in Section 4.1
IFRS	the International Financial Reporting Standards and interpretations issued by the International Accounting Standards Board
Institutional Investor	an institutional or professional investor: • in Australia who is a "wholesale client" for the purpose of Section 761G of the Corporations Act and who is either a "professional investor" or "sophisticated investor" within the meaning of Sections 708(11) and 708(8) of the Corporations Act; • in New Zealand who is a "wholesale investor" within the meaning given in clause 3(2) of schedule 1 to the FMCA, or • in Hong Kong, Singapore, the United Kingdom and any other jurisdiction, as may be agreed between the Company, SaleCo and the Joint Lead Managers, to whom offers or invitations in respect of securities can be made (consistent with the advice obtained from counsel to the Company) without the need for a lodged or registered prospectus or other form of disclosure document or filing with, or approval by, any governmental agency (except one with which the Company are willing, in its absolute discretion, to comply), and in either case, provided that such person is not in the United States
Institutional Offer	the offer of Shares under this Prospectus to Institutional Investors, as described in Section 7.7
Investigating Accountant	PricewaterhouseCoopers Securities Ltd (ACN 003 311 617, ABN 54 003 311 617, holder of Australian Financial Services Licence No. 244572)
Investigating Accountant's Report	the report prepared by the Investigating Accountant, as set out in Section 8
IPO	initial public offering
Jobkeeper	subsidy granted to Australian businesses that have been significantly impacted by COVID-19
Joint Lead Managers	Jarden Australia Pty Ltd (ABN 33 608 611 687) and Ord Minnett Limited (ABN 86 002 733 048)
Listing	admission to the Official List and NZX Main Board
NCCPA	the *National Consumer Credit Protection Act 2009* (Cth)
New Shares	the new shares to be issued by the Company under the Offer
New Zealand Mutual Recognition Regime	the mutual recognition regime established under sub-part 6 of Part 9 of the FMCA and Part 9 of the *Financial Markets Conduct Regulations 2014*

Appendix 2 Glossary

Term	Definition
New Zealand Warehouse Trust	Harmoney Warehouse No. 1 Trust
Nomination and Remuneration Committee	the committee that assists and advises the Board on nomination and remuneration-related matters described in Section 6.4.2.2
Non-Executive Director	each of the non-executive directors of the Company from time to time
NPP	New Payments Platform
NPS	net promoter score, which is a measure of customer loyalty captured by Harmoney through post-engagement surveys
NZ GAAP	New Zealand generally accepted accounting practice
NZ IFRS	New Zealand equivalents to IFRS
NZ IFRS RDR	as defined in Section 4.2.1
NZAS	New Zealand Accounting Standards
NZASB	New Zealand Accounting Standards Board
NZCN	New Zealand Company Number
NZX	NZX Limited
NZX Listing Rules	the listing rules applying to the NZX Main Board in force from time to time
NZX Main Board	the main board equity security market operated by NZX
OAIC	the Office of the Australian Information Commissioner
Offer	the offer under this Prospectus of 20.0 million New Shares to be issued by the Company and up to 6,428,572 Sale Shares to be sold by SaleCo
Offer Period	the period from the Opening Date to the Closing Date
Offer Price	A$3.50 per Share
Official List	the official list of entities that ASX has admitted to and not removed from listing
Opening Date	the date on which the Broker Firm Offer is expected to open, being Tuesday, 10 November 2020
Other Permitted Jurisdictions	Hong Kong, Singapore and the United Kingdom and any other jurisdiction outside Australia and New Zealand as may be agreed between the Company, SaleCo and the Joint Lead Managers, to whom offers or invitations in respect of securities can be made (consistent with the advice obtained from counsel to the Company) without the need for a lodged or registered prospectus or other form of disclosure document or filing with, or approval by, any governmental agency (except one with which the Company and SaleCo are willing, in their absolute discretion, to comply)

