HUMM GROUP LIMITED

ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2022
humm group limited
ABN 75 122 574 583

CONTENTS

CHAIRMAN'S LETTER

Dear shareholders

The 2022 financial year has seen **humm**®group ("Group") remain profitable and resilient, as we recover from the dramatic impact of COVID-19 lockdowns and closed borders, and a failed transaction with Latitude which incurred significant cost in terms of management time and cash.

In addition, significant macroeconomic headwinds are blowing – but having been in the industry for more than 30 years and seen the business through many changing rate and economic environments, I am acutely aware of the importance of managing costs and driving profit. All players in the sector are facing the same headwinds. Our commercial leasing division is performing magnificently with unprecedented growth, and tightly managed credit quality.

Our interest free instalment and interest free card businesses are also performing well.

So as the short lived generic Buy Now Pay Later (BNPL) sector spirals into the abyss, **humm**'s 34 years of commercial success augers well as competitors struggle with defaults and expensive, inaccessible wholesale funding.

The company delivered a Cash Net Profit After Tax ("CNPAT") ("Cash NPAT") of $51.1m. Whilst the COVID-19 impact pushed this down 25%, it demonstrates our ability to respond to adverse environments and remain profitable by cutting costs, consolidating products, passing on incremental costs, and streamlining our processes.

Key drivers of the Cash NPAT performance in FY22 was a dramatic reduction in cards origination, lower yield across the portfolio, as well as investment in new products and markets. New products and markets is a counter cyclical strategy which we believe is justified by unprecedented market conditions.

There is ongoing momentum in the business with total transaction volume of $3.5b for FY22, an increase of 31% on FY21 (FY21: $2.7b), which has largely been driven by COVID-19 restrictions easing and strong growth in our Commercial business. August was a strong month in the consumer business – a new record for **humm**® 'Big things' and **flexicommercial**® continues to break origination volume records.

This year we also saw the termination of **humm**'s Consumer Finance ("HCF") sale, as the majority of shareholders saw the merits of keeping the business intact and not selling a great business at its lowest value point since the global financial crisis. However, the proposed transaction did inform management of advantages arising by separating **humm**group into two separate businesses – Consumer Finance and Commercial. Both businesses lend money for a profit, but they are very different in terms of successful execution and **humm**'s results in these tumultuous times speak for themselves in a very positive way. You will see this delineation of the Group as you read the report.

Capital Management

hummgroup determined a fully franked final dividend of 1.4 cents per share for the 2022 financial year. We will continue to pay out dividends where there is sufficient capital and liquidity to fund growth, and the target range remains 30-40% of Cash NPAT.

Our strong balance sheet is an important competitive advantage in a rapidly evolving consumer finance sector, so is our access to $4.5b of wholesale debt funding, and our record securitising $6.5b of receivables since 2010.

We are also already passing on the rising cost of funds to merchants and customers, and we have introduced mezzanine funding across our Australian Commercial Warehouse facilities with over $213m in mezzanine limits secured by August 2022, thus reducing capital requirements.

There has also been solid support for the **flexicommercial** and **humm** BNPL brands across public capital markets, with $390m of SME and $250m of BNPL asset-backed securities ("ABS") issued in support of the portfolio across two successful ABS transactions, executed in October 2021 and March 2022.

Board Changes

There were a number of changes to the board in FY22. Following the termination of the HCF business sale, Ms Christian, Mr Wylie, Mr Muir, Mr Dhawan and Ms Campbell retired from the board. I would like to thank them all for their important contributions to the Company over their tenure and wish them well.

In FY22, we welcomed two new board members – Mr Stuart Grimshaw and Ms Teresa Fleming who bring the key skills required as the Company navigates a challenging macroeconomic environment.

Mr Grimshaw was appointed as a Non-Executive Director of the Company, bringing years of experience in the banking and financial services industry, including as CEO of Bank of Queensland. He is currently a director of Bionic Vision Technologies Pty Ltd, Millennium Services Group Ltd (ASX: MIL), Jungle Capital Pty Ltd, and BidFin Pty Ltd.

Ms Fleming was appointed as a Non-Executive Director of the Company and Chairs the Company's Irish business. Her background is in corporate taxation with PricewaterhouseCoopers Ireland, and she has extensive experience in a diverse range of industries including financial services, publicly traded companies and the State sector.

I extend a warm welcome to Mr Grimshaw and Ms Fleming, and I look forward to continuing to work closely with them in the best interest of shareholders in FY23. I also note that we are well down the track with a short list of outstandingly well qualified individuals who have expressed interest in joining the new **humm** Board.

Key Priorities

Our CEO, Rebecca James and her management team have identified core priorities to guide the business for the next year in a disruptive environment. Importantly, the priorities are practical and achievable to ensure the business remains profitable and competitive.

A number of key priorities have already been actioned in FY22 including product alignment to big ticket, switching off unprofitable merchants and reviewing our geographic footprint.

In FY23, Rebecca and her team will focus on a number of priority actions including growing the **flexicommercial** team and simplifying our technology platform.

I am confident this approach will result in positive outcomes for shareholders which is why I have increased my interest in the Group by more than 3% in the last 12 months. As such, I am looking forward to working with Rebecca and her team executing these short-term priorities.

Conclusion

On behalf of the board, I would like to thank shareholders for their support in FY22. There has been significant disruption to the sector and we appreciate your commitment to the Company.

I would also like to acknowledge the **humm**group team who have worked tirelessly to ensure we remain profitable and continue to be the leading payment instalment company for merchants and customers. Rebecca James and Adrian Fisk were under immense pressure during the six-month period that the LFS deal was live, and I thank them for their perseverance, resilience, and leadership.

I firmly believe, we have the right team in place and a solid foundation to have a productive and successful FY23.

Andrew Abercrombie
Chairman

26 September 2022

CHIEF EXECUTIVE'S REPORT

Dear Shareholders

What **humm**group is known for, and what we have a history of, is financing bigger ticket items for consumers and SMEs. It is this position in the market that has delivered another year of strong financial and operational performance for the Company. Our FY22 performance is a direct result of initiatives taken over the course of the past 12 months to align with this core offering in bigger ticket items, and ensures that we are in the strongest position to continue to grow our business in a profitable and competitive manner.

With a distinguished history in consumer and SME finance, robust credit disciplines and securitisation funding and a decision platform that serves us across our suite of products we are able to run a profitable business.

FY22 Performance

The business continued to perform well and write strong volumes during the year, delivering total transaction volume of $3.5b for FY22, up 30.9% on pcp (FY21: $2.7b), demonstrating the growing demand for our products:

- BNPL segment volume of $1,252.7m, was up 21% on pcp (FY21: $1,034.9m) reflecting strong customer engagement with smaller ticket e-commerce purchases. Cash NPAT of $21.3m in **humm** 'Big things' AU, was offset by losses in 'Little things' AU of $12.5m and other BNPL products **bundll®**, **humm®**pro and **humm®** NZ of $16.9m, along with investment in the United Kingdom ("UK") and Canada of $9.1m. This resulted in a BNPL Cash NPAT loss of $17.3m (FY21: $1.2m).
- Australia Cards volume of $478.3m, was up 14.7% on pcp (FY21: $416.9m), following a year where COVID-19 impacts on long term interest free merchant activity in travel.
- New Zealand Cards volume of $693.8m was flat on pcp (FY21: $695.4m), largely attributable to the ongoing impacts of COVID-19, uncertainty in the economic environment and regulatory changes in New Zealand.
- Commercial and Leasing continues to be a standout performer within the business, writing volume of $1,096.3m, up 102.9% on pcp (FY21: $540.3m) driven by AU Commercial, as the business continued to take market share from larger competitors.

