For the year ended 31 March 2019

Harmoney Corp Limited

Harmoney Corp Limited
Contents of consolidated financial statements
For the year ended 31 March 2019

Harmoney Corp Limited
Directors' responsibility statement

The directors are pleased to present the consolidated financial statements of Harmoney Corp Limited for the year ended 31 March 2019.

The directors are responsible for ensuring that the financial statements give a true and fair view of the financial position of the Group as at 31 March 2019 and the financial performance and cash flows for the year ended on that date.

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

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

The entities owners do not have the power to amend these financial statements after issue.

The Board of Directors of Harmoney Corp Limited authorised the financial statements set out on pages 4 -25 for issue on 25 June 2019.

For and on behalf of the Board

Director

25 June 2019

Director

Harmoney Corp Limited
Consolidated statement of comprehensive income
For the year ended 31 March 2019

	Notes	Year ended 31/03/2019 $'000	Year ended 31/03/2018 $'000
Interest income		1,055	76
Interest expense		(327)	-
Net interest income	4	**728**	**76**
Other net operating income		32,157	26,156
Net operating income	4	**32,885**	**26,232**
Selling and administration expenses	5	32,288	28,067
Profit/(loss) before impairment expense and income tax		**597**	**(1,835)**
Change in expected credit loss and other credit impairment charges	10	830	-
Loss before tax		**(233)**	**(1,835)**
Income tax benefit/ (expense)	6	7,453	-
Profit/(loss) for the year		**7,220**	**(1,835)**
Profit is attributable to:			
Owners of the Group		7,220	(1,835)
Non-controlling interests		-	-
		7,220	(1,835)
Other comprehensive income / (loss)			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		12	(77)
Loss on cash flow hedge	7	(108)	-
Total comprehensive income / (loss) for the year		**7,124**	**(1,912)**
Total comprehensive income is attributable to:			
Owners of the Group		7,124	(1,912)
Non-controlling interests		-	-
		7,124	(1,912)

*

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

Harmoney Corp Limited
Consolidated statement of changes in equity
For the year ended 31 March 2019

	Note	Share capital	Foreign currency translation reserve	Share based payment reserve	Cash flow hedge reserve	Accumulated losses	Non Controlling interest	Total
		$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 31 March 2017		32,204	(19)	62	-	(26,902)	-	5,345
Loss for the year		-	-	-	-	(1,835)	-	(1,835)
Other comprehensive income / (loss) for the year, net of income tax		-	(77)	-	-	-	-	(77)
Total comprehensive loss for the year		-	(77)	-	-	(1,835)	-	(1,912)
Recognition of share based payments	16	-	-	2,003	-	-	-	2,003
Transfer to capital		608	-	(608)	-	-	-	-
Balance at 31 March 2018		32,812	(96)	1,457	-	(28,737)	-	5,436
Balance at 1 April 2018, as orignally stated		32,812	(96)	1,457	-	(28,737)	-	5,436
Impact of NZ IFRS 15 adoption	4	-	-	-	-	7,523	-	7,523
Balance at 1 April 2018, as restated		32,812	(96)	1,457	-	(21,214)	-	12,959
Profit for the year		-	-	-	-	7,220	-	7,220
Other comprehensive income / (loss) for the year, net of income tax		-	12	-	(108)	-	-	(96)
Total comprehensive profit for the year		-	12	-	(108)	7,220	-	7,124
Recognition of share based payments	16	-	-	1,209	-	-	-	1,209
Transfer to capital		280	-	(280)	-	-	-	-
Balance at 31 March 2019		33,092	(84)	2,386	(108)	(13,994)	-	21,292

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

Harmoney Corp Limited
Consolidated statement of financial position
as at 31 March 2019

	Notes	31/03/2019 $'000	31/03/2018 $'000
ASSETS			
Assets			
Cash and cash equivalents	8	6,210	7,658
Current tax assets		115	119
Trade and other assets	9	16,048	1,720
Insurance premium receivable	17	810	-
Finance receivables	10	37,003	-
Plant and equipment		147	172
Intangible assets		8	54
Deferred tax assets	6	5,165	-
Total assets		65,506	9,723
EQUITY AND LIABILITIES			
Liabilities			
Trade and other payables	11	3,099	2,982
Borrowings	12	37,077	-
Unearned premium liability	17	810	-
Rebate provision	13	3,120	506
Deferred income		-	799
Derivative financial instruments	7	108	-
Total liabilities		44,214	4,287
Capital and reserves			
Issued capital	15	33,092	32,812
Foreign currency translation reserve		(84)	(96)
Share based payment reserve	16	2,386	1,457
Cash flow hedge reserve	7	(108)	-
Accumulated losses	16	(13,994)	(28,737)
Total equity		21,292	5,436
Total equity and liabilities		65,506	9,723

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

Harmoney Corp Limited
Consolidated statement of cash flows
For the year ended 31 March 2019

	Notes	Year ended 31/03/2019 $'000	Year ended 31/03/2018 $'000
Cash flows from operating activities			
Interest received		787	11
Interest paid		(246)	-
Other net operating income		34,925	25,330
Payments to suppliers and employees		(31,553)	(25,682)
Net movement in restricted cash balance	9	(835)	-
Net cash (used in) / generated by operating activities		3,078	(341)
Cash flows from investing activities			
Advances to customers		(38,194)	-
Net movement in restricted cash balance	9	(3,320)	-
Payments for plant and equipment		(24)	(97)
Net cash (used in) / generated by investing activities		(41,538)	(97)
Cash flows from financing activities			
Proceeds from borrowing		37,000	-
Net cash generated by financing activities		37,000	-
Cash and cash equivalents at the beginning of the year		7,658	8,170
Net increase / (decrease) in cash and cash equivalents		(1,460)	(438)
Loss on foreign currency bank accounts		12	(74)
Cash and cash equivalents at the end of the year	8	6,210	7,658

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

1. General information

Harmoney Corp Limited (the Company) and its subsidiaries are Companies whose primary business is to provide peer to peer lending services. The Company is a FMC Reporting Entity as it is a licensed peer to peer lender. The Group consists of Harmoney Corp Limited and its subsidiaries and a controlled entity through which it invests in loans, these are listed in note 19.