Term	Definition
Privacy Act	the *Privacy Act 1988* (Cth)
Privacy Commissioner	the Office of the Privacy Commissioner in New Zealand
Privacy Policy	the policy which details how any personal information collected by the Company is used, which is available at https://www.harmoney.co.nz/how-it-works/legal/privacy-policy (for New Zealand) and https://www.harmoney.com.au/how-it-works/legal/privacy-policy (for Australia). See Section 9.15.1 for further information
Pro Forma Forecast Financial Information	as described in Section 4.1
Pro Forma Historical Financial Information	as described in Section 4.1
Prospectus	this document (including the electronic form of this Prospectus) and any supplementary or replacement prospectus in relation to this document
Prospectus Date	the date on which a copy of this Prospectus was lodged with ASIC, being Friday, 30 October 2020
RBA	Reserve Bank of Australia
RBNZ	Reserve Bank of New Zealand
Representative	a person appointed as a proxy or representative in accordance with the Constitution, a person appointed as a manager or attorney of a Shareholder under the *Protection of Personal and Property Rights Act 1988* (NZ), the assignee in bankruptcy of a bankrupt Shareholder or the executor, administrator or trustee of the estate of a deceased Shareholder
Restructure	the transactions to take place on or prior to Completion, as described in Section 9.5
Sale Shares	the Shares offered for sale, and to be transferred, by SaleCo under the Offer, as described in Section 9.3
SaleCo	Harmoney Share Sale Company Limited (NZCN 8129511, ARBN 645 035 678)
Sell Down Deed	has the meaning given in Section 9.3
Selling Shareholders	the Existing Shareholders who have each agreed to sell a portion of their Existing Shares (as nominated by the Company) to SaleCo prior to Completion in accordance with the Sell Down Deed
Senior Management	the executive management team of Harmoney, as set out in Section 6.2
Settlement	the settlement in respect of the Shares the subject of the Offer occurring under the Underwriting Agreement
Share	a fully paid ordinary share in the Company

Term	Definition
Share Registry	Link Market Services Limited (ACN 083 214 537)
Shareholder	the registered holder of a Share from time to time
Statutory Historical Financial Information	as described in Section 4.1
Stellare™	Harmoney's proprietary technology platform
Successful Applicant	an Applicant who is issued or sold Shares under the Offer
Takeover Offer	a takeover offer for some or all Shares under the Takeovers Code
Takeovers Code	the Takeovers Code set out in the Schedule to the *Takeover Regulations 2000*
Trading Day	a "trading day" as defined in the ASX Listing Rules
Trading Policy	the policy described in Section 6.5.2
Unaffiliated Shareholder	an Existing Shareholder who is not an Affiliated Shareholder who at Completion (individually) holds Shares that represent 1% or more of the total Shares on issue (on a fully diluted basis) and has entered into voluntary escrow arrangements with the Company
Underwriters	Jarden Partners Limited (NZCN 1797701) and Ord Minnett Limited (ABN 86 002 733 048)
Underwriting Agreement	the underwriting agreement dated on or about 30 October 2020 between the Company, SaleCo, the Joint Lead Managers and the Underwriters (see Section 9.7.3 for further information)
US Securities Act	the *U.S. Securities Act of 1933*, as amended
VWAP	the volume weighted average price (to four decimal places) of trading in the Shares on the ASX market and Chi-X market over the relevant period, excluding block trades, large portfolio trades, permitted trades during the pre-trading hours period, permitted trades during the post-trading hours period, out of hours trades and exchange traded options exercises
Wage Subsidy Scheme	Subsidy granted to eligible New Zealand businesses that have been significantly impacted by COVID-19
Warehouse Facilities	the warehouse facilities entered into by Group members from time to time and as at the Prospectus Date includes the New Zealand Warehouse Trust and the Australian Warehouse Trust described in Sections 9.7.1 and 9.7.2
Warrants	the warrants to acquire Shares described in Section 9.6
Whistleblower Policy	the policy described in Section 6.5.6

Harmoney

HARMONEY CORP LIMITED

NZCN 5177041

Broker Code

Adviser Code

Broker Firm Offer Application Form

This is an Application Form for Shares in Harmoney Corp Limited under the Broker Firm Offer on the terms set out in the Prospectus dated 30 October 2020. The minimum number of Shares you may apply is as determined by your Broker. This Application Form and your cheque or bank draft must be received by your Broker by the deadline set out in their offer to you.

This Application Form is for use by Australian resident retail clients of participating Brokers.

If you are in doubt as to how to deal with this Application Form, please contact your accountant, financial adviser, stockbroker, lawyer or other professional adviser. The Prospectus contains information relevant to a decision to invest in Shares and you should read the entire Prospectus carefully before applying for Shares.