Having gone through the task of financially and operationally separating our Consumer Finance – comprising our Cards and BNPL businesses – and Commercial businesses for the purposes of the proposed transaction with Latitude, we have been able to step back and assess each business independently and determine the best path forward. We will now present these two businesses and our priorities for each separately.

Consumer Finance – Aligning to our core

In response to the changing macro environment, **humm**'s Consumer Finance business will focus on its core products, platforms and systems that deliver the greatest customer experience and opportunities for profitable growth within each of the geographies that we operate in.

We have consolidated this business and reprioritised its focus on its core strength – partnerships across both our cards and instalment plans businesses and, for instalments in particular, in our 'Big things' offering.

As a result of this focus we have decommissioned a number of products including **humm**pro in both Australia and New Zealand, and **bundll** NZ. These products are enjoyed and loved by customers, but require heavy investment in marketing to drive scale and as a result we will focus on our products that will get a stronger return on investment in a shorter time horizon.

The business also completed a review of our BNPL product **humm** in New Zealand and as a result of regulatory challenges, which make it difficult to share costs between both merchants and consumers we reached a conclusion to close that product in Q1 FY23. The focus of our Consumer Finance business in New Zealand is now purely on our profitable and successful Long Term Interest Free and White Label cards business.

The newly appointed Directors and my team are taking the opportunity to assess the group's investment levels in 'Big things' expansion in offshore. The review will consider the macroeconomic environment, investment horizon and alternative investments to deliver long-term value to shareholders.

In order to right size the business and drive operational leverage in the Consumer Finance business, **humm**group is targeting a further $15-20m of cost savings in FY23 with $20-$25m annualised, and a reduction in CAPEX investment to $18m from our recent levels of $30m.

Growing Our Commercial Business

Our **flexicommercial** business is growing strongly and has been rebuilt from the ground up over the past two years with a focus on high quality business customers, high quality assets and originations via our network of brokers. This continued investment has ensured that the business continues to deliver a differentiated service proposition of speed to yes and settlement within 24-48 hours.

We are pleased with how this business is performing and see ample opportunity for growth in a $49 billion market.

We have both organic and inorganic growth opportunities available for our commercial business. We will target organic growth by increasing the broker footprint in Victoria and capitalising on our strong market position in growth sectors, verticals and geographies. This includes expanding our broker channel in New Zealand. To support this growth, we will invest in infrastructure for scale and a technology platform that is fit for purpose for a high growth business.

We also see growth opportunities from targeted strategic acquisitions, initially of smaller receivables books and specialist lenders, with a longer-term strategy that includes new verticals and new products that complement the existing business.

Finally we have a focus on sharpening our margin management and believe there is room for improvement through repricing our front book to reflect rising interest rates and implement risk based pricing.

Our People

I would like to thank our hard working, dedicated and highly capable team for helping us navigate what has been an extraordinarily busy year for the business. The team has continued to provide outstanding customer service and experience to our merchant and broker partners, culminating in growing advocacy among our customers.

Conclusion

FY22 has exhibited a change in our operating environment, with rising interest rates, increased cost of funding, cost of living pressures and share market volatility which have had a flow on impact on buy now pay later business models and, consequently, valuations in the sector.

Notwithstanding these headwinds, we are well positioned to navigate this changing environment.

- We have a strong balance sheet position, with a well-diversified and sophisticated funding platform.
- We ended the year with $51.1m in Cash NPAT despite substantial investment in international expansion and new products.
- Our superior credit decision engine has delivered net loss to ANR of 2.8% in FY22, a 70 basis points improvement on pcp – a direct result of continued investment in this area.
- And in the past six months we've really sought to consolidate our business and focus on where we differentiate – bigger ticket items.

Looking towards the year ahead:

- We will continue to take a prudent approach to credit management and we are continually monitoring the appropriateness of credit buffer settings within our decisioning models, and are satisfied they remain appropriate for the current conditions.
- We will continue to take steps to focus on our core and align to **humm**'s unique market position in big ticket.
- And finally we will continue to focus on reducing our cost base and managing net interest margin through passing on interest rate increases.

hummgroup is a diversified business with a strong balance sheet and a clear focus on growing its core operations in bigger ticket items. It is from these solid foundations that we believe we are best placed to deliver enduring value for our shareholders, who we would like to thank for their ongoing support.

Rebecca James
Chief Executive Officer

26 September 2022

THE BOARD OF DIRECTORS

ANDREW ABERCROMBIE
LLB, BEc, MBA

Chair, Founding Director, Non-Independent, Non-Executive

Appointed November 2006

Andrew Abercrombie became a founding director of the original FlexiRent business in 1991 and was the CEO until 2003. Andrew has been a Non-Executive Director since November 2006.

Andrew is an experienced commercial and tax lawyer and was a founding partner in a legal firm operating in both Sydney and Melbourne. Andrew left the law to complete an MBA at IMD in Switzerland. Following time abroad he returned to Australia and became involved in property investment and tax consulting. Andrew is currently involved in several philanthropic and think-tank ventures, together with private interests.

TERESA (TERRY) FLEMING
BA, AITI

Independent, Non-Executive

Appointed 30 June 2022

Terry Fleming has chaired the Group's Irish business since 2016 where she has overseen its growth and success in the Irish market and the expansion of **humm**group into the UK.

Since 2005 she has acted as non-executive Director for a number of international and Irish companies across a range of industries including pharmaceuticals, infrastructure, medical research and e-commerce. She has extensive experience as a non-executive Director with deep knowledge of corporate governance and regulatory environments. She has also served on an Irish State Board. Terry's background is in corporate tax consultancy with PWC Ireland.

STUART GRIMSHAW
BComm, MBA

Independent, Non-Executive

Appointed 30 June 2022

Stuart Grimshaw joined the Board in June 2022, following a 35-year career in financial services. He is a director at Raiz Invest Limited, and, since March 2021, has been Chairman of Millennium Services Group Ltd (ASX: MIL), which he joined in November 2020. He has also served as non-executive chairman of the board of Cash Converters International Limited (ASX: CCV) (until August 2020) and as a director on Suncorp Ltd.

In addition to his board roles, Stuart has extensive senior leadership experience, having been CEO and Board Member of EZCORP, a Nasdaq listed company he joined in November 2014 as Executive Chairman; and Managing Director and CEO of Bank of Queensland Limited (ASX: BOQ). Stuart has also held a wide variety of senior executive roles at various financial services entities including Caledonia Investments Pty Ltd, Commonwealth Bank of Australia, National Australia Bank and the ANZ Bank.

CHRISTINE CHRISTIAN AO
BA, GAICD

Independent, Non-Executive

Appointed December 2016
Resigned 30 June 2022

Christine Christian is a business executive, company director and investor with more than 35 years' experience in financial services, investment, private equity, credit risk, Government and media including executive and advisory roles in Australia, China, India and the United States. Christine is currently Chair of Chair of Auctus Investment Group Limited (ASX: AVC, since November 2020) and holds non-executive director roles with Credit Clear Limited (ASX: CCR, since November 2020), Lonsec Group Ltd and MaxCap Group. Christine is also President, Library Board of Victoria and Council member of La Trobe University.