Harmoney Corp Limited is a company incorporated in New Zealand and registered under the Companies Act 1993. The Company was incorporated on 1 May 2014.

2. Significant accounting policies

2.1 Statement of compliance and reporting framework

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

2.2 Basis of preparation

The consolidated financial statements of Harmoney Corp Limited have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP).

The consolidated financial statements have been prepared on the historical cost, except where otherwise identified.
The comparatives have been regrouped for consistency with the current year presentation. The comparatives have not been restated.
The principal accounting policies are set out below.

2.3 Basis of consolidation

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

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

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

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

2.4 Goods and services tax

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

- where the amount of GST incurred is not recovered from the taxation authority, but is available for future recovery, it is recognised as an unrecoverable GST expense in the income statement pending the application of a recovery percentage once determined.
- for receivables and payables which are recognised inclusive of GST (the net amount of GST recoverable from or payable to the taxation authority is included as part of receivables or payables).

2.5 Internally-generated intangible assets - research and development expenditure

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

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;

- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

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

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

2.6 Application of new and revised accounting standards

The group has applied the following standards for the first time for their annual reporting period commencing 1 April 2018:

- NZ IFRS 9 Financial Instruments (refer to note 20 for details)
- NZ IFRS 15 Revenue from Contracts with Customers (refer to note 4 for details)

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.

NZ IFRS 15 provides a principles-based approach for revenue recognition, and introduces the concept of recognising revenue for performance obligations as they are satisfied.

The Group has recognised the cumulative effect of initially applying the standard as an increase to the opening balance of retained earnings of $7.5m after tax. The increase is a result of recognising revenue for distributing services where the performance obligations had been fulfilled in prior years but revenue had not been recognised under NZ IAS 18.

3. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, the directors of the Group are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

3.1.1 Treatment of development costs incurred in the period

The Group has incurred and will continue to incur significant costs in developing its online lending platform and on other projects. The directors believe that the costs fall within the definition of research and development within NZ IAS 38 Intangible Assets. These costs have been assessed against the recognition and measurement criteria in that standard. The costs have been recorded as Intangible Assets on the balance sheet where the Group believes that all the requirements of the recognition criteria outlined in our accounting policy (note 2.5) and expensed where they have not been met.

3.1.2 Option valuation for share based payments

The options granted under NZ IFRS 2 Share-based payments are required to be valued. The valuation exercise requires a high level of judgment in its assumptions. The assumptions are discussed in detail in note 14.

3.1.3 Deferred tax asset relating to tax losses

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

3.1.4 Determination of transaction price for distributing services

On adoption of NZ IFRS 15 the Group has estimated the transaction price for distributing services, being the amount to which the Group expects to be entitled for matching lenders with borrowers that meet their lending criteria. The transaction price includes a component of variable consideration as the amount of certain payments is correlated with borrower behaviour over which the Group has no control. The Group has estimated the transaction price based on historically observed patterns of borrower behaviour. The assumptions made regarding the rate of default and early repayment by borrowers has a significant impact on these financial statements.

4. Net Operating income

4.1 Net interest income

	Year ended 31/03/2019 $'000	Year ended 31/03/2018 $'000
Interest income	1,055	76
Interest expense	(327)	-
Net Interest income	728	76

Interest income and interest expense are recognised in the Statement of Comprehensive Income for all financial assets and liabilities, measured at amortised cost using the effective interest method. The effective interest method allocates interest income or interest expense over the life of the contract, or when appropriate a shorter period, using the effective interest rate. The effective interest rate is the discount rate at which the present value of the future cash flows equals the net carrying amount of the financial asset or liability. When calculating the effective interest rate the Group estimates the future cash flows considering all the contractual terms of the contract but does not include future credit losses.

4.2 Other net operating income

	Year ended 31/03/2019 $'000	Year ended 31/03/2018 $'000
Lender fees		
Distributing services	23,365	-
Note fees	-	8,822
Service and lender fees	-	4,106
Performance fees	-	2,299
Payment protect fees	-	1,212
Other fees	631	764
Borrower fees		
Establishment services	6,729	7,411
Premium revenue (note 17)	34	-
Other		
Grant income	1,398	1,542
Net trading income	32,157	26,156

Other net operating income

In previous reporting periods, revenue from lenders was disaggregated into the levels of fees based on descriptions in the lenders contracts and revenue was recognised as the service described in the contract was performed. The fees are called Note fees, Service and lender fees, Performance fees and Payment protect fees. The accounting policies applicable in the prior year are provided below.

Under NZ IFRS 15, Harmoney has assessed all the fees paid by lenders and determined that there are two material performance obligations, being distributing services and debt chasing which is included in other fees.

Accounting policies that applied after 1 April 2018

Distributing services

Distributing services refer to Harmoney facilitating the matching of credit worthy borrowers with lenders within criteria chosen by the lender. The fees charged for this service are recognised at the point matching is complete and to the extent that an aggregate reversal in revenue is not expected. Given only one material performance obligation the transaction price is allocated to the single performance obligation.
Payment for distributing services is made via a combination of fees payable at the point of matching with a borrower, when borrower repayments are received and on a monthly invoice cycle where fees are calculated based on lender portfolio performance.