Information collected on this form will be used for managing applications and other business purposes. It may also be transferred to third parties and to other jurisdictions. Further details are set out in Section 9.15 of the Prospectus and by visiting Harmoney's website https://www.harmoney.com.au/how it works/legal/privacy policy. By signing this Application Form you will be deemed to have read, understood and agreed to these terms. By signing this Application Form you will also be deemed to have agreed to the terms and conditions set out in section 7.9 of the Prospectus.

A Shares applied for ___ , ___ , ___ at Price per Share **A$3.50**

B Application Monies **A$** ___ , ___ , ___ . ___

(Please check with your Broker in relation to the minimum number of shares you may apply for)

PLEASE COMPLETE YOUR DETAILS BELOW (refer overleaf for correct forms of registrable names)

C

Applicant #1

Surname/Company Name

Title

First Name

Middle Name

Joint Applicant #2

Surname

Title

First Name

Middle Name

Designated account e.g. <Super Fund> (or Joint Applicant #3)

D

TFN/ABN/Exemption Code

First Applicant

Joint Applicant #2

Joint Applicant #3

TFN/ABN type – if NOT an individual, please mark the appropriate box ☐ Company ☐ Partnership ☐ Trust ☐ Super Fund

E

PLEASE COMPLETE ADDRESS DETAILS

PO Box/RMB/Locked Bag/Care of (c/-)/Property name/Building name (if applicable)

Unit Number/Level

Street Number

Street Name

Suburb/City or Town

State

Postcode

Email address (only for purpose of electronic communication of shareholder information)

F

CHESS HIN (if you want to add this holding to a specific CHESS holder, write the number here)

X

Please note: that if you supply a CHESS HIN but the name and address details on your Application Form do not correspond exactly with the registration details held at CHESS, your Application will be deemed to be made without the CHESS HIN and any Shares issued as a result of the Offer will be held on the issuer sponsored sub-register. You will not be able to change this until after the stock exchange listing takes place and you will need to request your broker to do this for you.

G

Telephone Number where you can be contacted during Business Hours ( )

Contact Name (PRINT)

H

Cheques or bank drafts should be drawn up according to the instructions given by your Broker.

Cheque or Bank Draft Number

BSB -

Account Number

Total Amount **A$** ___ , ___ , ___ . ___

LODGEMENT INSTRUCTIONS

You must return your application so it is received by your Broker by the deadline set out in their offer to you.

HMY BRO001

Your Guide to the Application Form

Please complete all relevant white sections of the Application Form in BLOCK LETTERS, using black or blue ink. These instructions are cross-referenced to each section of the form.

The Shares to which this Application Form relates are Harmoney Corp Limited ("Harmoney") Shares. Further details about the Shares are contained in the Prospectus dated 30 October 2020 issued by Harmoney and Harmoney Share Sale Company Limited ("SaleCo"). The Prospectus will expire on the date which is 13 months after the Prospectus Date. While the Prospectus is current, Harmoney and SaleCo will send paper copies of the Prospectus, any supplementary document and the Application Form, free of charge on request.

The Australian Securities and Investments Commission requires that a person who provides access to an electronic application form must provide access, by the same means and at the same time, to the relevant Prospectus. This Application Form is included in the Prospectus.

The Prospectus contains important information about investing in the Shares. You should read the Prospectus before applying for Shares.

A Insert the number of Shares you wish to apply for. The minimum number of Shares you may apply is as determined by your Broker. You may be issued all of the Shares applied for or a lesser number.

B Insert the relevant amount of Application Monies. To calculate your Application Monies, multiply the number of Shares applied for by the Offer Price. Amounts should be in Australian dollars. Please make sure the amount of your cheque or bank draft equals this amount.

C Write the full name you wish to appear on the register of Shares. This must be either your own name or the name of a company. Up to three joint Applicants may register. You should refer to the table below for the correct registrable title.

D Enter your Tax File Number (TFN) or exemption category. Business enterprises may alternatively quote their Australian Business Number (ABN). Where applicable, please enter the TFN or ABN for each joint Applicant. Collection of TFN(s) and ABN(s) is authorised by taxation laws. Quotation of TFN(s) and ABN(s) is not compulsory and will not affect your Application. However, if these are not provided, Harmoney will be required to deduct tax at the highest marginal rate of tax (including the Medicare Levy) from payments.