RAJEEV DHAWAN
BComm, MBA

Independent, Non-Executive

Appointed November 2006
Resigned 30 June 2022

Currently a partner of Equity Partners, Rajeev has over 24 years' venture capital and private equity experience (through Hambro-Grantham, Colonial First State Private Equity and Equity Partners) with a focus on the mid-market segment. He has been a director of a number of listed and unlisted portfolio companies.

CAROLE CAMPBELL
BEc, GAICD, FCA

Independent, Non-Executive

Appointed May 2018
Resigned 30 June 2022

Carole Campbell has over 30 years' financial executive experience in a diverse range of industries including professional services, financial services, media, mining and industrial services.

Carole commenced her career with KPMG and has held executive roles with Macquarie Group, Westpac Institutional Bank, Seven West Media, Bis Industries and Merivale.

Carole is a Non-Executive Director of Southern Cross Media Group Limited (ASX:SXL, from September 2020), G.U.D. Holdings Limited (ASX:GUD, from March 2021) and is Deputy Chair of Council of the Australian Film Television and Radio School. Carole was previously a Non-Executive Director of IVE Group Ltd (ASX: IGL, October 2018 – November 2020).

JOHN WYLIE AC
BComm, MPhil

Non-Executive

Appointed March 2019
Resigned 22 June 2022

John Wylie is the founder and Principal of investment firm Tanarra Group which invests in venture capital, private equity, private credit and selected public companies.

John was previously CEO of the Australian business of global financial services firm Lazard. He co-founded advisory and investment firm Carnegie Wylie & Company in 2000 which was acquired by Lazard in 2007, and before that was Chair of investment bank Credit Suisse First Boston in Australia. He is former Chair of the Australian Sports Commission, the State Library Victoria and the Melbourne Cricket Ground Trust.

He is an Emeritus Trustee of the Rhodes Scholarship Trust.

ALISTAIR MUIR
BSc (First Class Hons) (Comp Sci), Executive MBA (ongoing)

Independent, Non-Executive

Appointed March 2021
Resigned 22 June 2022

Alistair Muir is an experienced digital executive and entrepreneur with a focus on growing and scaling digital businesses. He has worked with a broad range of ASX50 and Fortune 500 companies to successfully launch new digital products and ventures.

This includes launching what is now Apple Music in Australia through to supporting the creation of more than 30 new companies from world-class science and technology from Commonwealth Scientific and Industrial Research Organisation (CSIRO) and other publicly funded research institutes.

Alistair holds a first-class honours degree in computer science and postgraduate qualifications from both Harvard Business School and Massachusetts Institute of Technology (MIT). From 1 December 2021 Alistair was also a Director of Genworth Mortgage Insurance Australia Limited (**Genworth**) (ASX:GMA).

THE EXECUTIVE LEADERSHIP TEAM

REBECCA JAMES

Group Chief Executive Officer

Rebecca joined **humm**group in October 2018 as CEO, from her role as Chief Marketing and Enterprise Officer for Prospa. Prior to that Rebecca was Chief Marketing Officer for ME Bank where she led the product and customer experience teams and was voted #12 in the top 50 CMOs in Australia.

Prior to joining ME, Rebecca had a successful career at customer experience agency Lavender, including seven years as Managing Director.

ADRIAN FISK

Chief Financial Officer

Adrian joined **humm**group in July 2021. Prior to joining **humm**group Adrian was CFO and Head of Partnerships at Willow, a data technology business.

Prior to Willow, Adrian was a partner at KPMG for 17 years where he worked with financial institutions and was the National Leader for KPMG's Financial Services practice, working with Banks, FinTech, Wealth, Insurance and PE firms.

He has served in Board roles including with 86400 an Australian Neo Bank.

ROB WRIGHT

Group Executive Commercial Australia & New Zealand

Robert has been with **humm**group since 2016 in a number of roles, and has led the Commercial business since 2019.

With a career that spans the international banking sector, Robert held senior management roles at St George Banking Group, National Australia Bank, Commonwealth Bank of Australia and Westpac prior to joining **humm**group. He is a fellow of the Australian Institute of Banking and Finance, Australian Institute of Management and Institute of Public Accountants.

TIM LORD

Group Chief Credit Officer

Tim has an extensive background in credit and collections having spent 20 years with Dun & Bradstreet (D&B) where he held a number of leadership roles, including President Australia/New Zealand.

After finishing with D&B in 2014, Tim formed Anteris Consulting, a specialist agency with a primary focus on credit risk. During his time consulting, Tim undertook numerous assignments for publicly listed companies and Government Agencies. He joined **humm**group in July 2018.

VAUGHAN DIXON

Chief Information Officer

Vaughan joined **humm**group in February 2021 as Chief Information Officer, bringing over 25 years' industry experience with credit risk, decisioning, technology and credit bureaus.

Prior to joining **humm**group, Vaughan spent over a decade at Dun & Bradstreet and the rebranded Illion business in a number of leadership roles including Chief Technology Officer. He was also one of the founders that successfully launched the Decision Intellect fintech and guided that business from its infancy through high growth into a profitable provider of credit technology processing millions of mission critical credit decisions annually.

Vaughan was a principal for Comprehensive Credit Decisions, a consultancy specialising in credit and technology. Prior to that he was a product consultant for ANZi, the corporate venture capital arm of ANZ, where he led the product strategy, direction and build for a new venture they were incubating.

ANDREW MURRELL

Chief Operations Officer

Andrew has more than 20 years' experience in financial services and government sectors in Australia and New Zealand including digital, brand and communications roles at Bank of Queensland, Commonwealth Bank and within the New Zealand Government.

With significant experience in leading strategic projects – particularly those focused on customer experience and digital innovation – Andrew joined **humm**group in 2019 and is responsible for Operations Services across Australia, New Zealand and the Philippines.

NATALIE NICHOLSON

Chief People & Corporate Affairs Officer

Natalie joined **humm**group in May 2019 in the role of Chief People & Corporate Affairs Officer. With 20+ years of national and international, regional and local expertise in HR and strategic commercial roles, Natalie was previously on the Executive teams at Challenger, CBA and ING.

In 2017, she joined the Department of Prime Minister and Cabinet on a six-month secondment through Chief Executive Women and CBA. Natalie was on the Sydney council for United Way. In 2021, Natalie was awarded the HR Director of the Year Excellence award by HRD Australia and named HR Director of the Year NZ. In 2022, she was included in HRD's top 40 Hot List of HR practitioners across Australia.

CHRISTINA SEPPELT

BEcon, LLB, MLM

Group General Counsel, Group Head of Operational Risk & Compliance, Company Secretary

Christina joined the **humm**group Executive Team in March 2022 as Group General Counsel, Group Head of Operational Risk & Compliance, and was appointed as Company Secretary in May 2022.

Christina has extensive experience in financial services and other highly regulated industries, having worked in managed investment schemes, regulated capital raising, retail banking and secured credit facilities during her career. She has also successfully built strong and productive working relationships with regulators and public agencies including ASX, ASIC and APRA.

Christina joined **humm**group from 86 400 Group, Australia's newest retail bank, where she was part of the Executive Leadership Team and responsible for the legal, HR and company secretarial functions. Christina's background also includes senior leadership roles at ASX listed financial services companies and a leading commercial law practice.

COMPANY SECRETARIES

CHRISTINA SEPPELT
BEcon, LLB, MLM

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ISOBEL ROGERSON
LLB, BEc, GAICD, FGIA

Company Secretary

Resigned 23 August 2022

Isobel joined **humm**group in November 2018, following nine years at ME Bank, where she was Company Secretary and General Counsel.