Certain fees charged at the point of matching lenders with borrowers are rebateable if the lender does not achieve the required return on their investment. This is typically due to the borrower loan closing earlier than stated on their contract due to early repayment or default. At the point the performance obligation of matching the lender with a borrower is satisfied, the Group estimates and records as revenue the amount of variable consideration to the extent that it is highly probable that a significant reversal in the cumulative revenue recognised will not occur. The Group's estimate of rebateable amounts are booked as a provision (note 13).

Establishment services

Establishment fees are a brokerage fee charged to borrowers for arranging a loan between a borrower and a lender. The performance obligation of arranging the loan is fulfilled at the point in time the loan is matched. Given only one material performance obligation the transaction price is allocated to the single performance obligation. The fee is recognised as revenue on loan contract date. There is no material impact on this revenue stream from the adoption of NZ IFRS 15.

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 chasing activity following every credit event and recognises revenue at the point in time the follow up activity is undertaken. Given only one material performance obligation the transaction price is allocated to the single performance obligation. Revenue is recognised only to the extent that it is likely that the amount will be recovered. There is no material impact on this revenue stream from the adoption of NZ IFRS 15.

Grant income

Grants from the 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

Accounting policies that applied before 1 April 2018

Note fees are charged to wholesale lenders for marketing to, and assessing, the borrower on behalf of the lender. The fee is earnt when a lender places a successful order and revenue is recognised on loan contract date.

Service and lender fees are charged to the lender for managing borrower repayments and administering the account on behalf of the lender. The fees are earnt when principal and interest repayments are made and is recognised as revenue at the time repayments are distributed to lenders.

Performance fees are earnt when a lender's portfolio achieves returns over an agreed percentage return.

Payment protect fees are charged to the lender for arranging a loan between the borrower and a lender with payment protect as an add on feature of the loan. The commission portion of the fee is earnt on loan contract date and is rebateable if a loan is rewritten. The management portion is earnt over the life of the loan.

Other fees

Other fees include fees charged to investors for collection when borrower repayments are dishonoured or in arrears. Revenue is recognised once Harmoney has performed the activities required to follow up the borrower only to the extent that it is likely that the amount will be recovered.

Establishment services

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

Grant income

Grants from the 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

5. Expenses

Expenses for the year includes the following items:

5.1 Selling and administration expense	**Year ended 31/03/2019 $'000**	**Year ended 31/03/2018 $'000**
Employee benefits expense	10,943	10,678
Marketing expenses	10,303	8,117
Information technology expenses	3,182	2,328
Customer acceptance and retention expenses	3,010	2,385
Professional services fees	2,423	1,471
Contractor expenses	357	542
Directors' fees	259	856
Depreciation	48	54
Amortisation	48	216
Other expenses	1,715	1,420
	32,288	28,067

5.2 Research and development costs expensed as incurred	7,237	7,409

5.3 Fees paid to auditors	**Year ended 31/03/2019 $'000**	**Year ended 31/03/2018 $'000**
Harmoney Corp Limited group financial statement audit	113	84
Harmoney Australia Limited financial statement audit	38	36
Harmoney Warehouse Trust No. 1 financial statement audit	53	-
Other audit services	5	-
Statutory audit fees	209	120
Harmoney Corp Limited NTA agreed on procedures	3	3
Harmoney Australia Limited AFSL reporting	10	10
Custody controls assurance engagement	48	46
Callaghan grant review	10	10
Assurance and regulatory compliance	71	69
Other services	84	108
Total	364	297

Other services provided include due diligence advisory services (2019:$66k, 2018:nil), tax advisory services (2019:$18k, 2018:$89) and actuarial advisory services (2019:nil, 2018:$19k).

6. Income taxes

6.1 Income tax recognised in profit or loss	**Year ended 31/03/2019 $'000**	**Year ended 31/03/2018 $'000**
Current tax		
In respect of the prior period	-	-
	-	-
Deferred tax		
In respect of the current year	7,453	730
Recognition / (write-down) of deferred tax assets	-	(730)
	7,453	-
Total income tax benefit recognised in the current year	7,453	-

The income tax expense for the year can be reconciled to the accounting profit as follows:	Year ended 31/03/2019 $'000	Year ended 31/03/2018 $'000
Profit/(loss) before tax from continuing operations	(233)	(1,835)
Income tax benefit calculated	53	514
Effect of expenses that are not deductible	(263)	(815)
Effect of unused tax losses and tax offsets not recognised as deferred tax assets	-	301
Previously unrecognised temporary differences	7,273	-
Origination of temporary differences	403	-
Other	(13)	-
Income tax benefit recognised in profit or loss.	7,453	-

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

6.2 Deferred tax balances

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

	31/03/2019 $'000	31/03/2018 $'000
Deferred tax assets	10,272	-
Deferred tax liabilities	(5,107)	-
	5,165	-

2019	Opening balance $'000	Recognised in profit or loss $'000	Recognised in equity $'000	Closing balance $'000
Deferred tax (liabilities)/assets in relation to				
Tax losses	-	4,854	-	4,854
Deferred R&D expenses	-	3,738	-	3,738
Share based payments	-	487	640	1,127
Accruals	10	543	-	553
Plant & equipment and intangibles	(10)	4	-	(6)
Distributing services	-	(2,173)	(2,928)	(5,101)
	-	7,453	(2,288)	5,165

The recognised tax losses are subject to meeting the requirements of the applicable tax legislation and shareholder continuity being maintained.

2018	Opening balance $'000	Recognised in profit or loss $'000	Recognised in equity $'000	Closing balance $'000
Deferred tax (liabilities)/assets in relation to				
Accruals	78	(68)	-	10
Plant & equipment and intangibles	(78)	68	-	(10)
	-	-	-	-

6.3 Unrecognised deductible temporary differences, unused tax losses and unused tax credits

	31/03/2019 $'000	31/03/2018 $'000
The tax effect of deductible temporary differences, unused tax losses and unused tax credits for which no deferred tax assets have been recognised are attributable to the following:		
- deductible temporary differences	-	297
- tax losses	-	6,670
	-	6,967

The unrecognised tax losses available to carry forward are subject to meeting the requirements of the applicable tax legislation and shareholder continuity being maintained.