E Please enter your postal address for all correspondence. All communications to you from Harmoney and the Share Registry will be mailed to the person(s) and address as shown. For joint Applicants, only one address can be entered.

F If you are already a CHESS participant or sponsored by a CHESS participant, write your Holder Identification Number (HIN) here. If the name or address recorded on CHESS for this HIN is different to the details given on this form, your Shares will be issued to Harmoney's issuer sponsored subregister.

G Please enter your telephone number(s), area code and contact name in case we need to contact you in relation to your Application.

H Please complete the details of your cheque or bank draft in this section. The total amount of your cheque or bank draft should agree with the amount shown in section B.

If you receive a firm allocation of Shares from your Broker make your cheque payable to your Broker in accordance with their instructions.

CORRECT FORMS OF REGISTRABLE NAMES

Note that ONLY legal entities are allowed to hold Shares. Applications must be in the name(s) of natural persons or companies. At least one full given name and the surname is required for each natural person. The name of the beneficiary or any other non-registrable name may be included by way of an account designation if completed exactly as described in the examples of correct forms below.

Type of Investor	**Correct Form of Registration**	**Incorrect Form of Registration**
Individual Use given names in full, not initials	Mrs Katherine Clare Edwards	K C Edwards
Company Use Company's full title, not abbreviations	Liz Biz Pty Ltd	Liz Biz P/L or Liz Biz Co.
Joint Holdings Use full and complete names	Mr Peter Paul Tranche & Ms Mary Orlando Tranche	Peter Paul & Mary Tranche
Trusts Use the trustee(s) personal name(s)	Mrs Alessandra Herbert Smith <Alessandra Smith A/C>	Alessandra Smith Family Trust
Deceased Estates Use the executor(s) personal name(s)	Ms Sophia Garnet Post & Mr Alexander Traverse Post <Est Harold Post A/C>	Estate of late Harold Post or Harold Post Deceased
Minor (a person under the age of 18 years) Use the name of a responsible adult with an appropriate designation	Mrs Sally Hamilton <Henry Hamilton>	Master Henry Hamilton
Partnerships Use the partners' personal names	Mr Frederick Samuel Smith & Mr Samuel Lawrence Smith <Fred Smith & Son A/C>	Fred Smith & Son
Long Names	Mr Hugh Adrian John Smith-Jones	Mr Hugh A J Smith Jones
Clubs/Unincorporated Bodies/Business Names Use office bearer(s) personal name(s)	Mr Alistair Edward Lilley <Vintage Wine Club A/C>	Vintage Wine Club
Superannuation Funds Use the name of the trustee of the fund	XYZ Pty Ltd <Super Fund A/C>	XYZ Pty Ltd Superannuation Fund

Put the name(s) of any joint Applicant(s) and/or account description using < > as indicated above in designated spaces at section C on the Application Form.

BROKER
STAMP
Advisor code

HARMONEY CORP LIMITED INITIAL PUBLIC OFFER: BROKER FIRM OFFER APPLICATION FORM

This Application Form is issued with the Prospectus dated as at 30 October 2020 for the Offer of fully paid ordinary shares in Harmoney Corp Limited (**Harmoney**). This Application Form represents an application by you to acquire Shares under the Broker Firm Offer on the terms set out in the Prospectus. The Prospectus contains important information about investing in the Shares. You should read the Prospectus before completing this Application Form. Any capitalised terms used but not defined in this Application Form have the same meanings given to those terms in the Prospectus. If you require assistance completing this Application Form, please contact the Share Registry (details provided at the end of the Application Form). The closing date for the Broker Firm Offer is 16 November 2020 (or such other date as Harmoney determines) (the **Closing Date**).

This Application Form is for use by New Zealand resident retail clients of participating Brokers.

A. APPLICANT DETAILS

Applications must be in the names of natural persons, companies or other legal entities, up to a maximum of three names per Application. Applications by trusts, funds, estates, partnerships or other unincorporated bodies must be made in the individual names of the persons who are the trustees, proprietors, partners or office bearers (as appropriate).
If, for your own purposes, you want to record that the Applicants hold their Shares on a particular account or for a particular purpose, you can record that in the "Company / Trust / Account Designation" field. If you are applying on behalf of your children, or some other person in respect of whom you have the required authority, you should complete the Application Form in their name.

If the Applicant(s) has / have a current Common Shareholder Number (CSN) and wish for the Shares to be held under that CSN, the information in this section must match the details of that CSN exactly.