Prior to ME, Isobel worked in various roles at UBS Australia, and in the National Australia Bank Wealth Management division.

Isobel worked in a private legal practice for several years before moving into financial services, obtaining her GAICD and FGIA.

BELINDA HANNOVER
GIA (Affiliate)

Company Secretary

From 28 July 2021
Resigned 27 May 2022

Belinda joined **humm**group in July 2021, following her time at the Commonwealth Bank of Australia (CBA), where she was an Executive Manager Governance Advisor and Company Secretary (Subsidiaries). Prior to CBA, Belinda was the Assistant Company Secretary at ClearView Wealth Limited.

- Company Matters Pty Limited provided governance advisory services during the year.

REVIEW OF OPERATIONS

Results and key performance indicators of the current and prior year are set out below on a Cash Net Profit After Tax ("CNPAT") ("Cash NPAT") basis, adjusting Statutory NPAT for the amortisation of acquired intangibles and material infrequent items including the impairment of held for sale investments, redundancy, transaction, impairments, other restructuring costs, share plan cancellation expenses and historical tax matters.

1. GROUP PERFORMANCE

For the year ended 30 June 2022 the Group reported a Cash NPAT of $51.1m down 25.3% compared with the prior year.

In FY22 **humm**group and Latitude Financial Services ("LFS") entered into a non-binding agreement to sell the **humm** Consumer Finance business to LFS which LFS and **humm**group mutually agreed to terminate on 17 June 2022.

During FY22 operating conditions for the Consumer business were challenging with COVID-19 lockdowns in the first quarter of the financial year reducing the number of trading days for big ticket in-store purchases, adverse weather conditions and restrictions on supply chain impacting solar and home improvement and travel restrictions in place longer than expected. This resulted in volume of $2.4b up 12.9% on the prior year but below expectations. Uncertainty in the economic environment led to weaker confidence and as a result, consumers continued to use funds provided in government stimulus packages to accelerate the pay down of debt leading to reduced receivables balances in the cards portfolio. As a consequence, income was down on the prior year. This combined with investments in new products and markets resulted in Cash NPAT for the Consumer business of $22.4m down 51.4% on the prior year.

The Commercial business continued to perform well due to strong demand for our offering in the small and medium enterprises ("SME") market and favourable conditions in key sectors of logistics, civil engineering and agriculture which continue to operate uninterrupted benefiting from government investment in infrastructure. Commercial volumes of $1,096m increased 102.9% in FY22 resulting from our 'speed to yes' and 'speed to cash' proposition with the SME broker market in Australia and we are seeing increased momentum in New Zealand as we implement our strategy to build out SME broker led equipment finance. Credit performance continues to be strong with net losses falling to 0.7% of average receivables. Cash NPAT was $28.7m up 28.7% on the prior year.

The operating cost base increased in FY22 due to the absence of JobKeeper and investment in overseas expansion and new products. The Group has refined its strategic settings this year to reflect the shift in the macro-economic environment to refocus on the core instalment products in big ticket BNPL, Credit Cards and continued growth in Commercial. The Group remains well capitalised, with a strong funding position and is well positioned to take advantage of opportunities that emerge during these more challenging times.

FY22 segment Cash NPAT was:

- Loss in BNPL of $17.3m, down $18.5m with **humm** AU 'Big things' delivering a profit of $21.3m, offset by losses in **humm** AU 'Little things' of $12.5m, investment in new products **bundll**, **humm** NZ and **humm**pro of $17.0m and investment in new markets UK and Canada of $9.1m.
- AU Cards of $8.9m, down $7.9m driven by lower receivables.
- NZ Cards of $30.8m, up $2.7m, despite lower receivables as a result of reduced credit impairment costs and lower expenses.
- Commercial and Leasing of $28.7m, up $6.4m driven by strong momentum in this business.

During the 6 months ended 30 June 2022, after assessing the Latitude offer together with the structural shift from credit cards to debit cards, the decline in market capitalisation of comparable fintech and BNPL companies and the reduction of interest-bearing balances caused by COVID-19, management determined that the carrying amounts of goodwill and software should be reduced to the recoverable amount, being the higher of the fair value less costs of disposal and value in use. As a result, the Group recognised an impairment expense of intangible assets of $181.2m, including $135.4m of goodwill and $45.8m of software.

During the 6 months ended 30 June 2022, a further impairment of $9.6m was recognised in respect of software assets after having evaluated the strategic priorities of key products and geographies and re-focusing the business back to its core operations. Tax benefit of software impairment of $16.1m was also recognised. During the second half, we have considered the current profit for the NZ Commercial business, the move to broker originated business similar to Australia and associated execution risks, along with a reduction in market multiples over the past six months, an impairment charge of $16.7m was recognised. In addition, the Group reassessed the useful life of merchant and customer relationships and determined that it is appropriate to lower the assumptions to 9 years. An accelerated amortisation of $12.5m was recognised.

Cash earnings per share ("Cash EPS") of 9.5c represents a 31% reduction from the prior comparative period ("pcp") of 13.7c.

SUMMARY FINANCIAL RESULTS

A$m	FY22[1]	FY21[1]	Change $m	Change %
Gross income	440.4	443.9	(3.5)	(0.8)
Net operating income	328.7	342.9	(14.2)	(4.1)
Credit impairment charge	(63.4)	(58.7)	(4.7)	(8.0)
Marketing expenses	(23.9)	(30.0)	6.1	(20.3)
Operating expenses	(174.4)	(156.9)	(17.5)	11.2
Tax expense	(15.9)	(28.9)	13.0	(45.0)
Cash NPAT	**51.1**	**68.4**	**(17.3)**	**(25.3)**

1. Cash NPAT reflects the reported net profit after tax adjusted for material infrequent items and the amortisation of acquired intangibles. The analysis of results is based on Cash NPAT to align to the way the Directors view the business and to better understand the Group's performance. The Directors believe that Cash NPAT is the most appropriate measure of maintainable earnings of the Group and therefore best reflects the core drivers and ongoing influences upon those earnings.

The items below provide a reconciliation between Statutory NPAT and Cash NPAT and are presented on an after-tax basis:

A$m	FY22	FY21
CNPAT	**51.1**	**68.4**
Legal provision	(10.9)	–
Impairment of intangibles	(191.4)	–
Amortisation of acquired intangibles	(10.7)	(2.1)
Transaction and separation costs	(7.6)	–
Redundancy	(0.5)	(1.6)
Loss on sale adjustment and impairment of investment in associate – held for sale	–	(3.9)
Share based payment cancellation expense	–	(1.6)
Other[1]	(0.3)	0.9
Statutory NPAT	**(170.3)**	**60.1**

1. Other includes the reversal of net tax liabilities no longer required, with the resolution of historical tax matters in the year.

KEY PERFORMANCE METRICS

Active customers (m)

Full-year to 30 June

2022	2021	Change %
2.71	2.73	(0.7)

Active customers decreased 0.7% on pcp, predominantly due to customer attrition in legacy products, offset by continued growth in the BNPL segment. **humm**group benefited from an additional 0.9m app downloads in FY22, a key driver of customer growth.

Distribution partners

Full-year to 30 June

2022	2021	Change %
122,000	106,000	15.1

Distribution partners increased from 106,000 to 122,000, due to strong performance in Commercial, adding to its broker distribution network. This was complemented by growth in BNPL through active targeting of more diverse range of verticals including home and home improvement, healthcare and automotive.