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 before tax' as reported in the consolidated statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other periods and items that are never taxable or deductible. The Group's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

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

7. Cash flow hedge

Cash flow hedge reserve

The Group borrows funds (note 12) in order to purchase receivables (note 10). 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 market rates used in the valuation range from 1.76% to 1.85%.

Fair value

The interest rate swaps are initially recognised at fair value through profit and loss on the date the a derivative contract is entered into and are subsequently measured at their fair value at each reporting date. All significant inputs required to measure their fair value are observable, therefore the swaps are level 2 in the fair value hierarchy.
The fair value of the interest rate swaps are determined from valuations prepared by independent advisors. These are calculated using a discounted cash flow model using forward interest rates extracted from observable yield curves. Discount rates include an adjustment for counterparty credit risk.

8. Cash and cash equivalents

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

	31/03/2019 $'000	31/03/2018 $'000
Cash on hand and demand deposits	2,754	7,499
Short term deposits	3,456	159
Cash and bank balances	6,210	7,658

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

Non-cash transactions

During the current year, the Group did not enter into any non-cash investing and financing activities. (2018: Nil)

9. Trade and other assets

	31/03/2019 $'000	31/03/2018 $'000
Trade receivables	10,338	903
Prepayments	1,192	647
Restricted cash	4,155	-
GST receivable	313	135
Deposits	50	35
	16,048	1,720

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

$3.3m of restricted cash is held by Harmoney Warehouse Trust No. 1, a controlled entity (note 19). The funds may only be used for purposes defined in the Trust documents.
$0.8m of restricted cash is the portion of distributing services fees held by the lender in a bank account controlled by them which can only be withdrawn once certain conditions are met. The conditions do not require further performance obligations to be satisfied by the Group.

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

10. Finance receivables

	31/03/2019 $'000	31/03/2018 $'000
Finance receivables	37,566	-
Accrued interest	267	-
Expected credit loss (ECL) provision	(830)	-
	37,003	-

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

31/03/2019	Stage 1	Stage 2	Stage 3	Total
Expected loss rate	2.10%	39.00%	0.00%	2.19%
	$'000	$'000	$'000	$'000
Gross carrying amount	37,733	100	-	37,833
Expected credit loss provision	791	39	-	830
Net carrying amount	36,942	61	-	37,003

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

Stage 1
ECL resulting from default events that are possible within the next 12 months ('12-month ECL') are recognised for financial instruments that remain in stage 1.

Stage 2
An assessment of whether credit risk has increased significantly since initial recognition is performed at each reporting period by considering the change in the risk of default occurring over the remaining life of the finance receivable. Unless identified at an earlier stage, all financial assets are deemed to have suffered a significant increase in credit risk when past due. Significant increase in credit risk is measured by comparing loss ratio for the remaining term estimated at origination with the equivalent estimation at reporting date.

Stage 3
The Group determines that a financial instrument is credit-impaired and in stage 3 by considering relevant objective evidence, primarily whether:
• contractual payments of either principal or interest are past due for more than 120 days;
• there are other indications that the borrower is unlikely to pay such as that a concession has been granted to the borrower for economic or legal reasons relating to the borrower's financial condition; and
• the loan is otherwise considered to be in default.
If such unlikeliness to pay is not identified at an earlier stage, it is deemed to occur when an exposure is 120 days past due. Interest income is recognised by applying the effective interest rate to the amortised cost amount, i.e. gross carrying amount less ECL allowance.

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

Measurement of Expected Credit Loss (ECL) Provision
The Group has adopted a loss ratio approach using available past data. The loss ratio for each segment (combination of grade and delinquency) is calculated based on historically experienced loss rates since inception of business. These loss ratios are applied to the balance at year end for the relevant segment to calculate the undiscounted ECL. These are then discounted based on average interest rate and average days to charge off.

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

Forward-looking economic inputs
The Group calculates a probability weighted 'economic multiplier' to apply to the ECL based on historic and current loss rates. The multiplier is assessed for four scenarios being a) better economic outlook b) outlook remaining the same c) outlook worsening d) economic crisis. The probability of each outcome is assessed and the multiplier is the sum product of the multiplier and probability.
This approach is considered sufficient to calculate unbiased expected loss in most economic environments. The assessment of multipliers for the four scenarios and their probabilities are reviewed quarterly.

11. Trade and other payables

	31/03/2019 $'000	31/03/2018 $'000
Accruals	584	1,002
Employee benefits accrual	952	932
Trade payables	1,160	610
Other payables	403	438
	3,099	2,982

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

12. Borrowings

The Group has borrowed $37,076,904 in the current year to fund the purchase of finance receivables (note 10).
The borrowings are secured by all assets of the Trust as detailed below. The Group has complied with all covenants of the borrowing facility during the financial year. No borrowing costs have been capitalised. The facility limit is $89.5m and expires December 2020.
Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost.

Trust assets	31/03/2019 $'000	31/03/2018 $'000
Deferred acquisition costs	283	-
Insurance premium receivable	810	-
Trade and other assets	3,320	-
Finance receivables	37,618	-
	42,031	-

13. Rebate provision

	31/03/2019 $'000	31/03/2018 $'000
Distributing services rebate provision	3,120	-
Payment protect commission rebate provision	-	506
	3,120	506

Carrying amount at start of year	506
Charged/(credited) to profit or loss	
- additional provisions recognised	5,522
- unused amounts reversed	-
Amounts used during the year	(2,908)
Carrying amount at start of year	3,120

The rebate provision represents an estimate of distributing services revenue which may be rebated as at 31 March 2019. The estimate has been made on the basis of historical trends across the existing loan portfolio and may vary.
The comparative 2018 provision was for the amount of payment protect fee rebateable by Harmoney to the lender if a payment protect loan is rewritten. The rebate is proportional to the remaining term at the time the loan is rewritten, i.e. the rebateable amount decreases as the loan nears completion. The rebate provision represents an estimate of the commission which may be rebated as at 31 March 2018. The estimate was made on the basis of historical rewrite trends across the existing loan.
These amounts have not been discounted for the purposes of measuring the provision because the effect is not material.