First name(s):		Surname:	
First name(s):		Surname:	
First name(s):		Surname:	
Company / Trust / Account Designation:			
Postal address:			
City:		Postcode:	Country:
Telephone:	Mobile:		Daytime:

B. COMMON SHAREHOLDER NUMBER (CSN)

A Common Shareholder Number (CSN) is required to trade Shares on the NZX Main Board once the Offer has closed and the Shares have been allotted. A CSN is a nine digit number. If you have a CSN, please enter it here. If you do not have a CSN, leave the space blank and you will be allocated a CSN and Authorisation Code (FIN) when your Shares are allotted.

C. APPLICATION PAYMENT

Applications must be accompanied by payment in full. **Please check with your Broker as to the minimum number of Shares you may apply for.**

This Application Form and your payment must be sent to your Broker so as to enable them to forward it to the Share Registry by 5.00pm (Australian Eastern Daylight Time) on 16 November 2020.

I/We apply for

Value of shares applied for

NZ$

in accordance with the Prospectus (including for the avoidance of doubt section 7.6 of the Prospectus).

Choose only ONE of the payment options below

Please note: If you have received alternative instructions from your Broker in relation to your payment, please follow those instructions.

Option 1: **Please make a one-time DIRECT DEBIT from my bank account stated below.**

Direct debits allow Harmoney or its agent to deduct money from your nominated bank account as payment for your application. If you wish to make payment by this method, please complete your New Zealand dollar bank account details below. By signing this Application Form, the signatory agrees that Harmoney or its agent are authorised to direct debit the bank account below for the total amount payable in accordance with the terms specified in the Prospectus. If you elect to pay by one-time direct debit, you should ensure that the signatories are consistent with your bank authorities.
Please provide your New Zealand dollar bank account details for **direct debit** (if you have selected Option 1).

If you wish to have your dividends paid into a different bank account, please also complete section D below.

Name of Account: ____

Bank	Branch	Account Number	Suffix
			0

Option 2: CHEQUE Please attach your cheque for the total amount payable. Your cheque must be for immediate value drawn on a New Zealand bank, or bank draft in New Zealand currency, made out to "Harmoney Corp Share Offer". Cheques should be crossed 'Not Transferable'**. Post-dated cheques will not be accepted**. If your cheque dishonours, your application may be rejected.

D. FUTURE DIVIDEND PAYMENTS – Please select only ONE option.

OPTION 1: Please pay any future dividends into the bank account provided above in **section C**

OPTION 2: Please pay any future dividends into the bank account provided below (if you don't provide a bank account in this section, any dividend payment will default to the bank account provided in section C).

Name of Account: ____

Bank	Branch	Account Number	Suffix
			0

OPTION 3: Please direct credit any dividends to the following Cash Management Account of a Primary Market Participant (as defined in the NZX Limited Participant Rules):

Name of Primary Market Participant where Cash Management Account is held:

Cash Management Account Number:

E. IRD NUMBER

If the application is in the name of joint holders, only one IRD number is required. If you are applying on behalf of a minor (under the age of 18) or a dependent, use their IRD number. If the Applicant is a trust, company, partnership or other entity, use that entity's IRD number.

☐ Please tick this box if you hold an **RWT exemption certificate** from the IRD.

☐ Please tick this box if you are a non-resident for New Zealand tax purposes under the Income Tax Act 2007. You will be treated as a New Zealand tax resident unless this box is ticked.

Country of residence for tax purposes:

F. ELECTRONIC COMMUNICATIONS – email address

I agree to receive all my Shareholder communications from Link Market Services and Harmoney via email at my email address provided below:

G. SIGNATURE(S) OF APPLICANTS

The Application Form must be signed by, or on behalf of, each Applicant. If the Applicant is a company or other entity, it should be signed by a duly authorised person in accordance with any applicable constitution or governing document.

If the Applicant is a minor (under the age of 18), the parent or legal guardian should sign the Application Form on the Applicant's behalf.

If you elect to pay by one-time direct debit, you should ensure that the signatories are consistent with your bank authorities.

I/we hereby acknowledge that I/we have received, read and understood the Prospectus, and apply for the number of Shares as set out above and agree to accept such Shares (or such lesser number as may be allotted to me/us) on, and subject to, the terms and conditions set out in the Prospectus and this Application Form.