Transaction volume ($b)

Full-year to 30 June

2022	2021	Change %
3.52	2.69	30.9

Transaction volume of $3.52b was up 30.9% on pcp. Commercial volumes increased by 102.9%, benefitting from competitive services and market position, complemented through an enhanced broker channel with small and medium enterprise ("SME") lending.

BNPL grew 21.0% across existing core products and momentum from new products and AU Cards grew 14.7% with stronger 2H22 growth in post-lockdown economy. NZ Cards was impacted by the weakening economic environment, the community outbreak of COVID-19 and regulatory changes in 2H22, keeping volume flat. COVID-19 restrictions have affected key long term interest free card partners in travel and as restrictions have eased, we are beginning to see volumes return. Everyday spend volume in both Cards segments increased against pcp.

Cost to income ratio[1]

Full-year to 30 June

2022	2021	Change %
60.3%	54.6%	10.4

1. Cost to income is calculated on a Cash NPAT basis by dividing total costs by net operating income. Cost comprises of marketing and operating expenses, while income comprises of gross income, less interest expense and direct cost of origination.

Cost to income ratio increased 10.4%, largely as a result of investments in offshore expansion and new technology as well as the absence of JobKeeper benefits in FY22 which were received in FY21. This was partly offset by reduced marketing and depreciation expenses. The underlying business continues to benefit from a focus on reducing its core operational costs through automation and self-service models.

App downloads ('000)

Full-year to 30 June

2022	2021	Change %
909	1,117	(18.6)

App downloads decreased 18.6%, on the back of reduced marketing investment and maturing of new products. A key strategy for growth remains driving customer engagement and transaction frequency through digital channels. Investment continues to be made in the digital app experience, which is being reflected by our increasing app store scores. **humm**group continues to focus heavily on driving customer engagement through digital channels.

30+ days arrears

Full-year to 30 June

2022	2021	Change %
1.9%	2.9%	(34.5)

30+ day arrears reduced by 34.5% due to improving credit quality across the portfolio with the most significant improvements evident in the Cards portfolios. Customers continued to prioritise the repayment of debt combined with credit and fraud enhancements resulted in a reduction in arrears greater than 30 days.

KEY FINANCIAL DRIVERS

Gross income ($m)

Full-year to 30 June

2022	2021	Change %
440.4	443.9	(0.8)

Gross income was flat down 0.8% despite strong volume, and receivables growth. In the Consumer Business margin compression from the competitive environment continues to impact income. Fee and other income decreased due to lower late fees in cards as a result of higher payments, and reduced end of life legacy consumer leasing income, offset by increased growth in new fee-oriented products.

Cards receivables reduced over the year as COVID-19, store closures and a more subdued economic environment affected volumes in FY21and FY22. AU Cards has shown signs of recovery in the latter part of the year although closing customer receivables ended 4.3% down, and NZ Cards receivables were down 10.6% as volume were affected by COVID-19 in the community, a weaker economic environment and regulatory changes in New Zealand. BNPL gross income grew 3.4% driven by a 21.0% increase in volumes, partly offset by margin compression and lower fees in **humm** Australia.

Net operating income ($m)

Full-year to 30 June

2022	2021	Change %
328.7	342.9	(4.1)

Net operating income was down 4.1% due to lower gross income and volume related increases in cost of origination and interest expense.

Credit impairment charge ($m)

Full-year to 30 June

2022	2021	Change %
(63.4)	(58.7)	8.0

Loan impairment expense increased by 8.0%. Net loss decreased by $6.9m, predominantly in Commercial and Cards. The strong credit performance across the portfolio in FY22 was driven by enhanced credit and fraud controls, improved counterparty and security quality in Commercial and strong loss recoveries.

Further there was an associated release of macro overlay provision of $4.7m, compared to a $21.6m release in FY21. Given the uncertain outlook in the economic environment and the residual impacts of COVID-19, the Group continues to hold a macro-provision for potential portfolio credit risks.

Operating, marketing and employment expenses ($m)[1]

Full-year to 30 June

2022	2021	Change %
(198.3)	(186.9)	6.1

1. Presented on a Cash NPAT basis.

Operating, marketing and employment expenses were up 6.1% due to investment in new products and offshore expansion, JobKeeper government incentive payments of $6.1m which benefited FY21 operating expenses and salary inflation. This was offset by a reduction in marketing spend of $6.1m.

EBITDA ($m)

Full-year to 30 June

	2022	2021	Change %
Cash NPAT	51.1	68.4	(25.3)
Tax	15.9	28.9	(45.0)
Depreciation and amortisation	21.5	22.9	(6.1)
Interest of corporate debt	2.6	4.2	(38.1)
Movement in ECL provision	(18.6)	(30.2)	(38.4)
EBITDA excluding provision movements	**72.5**	**94.2**	**(23.0)**

Refer to page 12 for Statutory NPAT and Cash NPAT reconciliation.

Earnings before interest, tax, depreciation and amortisation ("EBITDA") excluding provision movements, a measure of performance used in corporate debt covenants, was $72.5m at 30 June 2022, down 23.0% versus prior year. Lower net losses were offset by lower net operating income, particularly from AU Cards, which remain impacted by COVID-19 and higher operating expenses resulted in an overall reduction in EBITDA excluding provision movements.

Receivables, chattel loans and customer loans ($m)[1]

As at 30 June

2022	2021	Change %
3,306.8	2,742.6	20.6

1. Excludes other debtors, provision for impairment losses, contract liabilities and unamortised direct transaction costs.

Receivables increased 20.6% from growth in Commercial of 72.2% and BNPL of 1.7%, offset by declines in customer loan balances in AU Cards of 4.3% and NZ Cards of 10.5%.

Commercial continued the strong momentum from FY21 by increasing lending to SME businesses in Australia through broker channels. The business leveraged its strength in credit decisioning and ability to approve loans faster than its competitors to drive strong growth in the Australian business. Momentum in Commercial New Zealand increased through the year as the business pivots to SME broker led lending. The legacy Consumer leasing business in Australia continued to run down leaving an insignificant receivable balance at June 22.

Increased customer loans in BNPL stemmed from growth in Ireland and new (shorter dated) products, offset by lower receivables in **humm** 'Big things' due to lower in-store activity, lower consumer confidence, the ongoing impacts of COVID-19 including supply chain issues and recent weather events.

Customer loans in the Cards portfolio declined due to customer paydowns and lower volume through FY21 and FY22 from the implications of COVID-19 on travel partners as well as economic uncertainty weighing on consumer confidence in FY22. The paydown in AU Cards predominantly impacted the legacy Once and Lombard portfolios.

Wholesale debt and corporate borrowings ($m)

As at 30 June

	2022	2021	Change %
Secured debt facility	3,025.5	2,406.5	25.7
Corporate debt facility	-	-	-

Secured debt facilities increased 25.7% reflecting an increase in Chattel Loans as well as the introduction of new funding facilities improving funding efficiency across the portfolio.

Goodwill and other intangibles ($m)

As at 30 June

	2022	2021	Change %
Goodwill	84.8	239.2	(64.5)
Other intangible assets	45.4	110.9	(59.1)

Goodwill and other intangibles reduced over the year as the Group recognised an impairment of these assets reflecting the structural shift away from credit to debit cards and the implied value of the organisation following the reduction in market capitalisation of BNPL exposed companies and reduction in receivables following the outbreak of COVID-19.