14. Share Based Payments

14.1 Details of the equity settled Directors' agreement of the Group

The following table provides details of the options granted by the group as remuneration to Directors.

		Number of shares				
Exercise price	Grant date fair value	Opening balance	Exercised during the year	Forfeited	Closing balance	Vested and exercisable at end of the year
2019						
Grant date 21 May 2018 [2 million shares granted]						
0.158	0.085	-	-	-	2,000,000	-
Grant date 21 August 2017						
-	0.169	1,000,000	-	-	1,000,000	1,000,000
0.095	0.113	2,250,000	-	750,000	1,500,000	-
2018						
Grant date 26 April 2017						
-	0.095	1,250,000	1,250,000	-	-	-
Grant date 21 August 2017						
-	0.169	2,500,000	1,500,000	-	1,000,000	-
0.095	0.113	2,250,000	-	-	2,250,000	-

On 21 August 2017 the terms of the Director scheme were finalised and share options were granted. The Share Option Plan is designed to provide long-term incentives for Directors to deliver long-term shareholder returns. Under the plan, participants are granted options which only vest if certain performance standards are met. The amount of options that will vest depends on Revenue & profit, credit performance and customer satisfaction & employee engagement targets being met. Further options were granted on 21 May 2018 under the same option plan.

The fair value at grant date for shares with a 0 exercise price is based on a DCF valuation.

The fair value at grant date of shares with an exercise price is determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the share price at grant date and expected price volatility of the underlying share and the risk free interest rate for the term of the option. The fair value of the shares granted on 21 May 2018 was determined based on a comparable arms length transaction.

The expense for this share based payment is included and has been recognised in 'Directors' Fees' in profit or loss and disclosed in Note 5.1.

The options granted on 26 April 2017 have a nil exercise price, and as such, the fair value of these options is based on a DCF valuation and discounted for impact of liquidity preference and lack of control. The expense for this share based payment is included and has been recognised in 'Directors' Fees' in profit or loss and disclosed in Note 5.1.

No options have expired in the year (2018: Nil)

14.2 Details of the equity settled employee share option plan of the Group
The following table provides details of the options granted by the group as remuneration to employees.

		Number of shares				
Exercise price	**Grant date fair value**	**Opening balance**	**Exercised during the year**	**Forfeited**	**Closing balance**	**Vested and exercisable at end of the year**
2019						
Grant date 1 March 2014						
-	0.003	14,000,000	2,000,000	-	12,000,000	12,000,000
Grant date 21 August 2017						
-	0.169	11,539,876	1,601,561	-	9,938,315	5,092,320
0.095	0.113	936,000	-	-	936,000	736,000
0.169	0.090	1,913,290	-	-	1,913,290	-
2018						
Grant date 1 March 2014						
-	0.169	14,000,000	-	-	14,000,000	14,000,000
Grant date 21 August 2017						
-	0.169	13,620,000	1,200,000	880,124	11,539,876	5,884,320
0.095	0.113	1,000,000	-	64,000	936,000	600,000
0.169	0.090	2,000,000	-	86,710	1,913,290	-

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

On 21 August 2017 the terms of the employee scheme were finalised and 16,620,000 share options were granted. The Share Option Plan is designed to provide long-term incentives for senior management to deliver long-term shareholder returns. Under the plan, participants are granted options which only vest if certain performance standards are met. The amount of options that will vest depends on revenue & profit, credit performance and customer satisfaction & employee engagement targets being met.

The fair value at grant date for shares with a 0 exercise price is based on a DCF valuation.

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

No options have expired during the year (2018: Nil).

14.3 Details of the equity settled services agreement of the Group
The Group had an agreement with Trade Me to issue Series A Shares in exchange for marketing services at the end of every calendar year. The agreement has expired and there is no expense in the current year, the prior year expense was included in 'Selling and distribution expenses' in profit or loss and disclosed in Note 16.1.
The fair value of the series A shares is calculated by reference to the fair value of the service provided at the rates agreed in the services agreement (2018: $20,000). The number of shares is calculated based on formulae in the services agreement. 37,995 shares were issued in the previous year.

15. Issued capital

Issued capital comprises:	31/03/2019 Number of shares	31/03/2019 Share capital $'000	31/03/2018 Number of shares	31/03/2018 Share capital $'000
Fully paid ordinary shares	141,365,909	7,975	137,307,629	7,695
Fully paid Series A shares	26,256,128	8,146	26,256,128	8,146
Fully paid Series B shares	33,768,253	16,971	33,768,253	16,971
	201,390,290	33,092	197,332,010	32,812

15.1 Fully paid shares

	Ordinary shares	Series A	Series B
Balance at 31 March 2017	133,357,629	26,218,173	33,768,253
Shares issued	3,950,000	37,955	-
Balance at 31 March 2018	137,307,629	26,256,128	33,768,253
Shares issued	4,058,280	-	-
Balance at 31 March 2019	141,365,909	26,256,128	33,768,253

Fully paid ordinary shares carry one vote per share, carry a right to dividends and a pro rata share of net assets on wind up, subject to the Series B and A shares liquidation preference.

Both Fully paid Series B and Series A shares carry one vote per share and a right to dividends.