Date:

H. RETURN OF YOUR COMPLETED APPLICATION FORM AND PAYMENT

Please return your completed Application Form to your Broker so as to enable them to forward it to the Share Registry, Link Market Services Limited, by no later than 5.00pm (Australian Eastern Daylight Time) on 16 November 2020. If your Broker has instructed you to return your form directly to the Share Registry, please see their details below.

EMAIL: applications@linkmarketservices.co.nz (*please put Harmoney in the subject line for easy identification*) ‖ **FAX** +64 9 375 5990
MAIL: PO Box 91976, Auckland, 1142 ‖ **DELIVERY:** Level 11, Deloitte Centre, 80 Queen Street, Auckland, 1010

TERMS AND CONDITIONS

By signing this Application Form:

a) I / We irrevocably agree to purchase a number of Shares up to the number of Shares applied for in section C on and subject to the terms and conditions set out in the Prospectus and this Application Form and I / we agree to be bound by the provisions thereof (notwithstanding any extensions to the Closing Date or any other date), and that acceptance of my Application by Harmoney (in whole or in part) will constitute a binding contract.
b) I / We confirm that I / we have received, read and understood the Prospectus.
c) I / We certify that all details and statements made by me / us in this Application Form are complete and accurate.
d) I / We certify that, where information is provided by me / us in this Application Form about another person, I / we am / are authorised by such person to disclose the information to you.
e) I / We certify that all agreements, confirmations, certifications and declarations I / we have made under this Application Form apply to all persons named in this Application Form and I / we have the authority to make such agreements, confirmations, certifications and declarations on behalf of those persons.
f) I / We acknowledge that an application cannot be withdrawn or revoked by me / us once it has been submitted, unless otherwise notified by Harmoney.
g) I / We hereby represent and warrant that I am not / we are not located within the United States or elsewhere outside of New Zealand and I am not / we are not acting for the account or benefit of a person in the United States or elsewhere outside of New Zealand and I / we have not sent and will not send the Prospectus or any other material relating to the Offer to any person in the United States or elsewhere outside of New Zealand.
h) I / We agree to indemnify Harmoney and its directors, officers, employees and agents in respect of any liability incurred by Harmoney as a result of me / us breaching the selling restrictions described in the Prospectus.
i) I consent to the use of my personal information in accordance with the privacy policy set out in Section 9.15.1 of the Prospectus.

If you have any questions on how to complete this Application Form please contact your Broker, financial adviser, lawyer or Link Market Services Limited:

EMAIL: applications@linkmarketservices.co.nz **PHONE:** +64 9 375 5998 **FAX:** +64 9 375 5990 **MAIL:** PO Box 91976, Auckland, 1142

Corporate directory

Company's registered office

Harmoney Corp Limited

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

Financial advisor

Grant Samuel Capital Advisory Pty Limited

Level 19, Governor Macquarie Tower
1 Farrer Place
Sydney NSW 2000, Australia

Joint Lead Managers

Jarden Australia Pty Ltd

Suite 401, 45 Lime Street
King Street Wharf
Sydney NSW 2000, Australia

Ord Minnett Limited

Level 8, NAB House
225 George Street
Sydney NSW 2000, Australia

Co-Manager

E.L. & C. Baillieu Limited

Level 22, 35 Collins Street
Melbourne VIC 3000, Australia

Harmoney IPO Offer Information Line

1800 817 266 (within Australia) from 8.30am to 5.30pm (AEDT), Monday to Friday and +61 1800 817 266 (outside Australia) from 8.30am to 5.30pm (AEDT) Monday to Friday

Australian legal advisor

King & Wood Mallesons

Level 61, Governor Phillip Tower
1 Farrer Place
Sydney NSW 2000, Australia

New Zealand legal advisor

Bell Gully

48 Shortland Street
Auckland 1140, New Zealand

Investigating Accountant

PricewaterhouseCoopers Securities Ltd

One International Towers Sydney, Watermans Quay
Barangaroo NSW 2000, Australia

Auditor

PricewaterhouseCoopers New Zealand

Level 27, PwC Tower
15 Customs Street West
CBD, Auckland 1010, New Zealand

Share Registry

Link Market Services Limited (ACN 083 214 537)

Level 12, 680 George Street
Sydney NSW 2000, Australia

www.colliercreative.com.au #HAR0001

Harmoney®