In addition, intangibles relating to the Commercial NZ business were impaired considering the move to broker originated SME lending along with a reduction in market multiples over the past six months. The remaining goodwill is attributed to the NZ Cards segment, which generated $30.8m of Cash NPAT, increasing 9.6% compared to the prior year.

Other intangible assets include merchant and customer relationships, brand names, and capitalised projects.

FUNDING AND CAPITAL

hummgroup maintains a well-established, mature funding platform with a funding plan that supports the Company's growth strategy. **humm**group's funding strategy is focused on retaining committed, capital efficient and cost effective funding facilities to support products across all regions and increasing **humm**group debt capital markets presence. The Group has strong banking relationships across all geographies in which it operates with wholesale debt facilities in place with large local and international banks and fund managers. **humm**group is also supported by numerous institutional investors through its asset-backed securities ("ABS") programs, and provision of mezzanine funding, in both Australia and New Zealand. The Company issued $880.0m of ABS during FY22 with further diversification introduced across its institutional investor base.

At balance sheet date, the Group had $3,921.3m of wholesale debt facilities, with $895.8m of facilities undrawn. The wholesale debt facilities include both public and private debt facilities which are secured against underlying pools of receivables and customer loans. All facilities provide for the ultimate repayment of outstanding debt through collections received in respect of the relevant receivables and customer loans. In some cases, the Group's wholesale debt facilities are structured to include a revolving period during which time committed limits can be drawn and collections can be used to fund originations of new receivables and customer loans, ahead of repayment of outstanding debt. The balance of facilities provide for repayment of outstanding debt in line with repayment of the underlying receivables and customer loans. The Group extended over $1.5b of existing revolving facilities during the reporting period and while recognising the current challenges in debt markets, plan to extend, increase or replace the current revolving facilities as required.

Corporate Debt Facility

The Company syndicated revolving loan facility of $110.0m will assist the Group in prudently managing its liquidity and cashflow needs over the period to June 2024.

The Group had no drawn corporate debt exposure as at 30 June 2022 and utilises this facility to provide liquidity. The Group continues to optimise its capital structure to maximise shareholder value and prudently manage liquidity by accessing capital markets more frequently in greater volume and by increasing capacity in secured debt facilities, including through the introduction of private mezzanine funding.

Return on equity ("ROE")[1]

Full-year to 30 June

2022	2021	Change %
7.3%	10.2%	290bps

1. ROE is calculated as Cash NPAT in the year divided by average total equity.

ROE of 7.3% reduced 290bps compared to FY21 due to the decline in Cash NPAT partly offset by lower average equity resulting from asset impairments in FY22.

SHAREHOLDER RETURNS

	2022	2021	2020	2019	2018
TSR[1]	(26.5%)	(4.5%)	(30.4%)	(13.9%)	17.1%
Dividends per share (cents)	3.10	–	3.85	7.70	7.70
Cash EPS (cents)	9.52	13.75	7.31	19.68	23.00
Share price (high)	$1.08	$1.35	$2.47	$2.34	$2.33
Share price (low)	$0.40	$0.87	$0.46	$0.98	$1.44
Share price (close)	$0.41	$0.99	$1.13	$1.63	$2.22

1. Total Shareholder Returns ("TSR") is calculated based on volume weighted average price (VWAP) in the 90-day period up to and including 30 June.

EARNINGS PER SHARE

	Year ended 30 June 2022 Cents	Year ended 30 June 2021 Cents
Basic earnings per share	(35.2)	12.0
Diluted earnings per share	(35.2)	12.0
Cash earnings per share	9.5	13.7

DIVIDENDS ON ORDINARY SHARES

	2022		2021	
	Cents	$m	Cents	$m
Interim dividend (2021: nil)	1.7	8.4	–	–
Final dividend (2021: nil)	1.4	6.9	–	–

2. SEGMENT PERFORMANCE

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

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

hummgroup's Cash NPAT performance for its four operating segments is summarised in the table below.

A$m	FY22	FY21	Change %
BNPL	(17.3)	1.2	LRG
AU Cards	8.9	16.8	(47.0)
NZ Cards	30.8	28.1	9.6
Total Consumer Cash NPAT	**22.4**	**46.1**	**(51.4)**
Commercial and Leasing	28.7	22.3	28.7
Total Cash NPAT	**51.1**	**68.4**	**(25.3)**

SEGMENT ANALYSIS

BNPL

A$m	FY22	FY21	Change %
Gross income	124.7	120.6	3.4
Net operating income	97.0	90.8	6.8
Credit impairment charge	(38.8)	(33.2)	16.9
Marketing expenses	(13.2)	(13.9)	(5.0)
Operating expenses	(71.7)	(41.9)	71.1
Cash NPAT	**(17.3)**	**1.2**	**LRG**
Volume	1,252.7	1,034.9	21.0
Closing customer loans	**775.5**	**762.7**	**1.7**

Cash NPAT in BNPL was a loss of $17.3m, down from a profit of $1.2m in FY21. The key movements are:

- BNPL gross income was up 3.4%. Fee and other income grew across the board, in line with volume growth in shorter dated fee-based products. This growth was partially offset by competitive margin pressures in our 'Big things' products.
- Net operating income was up 6.8% with higher gross income and lower interest expense due to improved rates on new borrowings. Cost of origination is marginally lower from lower merchant rebates and cashbacks offset by growth in the portfolio.
- Marketing expenses fell 5.0% following investment in FY21 to increase brand awareness and acquire and activate customers particularly into new products.
- Operating expenses were up 71.1% in line with increased activity in BNPL predominantly related to investment in overseas expansion $11.0m and development of new products.

- Credit impairment charge increased 16.9% reflecting the growth in new products partly offset by provision releases due to improved arrears and improved recovery rates.
- Volume increased 21.0% driven by growth and associated spend across existing core BNPL products combined with momentum from new products.
- Customer loans increased 1.7% in line with volume growth for the period, with growth in smaller ticket products shortening overall duration of the portfolio.

AU CARDS

A$m	FY22	FY21	Change %
Gross income	75.1	91.1	(17.6)
Net operating income	50.0	68.7	(27.2)
Credit impairment charge	(0.1)	(1.9)	(94.7)
Marketing expenses	(3.2)	(5.2)	(38.5)
Operating expenses	(33.4)	(35.5)	(5.9)
Cash NPAT	**8.9**	**16.8**	**(47.0)**
Volume	478.3	416.9	14.7
Closing customer loans	**435.2**	**454.9**	**(4.3)**

Cash NPAT in AU Cards of $8.9m, down 47.0% on the prior year. The key movements are:

- Gross income down 17.6% due to the cumulative impact of subdued volumes through FY21 and FY22 resulting in a decline in receivables as well as the run-down of legacy books of Lombard & Once with balances halving over the year. Volumes were up this year but remained subdued relative to previous years largely driven by ongoing restrictions in the travel sector. This also reduced the interest-bearing portion of the portfolio driving down the yield in the portfolio.
- Net operating income was down 27.2% mainly due to lower gross income, volume related increases in cost of origination 5.0% and increase in cost of funds 16.0% with increased and more efficient funding established through mezzanine finance as well as an increase in base rates in the later part of the year.
- Marketing expenses was 38.5% lower as branding and customer acquisition activities were reduced in FY22 considering the lower growth environment.
- Operating expenses down 5.9% with costs constrained in a lower revenue environment.
- Credit impairment charge decreased 94.7%, due to lower write-offs and higher recoveries, and an increased provision release due to lower receivables and improved arrears and improved recoveries.
- Volume is up 14.7% with higher spend and long-term interest free volume as travel reopened following the lifting of COVID-19 restrictions.
- Closing customer loans were 4.3% lower, driven by the weaker volumes through FY21 and FY22 and paydowns particularly in legacy products which are in run-off.