On a liquidation event, the surplus assets of the Company remaining after payment of its liabilities shall be applied;
- first, in paying to each Series B shareholder an amount equivalent to the Series B issue price for each share (or a pro rata amount if the surplus assets are insufficient to pay the issue price in full),
- second, in paying to each Series A shareholder an amount equivalent to the Series A issue price for each share (or a pro rata amount if the surplus assets are insufficient to pay the issue price in full),
- third, in paying an amount on a per Share basis equal to the amount distributed above to the Ordinary Shareholders pro rata to the number of Ordinary Shares held by them (or a pro rata amount if the surplus assets are insufficient to pay such amount in full),
- fourth, in paying the balance (if any) to all Shareholders pro rata to the Shares held by each of them (treating the Series A and B shares as having been converted to Ordinary Shares.

16. Accumulated losses and Reserves

Accumulated losses	Year ended 31/03/2019 $'000	Year ended 31/03/2018 $'000
Opening balance	(28,737)	(26,902)
Impact of IFRS 15 adoption	7,523	-
Profit/(Loss) attributable to owners of the Company	7,220	(1,835)
Closing balance	(13,994)	(28,737)

Foreign Currency Translation Reserve

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

Share Based Payments Reserve	Year ended 31/03/2019 $'000	Year ended 31/03/2018 $'000
Opening balance	1,457	62
Arising on equity settled Director benefits	184	554
Arising on equity settled employee benefits	385	1,429
Arising on equity settled services agreement	-	20
Deferred tax on share based payments	640	-
Transferred to share capital	(280)	(608)
Closing balance	2,386	1,457

The above equity settled reserve relates to share options granted by the Company under Directors agreement and employee agreements. Further information is set out in note 14.

Share-based compensation plan
The Group receives services from employees and directors as consideration for equity instruments (options) of the group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:
- including any market performance conditions
- excluding the impact of any service and non-market performance vesting conditions and
- including the impact of any non-vesting conditions.

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

17. Payment protect repayment waiver
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, the Group will waive principal and interest repayments covered by the claim. No amounts are paid to the borrower in the event of a waiver. The Group has unbundled this insurance element from the finance receivable. All relevant accounting policies and disclosures are presented in this note.

Premium revenue
Premium revenue is the amount charged to the insured. Premium revenue is recognised in the statement of comprehensive income from the attachment date over the period of the contract. Premium revenue is earned in accordance with the pattern of the underlying exposure to risk expected under the insurance contract. The portion of premium received or receivable not earned in the statement of comprehensive income at the balance date is recognised in the statement of financial position as an unearned premium liability.

Premium revenue	**31/03/2019 $'000**
Gross written premiums	844
Movement in unearned premium liability	(810)
Premium revenue	34

Net underwriting result	**31/03/2019**
Analysis of insurance operating result	**$'000**
Premium revenue	34
Gross claims expense	-
Net underwriting result	34

Outstanding claims liability	**31/03/2019 $'000**
Outstanding claims liability	-

The liability for outstanding claims is measured as the central estimate of the present value of expected future payments against claims incurred at the balance date under insurance contracts issued by the Group, with an additional risk margin to allow for inherent uncertainty in the central estimate.

The expected future payments include those in relations to claims reported for which a repayment waiver has not been applied to the finance receivable, claims incurred but not reported (IBNR), claims incurred but not enough reported (IBNER). The expected future payments are discounted to present value using a risk free rate.
The outstanding claims liability has been estimated based on claims history experienced with this product by a similar portfolio of finance receivables with the same repayment waiver feature attached. It is assumed that future incurred claims patterns will continue to follow observed historic patterns.

The estimated cost of claims includes direct expenses to be incurred in settling claims i.e. the amount of finance receivable principal that will be waived. IBNR claims may not be apparent to the Group upto two months after the events.

Liability adequacy test
The liability adequacy test has identified a surplus for the Group's insurance contracts.

	31/03/2019 $'000
Unearned premium liability	810
Central estimate of present value of expected future cash flows arising from future claims on contracts issued	41
Risk margin 30%	12
Present value of expected future cash flows for future claims	53
Net surplus	757

The risk margin is intended to provide a reasonable estimate should claims be higher than those historically experienced for the repayment waiver.

Liability adequacy testing is performed in order to recognise in the statement of comprehensive income any deficiencies arising from the carrying amount of the unearned premium liability less any related deferred acquisition costs not meeting the estimated future claims under the current insurance contracts. The estimated future claims under current insurance contracts are measured using the present value of the expected cash flows relating to future claims and associated expenses (discounted using a risk free interest rate) plus an additional risk margin to reflect the inherent uncertainty of those estimated cash flows.

Risk management policies and procedures
The risk management activities include prudent policy guidelines, pricing and management of risk together with claims management. The objective of these disciplines is to manage the risk profile of the repayment waiver product.
Payment Protect is a repayment waiver product (within the meaning of section 5 of the Credit Contracts and Consumer Finance Act 2003) as such the requirements of Insurance (Prudential Supervision) Act 2010 do not apply.

(a) Financial soundness
The Group ensures the financial soundness of its operations by maintaining a strong capital base to safeguard its ability to continue as a going concern.

(b) Concentration of insurance risk
The Group is only exposed to one class of insurance being Payment Protection Cover. Payment Protection Cover protects customers' ability to meet or partially meet their repayment of the loan is the customers face circumstances that may prevent them from earning an income to service the debt.

Assumptions and methods
The insurance written by the Group is short tail in nature meaning that claims are typically settled within a month of being reported. The cost of claims notified to the Group at the balance date are estimated on a case by case basis to reflect the individual circumstances of each claim.

An increase/decrease of 10% in the key variable (assumed loss ratio) does not have a material impact on the Group's profit or equity.

18. Related party transactions

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

18.1 Trading transactions

During the year, group entities entered into the following trading transactions with related parties that are not members of the Group:

	Purchases	
	Year ended 31/03/2019 $'000	Year ended 31/03/2018 $'000
Trade Me Limited:		
Advertising	385	105

The following balances were outstanding at the end of the year:

	Amounts owed to related parties	
	31/03/2019	31/03/2018
	$'000	$'000
Trade Me Limited	-	12

Trade Me Limited is considered a related party as it is able to exert significant influence on the Group. The amounts outstanding are unsecured and have been reported within Trade and other payables. No guarantees have been given or received. No expense has been recognised in the current period for bad or doubtful debts in respect of the amounts owed by related parties.

18.2 Compensation of key management personnel

The remuneration of directors and other members of key management personnel during the year was $1,875,322 (2018: $2,540,500).

19. Subsidiaries and controlled entities

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

	Date of incorporation	Place of incorporation and operation	Proportion of ownership interest and voting power held by the Group	
			31/03/2019	31/03/2018
Subsidiary				
Harmoney Limited	15-May-14	New Zealand	100%	100%
Harmoney Platinum Limited *	16-May-14	New Zealand	n/a	100%
Harmoney Services Limited	16-May-14	New Zealand	100%	100%
Harmoney Investor Trustee Limited	09-Jul-14	New Zealand	100%	100%
Harmoney Australia Limited	20-Feb-15	Australia	100%	100%
Harmoney Services Australia Pty Limited	22-Sep-15	Australia	100%	100%
Harmoney Nominee Limited	28-Nov-17	New Zealand	100%	100%
Harmoney Warehouse Limited	14-Mar-18	New Zealand	100%	100%
Controlled entity				
Harmoney Warehouse Trust No. 1**	03-Dec-18	New Zealand	n/a	n/a

* On 31 March 2019 Harmoney Platinum Limited was amalgamated with Harmoney Services Limited which continued as the amalgamated company. Harmoney Services Limited (the amalgamated company) by law succeeded all property, rights, powers and privileges, and to all liabilities and obligations of Harmoney Platinum Limited (the amalgamating company). Harmoney Platinum Limited has been removed from the New Zealand register of companies.

** On 13 December 2018 the Group entered a wholesale funding agreement with two other financiers under which it purchases finance receivables through Harmoney Warehouse Trust No. 1 (the Trust). The Trust is a special purpose entity was set up solely for the purpose of purchasing loans from the Originator (Harmoney Nominee Limited and Harmoney Services Limited) under the Subscription Agreement with funding from Financiers. The senior and mezzanine financiers fund up to 90% of the purchase with the remainder being funded by a subordinated loan from the group. Harmoney Group subsidiaries have been appointed Manager, Servicer and residual income beneficiary. Under NZ IFRS 10: Consolidated Financial Statements, an investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. As the Group controls the financing and operating activities of the Trust and is the residual income beneficiary, the Trust is controlled by the Group and is required to be consolidated into the Group financial statements.

20. Financial assets and liabilities

Fair value hierarchy of Financial Instruments Not Measured at Fair Value

The following table analyses financial instruments not measured at fair value by level in the fair value hierarchy.

	31/03/2019 $'000		
	Level 1	**Level 2**	**Level 3**
Financial Assets			
Cash and cash equivalents	6,210	-	-
Trade receivables	-	-	10,338
Restricted cash	4,155	-	-
Deposits	-	50	-
Insurance premium receivable	-	810	-
Finance receivables	-	-	37,003
Financial Liabilities			
Trade and other payables	-	3,099	-
Borrowings	-	37,077	-
Unearned premium liability	-	810	-
Rebate provision	-	3,120	-
Derivative financial instruments	-	108	-

	31/03/2018 $'000		
	Level 1	**Level 2**	**Level 3**
Financial Assets			
Cash and cash equivalents	7,658	-	-
Trade receivables	-	903	-
Deposits	-	35	-
Financial Liabilities			
Trade and other payables	-	2,982	-
Rebate provision	-	506	-
Deferred income	-	799	-

There have been no transfers between levels in the year (2018:Nil).

Level 1: The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. None of the Group's financial instruments are traded in active markets.
Level 2: The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.
Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. None of the Group's financial instruments are in this category.

NZ IFRS 9 requires financial asset debt instruments to be classified on the basis of two criteria:
a) the business model within which financial assets are managed; and
b) their contractual cashflow characteristics (whether the cashflows represent solely payment of principal and interest (SPPI).

There are three resulting classifications of financial asset debt instruments under NZ IFRS 9:
a) Amortised cost: financial assets with contractual cash flows that comprise SPPI, and which are held in a business model whose objective is to collect their contractual cash flows are measured at amortised cost;
b) Fair value through other comprehensive income (FVTOCI): financial assets with contractual cash flows that comprise SPPI, and which are held in a business model whose objective is to both collect their contractual cash flows and to sell are measured at FVTOCI; and
c) Fair value through profit or loss (FVTPL): financial assets with contractual cash flows that do not represent SPPI, or which are held under a different business model are measured at FVTPL. Financial assets can also be designated at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

There were no classification changing arising from the adoption of NZ IFRS 9.

21. Operating lease arrangements

21.1 Operating lease payments recognised as expense	**Year ended 31/03/2019 $'000**	**Year ended 31/03/2018 $'000**
Total lease expense	318	255

21.2 Non-cancellable operating lease commitments	**31/03/2019 $'000**	**31/03/2018 $'000**
Not later than 1 year	919	294
Later than 1 year and not later than 5 years	1,703	661
	2,622	955

22. Contingent liabilities
The Group was subject to potential legal proceedings as at 31 March 2019. The directors have assessed these potential proceedings and have concluded that based on the Group's position and taking into consideration external legal advice, these are not expected to have a material effect on the reported results for the Group for the year ended 31 March 2019. These proceedings take the form of case stated proceedings and enforcement proceedings.