NZ CARDS

A$m	FY22	FY21	Change %
Gross income	121.6	135.4	(10.2)
Net operating income	92.3	107.3	(14.0)
Credit impairment charge	(10.6)	(19.4)	(45.4)
Marketing expenses	(6.9)	(8.5)	(18.8)
Operating expenses	(33.0)	(39.3)	(16.0)
Cash NPAT	**30.8**	**28.1**	**9.6**
Volume	693.8	695.4	(0.2)
Closing customer loans	**572.4**	**639.9**	**(10.5)**

Cash NPAT in NZ Cards of $30.8m, up 9.6% on pcp. The key movements are:

- Gross income down 10.2% driven by lower receivables as consumer confidence remained subdued through FY22 as a result of COVID-19 and the weakening economic outlook.
- Net operating income was 14.0% lower predominantly due to reduced gross income as well as higher cost of origination 12.7%. Interest expense was relatively flat despite falling receivables as the benefit of lower borrowings was offset by higher cost of funds.
- Marketing expenses were down 18.8% and operating expenses down 16.0% due to reduced activity in a lower growth environment.
- Credit impairment charge was down 45.4%, largely from lower net losses with improved arrears and lower receivables, offset by a reduced macro-provision release compared with FY21.
- Volume was flat as the long-term interest free portfolio continued to be impacted by subdued growth from lower travel related merchant activity. This was offset by Everyday spend volume which was up on FY21.
- Closing customer loans were 10.5% lower than the prior year, in line with weaker volume and paydown activity in FY22. Lower volumes through FY21 and FY22 were driven by COVID-19 related slowdowns, a weaker economic environment in New Zealand, CCCFA regulatory changes and the paydown of interest-bearing balances.

COMMERCIAL AND LEASING

A$m	FY22	FY21	Change %
Gross income	119.0	96.8	22.9
Net operating income	89.4	76.1	17.5
Credit impairment charge	(13.9)	(4.2)	231.0
Marketing expenses	(0.6)	(2.4)	(75.0)
Operating expenses	(36.3)	(40.2)	(9.7)
Cash NPAT	**28.7**	**22.3**	**28.7**
Volume	1,096.3	540.3	102.9
Closing customer loans	**1,523.7**	**885.1**	**72.2**

Cash NPAT in Commercial and Leasing of $28.7m, up 28.7% on pcp. The key movements are:

- Gross income up 22.9% with interest income up 43.9% driven by strong growth in AU Commercial, offset by the run-off of the legacy consumer leasing product and a reduced yield. Gross yield was down on FY21 as a result of a shift to higher quality customers and reducing risk profile of our lending. Fee income was lower reflecting run-off of the legacy consumer leasing business and lower end of term leasing income.
- Net operating income up 17.5% with increased interest expense reflecting increased receivables and higher borrowings from enhanced funding programs partly offset by lower cost of funds.
- Marketing expenses down 75.0% reflecting the prior year allocation of Group rebranding costs which did not occur in FY22.
- Operating expenses were down 9.7% from reduced costs associated with the legacy consumer leasing product in run-off, partially offset by increased activity to support growth in the Commercial business.
- Credit impairment charge increased $9.7m as provisioning was booked in line with receivables growth and additional macro provisioning raised to reflect potential challenges to the outlook for small business sector in FY23. Write-offs and recoveries were lower in FY22 despite the growth in the book as a result of improved credit quality of the portfolio.
- New business volume was up 102.9% on the prior year, driven by AU Commercial as the business continued to take market share from larger competitors.
- Closing customer loans up 72.2%, reflective of the strong volume performance.

3. STRATEGY FOR GROWTH

hummgroup has adapted its strategy this year to respond to changes in the macro-economic and operating environment. We continue to invest in our Consumer and Commercial businesses and have refocused the business on its core offerings of 'Big things', Credit Cards and Commercial. We have narrowed our focus on geography, product, and verticals to concentrate on profit and balance sheet strength to support growth.

CONSUMER FINANCE PRIORITIES

hummgroup Consumer Finance priorities for FY23 are:

- **Aligning to the big ticket core:** Consolidation of BNPL products with greater emphasis on bigger ticket instalment products, a refocus on the Cards portfolios and expansion into new markets. Enhancing origination and credit processes to improve customer experience, continue to lead the market in responsible lending standards by regulating our BNPL products, closure of BNPL in New Zealand, and review of offshore investment levels and return horizons.
- **Technology simplification:** Rationalising our technology, transitioning the domestic BNPL business onto the global BNPL platform, and simplify NZ Cards systems via back book migration and transition to Cloud.
- **Service transformation:** Reducing call volumes through self-serve capability on mobile apps, and consolidation of customer service and collections centres.
- **Improving margin:** Optimising profitability through disciplined management of product and merchant return profiles.

COMMERCIAL FINANCE PRIORITIES

hummgroup Commercial Finance priorities for FY23 are:

- **Growing our presence in chosen sectors:** Expansion of our strong market position in growth sectors and geographies. Increase business development team sizes to extend and build out broker relationships, expanding our broker channel in New Zealand and consider inorganic growth opportunities through targeted acquisitions.
- **Focusing our technology investment on simplification:** Investing in a scalable technology platform to facilitate growth in the Commercial business.
- **Further strengthening our balance sheet:** Enhancing and expanding warehouse facilities, capital management programs and mezzanine funding.
- **Sharpening margin management:** Maintaining hedging strategies with the back book largely hedged. Repricing the front book to reflect implications of rising interest rates. Enhanced credit management and further development of risk based pricing capability.

4. RISKS AND CHALLENGES

hummgroup operates in a highly competitive and rapidly changing sector, which provides both opportunities and challenges. While some of these challenges and risks may be out of the Group's control, **humm**group has made, and continues to make investments in its risk management and control frameworks to ensure we can respond to and mitigate the impact of these risks as they arise, whether they result from regulatory changes, shifts in the competitive environment, or other circumstances over which the Group has no control.

The material business risks for the Group are summarised below.