The case stated proceedings were a test case to determine the threshold issue at law of whether the Platform Fee that Harmoney charges borrowers is subject to the Credit Contracts and Consumer Finance Act 2003. The High Court issued its judgement on 18 May 2018. The High Court judgement is that Harmoney is a creditor and the platform fee is a credit fee. Harmoney has sought to appeal the judgment to the Court of Appeal. Until such time as the appeal on the case stated has been decided the information contributed by the case stated proceedings to the application of the law to the Group remains uncertain. While the High Court has passed down judgment on questions of law under the case stated proceedings, there has been no substantive argument on the enforcement proceedings. Only when the enforcement proceedings are argued before the court will there be a determination as to whether there has been a contravention of the CCCFA. Harmoney's position remains that the fee is not subject to the Credit Contracts and Consumer Finance Act 2003 and, if it were, it was reasonable and there is no compensation due . As such the issue is contingent on the outcome of the case stated appeal and enforcement proceedings.

There are no other contingent liabilities as at 31 March 2019.

23. Events after the reporting period
There were no material events subsequent to period end.

Independent auditor's report

To the shareholders of Harmoney Corp Limited

We have audited the consolidated financial statements which comprise:

- the consolidated statement of financial position as at 31 March 2019;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements of Harmoney Corp Limited (the Company), including its subsidiaries (the Group), present fairly, in all material respects, the financial position of the Group as at 31 March 2019, its financial performance and its cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards Reduced Disclosure Regime (NZ IFRS RDR).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)) and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the Group in accordance with Professional and Ethical Standard 1 (Revised) *Code of Ethics for Assurance Practitioners* (PES 1) issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our firm carries out other services for the Group in the areas of custody controls assurance engagement, tax advisory services, due diligence advisory services, agreed upon procedures for net tangible asset calculation, Harmoney Australia Limited AFSL reporting and Callaghan grant review. The provision of these other services has not impaired our independence as auditor of the Group.

Information other than the financial statements and auditor's report

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

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

PricewaterhouseCoopers, 188 Quay Street, Private Bag 92162, Auckland 1142, New Zealand
T: +64 9 355 8000, F: +64 9 355 8001, pwc.co.nz

pwc

Responsibilities of the Directors for the consolidated financial statements

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

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (NZ) and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-7/

This description forms part of our auditor's report.

Who we report to

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

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

For and on behalf of:

PricewaterhouseCoopers

Chartered Accountants
25 June 2019

Auckland

Directors

The following persons respectively held office as directors of the Company and the Company's subsidiaries during the year ended 31 March 2019.

Harmoney Corp Limited
DM Flacks (Chair)
NG Roberts
TK Jones
S McLean
R Dellabarca

Harmoney Australia Limited
DM Nesbitt
B Hagstrom
BS Taylor

Harmoney Services Australia Pty Ltd
B Hagstrom
BS Taylor

Harmoney Investor Trustee Limited
S Ward
NG Roberts (Appointed 2 April 2019)

Harmoney Limited
S Ward
NG Roberts (Appointed 2 April 2019)

Harmoney Platinum Limited
DM Flacks

Harmoney Services Limited
S Ward
NG Roberts (Appointed 2 April 2019)

Harmoney Nominee Ltd
NG Roberts
S Ward

Harmoney Warehouse Ltd
NG Roberts
S Ward

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Employee Remuneration
The Company and its subsidiary companies had employees who received remuneration, including non-cash benefits, in excess of $100,000 for the period ended 31 March 2019 as detailed below:

Remuneration $	Number of employees
100,000-109,999	5
110,000-119,999	3
130,000-139,999	1
140,000-149,999	4
150,000-159,999	2
160,000-169,999	1
200,000-209,999	1
210,000-219,999	4
220,000-229,999	2
230,000-239,999	1
240,000-249,999	1
260,000-269,999	1
290,000-299,999	1
320,000-329,999	2
420,000-429,999	1
640,000-649,999	1
660,000-669,999	1

Directors' Interests

The following are particulars of general disclosures of interest by Directors of Harmoney Corp Limited holding office at 31 March 2019, pursuant to section 140(2) of the Companies Act 1993. Where applicable, the disclosures also include directorships of subsidiaries of the relevant companies.

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

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

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R Dellabarca	
NZ Venture Investment Fund	CEO
R P Dellabarca Trust	Trustee
Solvency II Solutions UK Ltd	Director
Fintech Solutions	Director
Blues Management Ltd	Director
NZ Rugby Promotions	Director
Kea New Zealand	Director (Resigned)

NG Roberts	
Neil Roberts Trustee Company Ltd	Director
Roberts Business Trust	Trustee

S Ward	
Monde Five Ltd	Director

DM Nesbitt	
Neslan Pty Ltd as trustee for the Nesbitt Family Trust	Director

B Hagstrom	
Brad Hagstrom, Renee Hagstrom, and Guy Hagstrom as trustees for the Hagstrom Family Trust	Director

BS Taylor	
Tap Capital Pty Limited	Director

Indemnities and insurance

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

Directors' fees and interests in Harmoney Corp Limited

	Directors' fees	**Interests in Harmoney Corp Ltd**	
	$	**# of options**	**# of shares**
NG Roberts	-	12,000,000	80,061,853
TK Jones	55,000	-	1,181,818
DM Flacks	125,000	-	1,454,545
S Ward	-	-	3,466,400
BL Hagstrom	-	2,680,000	3,615,965
BS Taylor	-	-	3,748,339
R Dellabarca	55,000	-	-
DM Nesbitt	-	-	736,000

Donations

The Group donated $21,000 in the current year (2018: $6,436).