RISK AREAS	WHAT WE ARE DOING TO MANAGE THE RISK
Capital and funding: Limited access to the capital and funding required to support growth	• Follow a structured program of regular market issuances • Maintain close relationships with core funders • Manage debt levels within acceptable limits
Rising interest rates: Failing to manage the impact of rising interest rates on pricing, funding costs and net interest margin	• Established an Asset and Liability Committee to manage risks • Hedging program to manage interest rate risks • Passing of rate rises to merchants and customers where appropriate
Credit, fraud and AML: Failing to establish and embed processes and tools to support customer identification and credit assessment	• Continual investment in credit and fraud tools and platforms • Undertaking data analysis to better understand customer behaviour and performance
Regulatory: Being unprepared to respond to changes in the regulatory environment and maintain compliance	• Monitoring the regulatory and legislative landscape for material changes • Develop responses in line with regulatory change timetables to efficiently and effectively manage the impact of changes • Continued engagement with local regulatory, industry and other relevant stakeholder groups
Strategic: Lack of understanding or response to the changes in our competitive environment	• Support our teams to look broadly across the payments industry • Regularly discuss strategy and strategic initiatives with the Board • Remain nimble and adaptive in our core business
Technology and investment: Underinvesting in developing and maintaining systems which support innovation and growth	• Define a technology roadmap across the Group • Follow an annual program of capital expenditure across core systems, product innovation and compliance projects
People: Failing to attract and retain culturally aligned staff who can deliver innovative, sustainable and customer focussed payment products and solutions	• Promote our employee value proposition • Are clear and consistent on our culture and values • Structure remuneration to attract and retain talent
Macro-economic: Not identifying larger shifts in the economy or retail environment which threaten our strategy or growth	• Analyse and monitor economic and retail conditions, at a minimum, to identify shifts and take steps to manage potential impacts
Environment and climate: Not understanding or responding to future environmental risks and impacts	• Review processes and practices to reduce impact on the environment • Further develop reporting on our environmental footprint
International expansion: Move into new jurisdictions does not meet management or market expectations	• Establish strong on the ground teams, with clear connection to the Group • Commit resources to build robust business, regulatory and technology foundations

REMUNERATION REPORT

Introduction from the Chair of the Board

Dear Shareholder

On behalf of the **humm**group Board, I am pleased to share with you the audited remuneration report for Financial Year 2022 ("FY22") for the Executive Key Management Personnel ("Executive KMP") and Directors (collectively "KMP").

The 2022 financial year brought with it a number of internal and external challenges as **humm**group pursued a sale of a portion of its business that would materially change the profile of the organisation. On 18 February 2022, **humm**group announced that it had entered into a binding agreement with Latitude Group Holdings Limited ("Latitude") for the sale of the HCF business, comprising our buy now pay later, instalment and credit card operations. Due to the proposed sale of the HCF business, the Board made several modifications to existing executive remuneration plans and arrangements which are described below and throughout this report.

It was announced on 17 June 2022 that **humm**group and Latitude had mutually agreed to terminate the proposed sale of HCF to Latitude. In connection with the termination of the proposed sale, Messrs John Wylie AC and Alistair Muir resigned from the Board on 22 June 2022. Effective 30 June 2022, Ms Christine Christian AO stepped down as Chair of the Board, and I was appointed Chair. Two new directors, Ms Teresa (Terry) Fleming and Mr Stuart Grimshaw were appointed to the Board and Ms Christine Christian, Ms Carole Campbell and Mr Rajeev Dhawan resigned from the Board.

Despite the business disruption associated with the terminated sale, **humm**group delivered FY22 Cash NPAT of $51.1m. **humm**group's fundamentals and performance remain strong in a challenging macro-economic environment and the organisation is well-positioned to continue to deliver positive results for shareholders in the upcoming year. Our Board and Executive KMP are focussed on continuing to build value and confidence in the business and delivering long term growth for shareholders.

On behalf of the Board, I extend my thanks to our CEO, Rebecca James, management and staff for doing a remarkable job in working to deliver strong results throughout a year of significant disruption.

FY22 Short-Term Incentive

During FY22, the Board approved a number of modifications to the STI award for Executive KMP in line with the anticipated sale of the HCF business to Latitude.

- In recognition of the CEO's ongoing commitment to **humm**group and HCF, and her importance to the success of the Company, the Board determined to pay a minimum of 50% of the CEO's target STI for FY22.
- The Board determined to pay half (50%) of other executive target STI as a retention payment as it was considered critical to ensure retention of executives during a period of uncertainty associated with the sale of the HCF business.
- The Board agreed to replace Executive KMP and other executives' Key Performance Indicators ("KPIs") for FY22. Half (50%) of participants' STI target was tied to the achievement of the following two KPI's (reflecting the term sheet of the proposed Latitude deal):
  - Consumer Cash Net Profit After Tax target of $A25m (inclusive of the macro-overlay reversal); and
  - Consumer Net Tangible Assets target of $A152m as at 30 June 2022 and tangible equity-to-net receivables not to fall below 7%.
- The Board determined that under the FY22 STI, for the CEO, the award will be delivered wholly in cash and not subject to typical deferral requirements under the Executive STI policy.
- The Board approved payment of a retention bonus to the CFO in lieu of an FY22 STI payment in recognition of his contribution and importance to the HCF sale and as retention as a critical member of the **humm**group executive team. This retention award remains on-foot, to be paid subject to his continued employment as at 30 September 2022. This retention award is not subject to typical deferral requirements under the Executive STI Policy.

The Board's decision to 'guarantee' a minimum STI payment to the CEO and grant a retention award to the CFO, was made giving consideration to the anticipated sale of the HCF business. Notwithstanding the HCF sale not proceeding, the Board has determined that the additional workload and challenges associated with pursuing the HCF transaction while managing to deliver financial results for the Company supported these Executive KMPs being granted retention awards.

FY23 Long Term Incentive (LTI)

Given the significant focus on the proposed sale of the HCF business and its termination late in FY22, a FY23 LTI plan is yet to be devised. It is anticipated the Board will determine an appropriate FY23 LTI plan for Executives by the end of October 2022.

Non-Executive Director Changes

As noted above, FY22 brought with it a number of changes to the Board. On 20 December 2021, I stepped down as Chair of the Board but remained a Non-Executive Director, and Ms Christian was appointed as independent Chair. I was re-appointed as Chair of the Company Board following Ms Christian's retirement from the role on 30 June 2022.

Following the termination of the proposed sale of the HCF business, Mr Wylie and Mr Muir resigned from the Board effective 22 June 2022 and Ms Christian, Mr Dhawan and Ms Campbell resigned from the Board effective 30 June 2022. I would like to thank Ms Christian, Mr Dhawan, Ms Campbell, Mr Wylie and Mr Muir for their contributions to the Company during their years of service as Directors on **humm**group's Board.

The Company is also pleased to announce the appointments of two new Non-Executive Directors to the Company Board.

Mr Stuart Grimshaw was appointed as a Non-Executive Director of the Company on 30 June 2022. Mr Grimshaw brings many years of experience in the banking and financial services industry, including as CEO of Bank of Queensland. He is currently a director of Bionic Vision Technologies Pty Ltd, Millennium Services Group Ltd (ASX: MIL), Jungle Capital Pty Ltd, and BidFin Pty Ltd.

Ms Teresa (Terry) Fleming was appointed as a Non-Executive Director of the Company on 30 June 2022. Ms Fleming currently chairs the Company's Irish business and brings with her extensive experience on the boards of a number of international and Irish corporates in a diverse range of industries including financial services, publicly traded companies and the State sector. Ms Fleming's background is as a corporate taxation consultant with PwC Ireland.

Both Mr Grimshaw and Ms Fleming bring with them proven skills and experience which will be invaluable to **humm**group and on behalf of the Company, I would like to welcome them to the Company Board and look forward to working alongside them.

The Board is also in the process of building out the Board through the appointment of an additional potential Director (or Directors), who will stand for election at the next Annual General Meeting.

Executive KMP Remuneration and Changes

Mr Adrian Fisk commenced as Chief Financial Officer on 19 July 2021, replacing outgoing Chief Financial Officer Mr Jason Murray, who remained with the Company until 3 September 2021 in an advisory role.

The Chief Customer Growth Officer and Deputy CEO, Mr Chris Lamers, resigned effective 6 May 2022. Duties and responsibilities associated with this role have transitioned to the CEO. The Board exercised discretion to accelerate vesting of Mr Lamers' on-foot FY21 deferred STI of 57,333 **humm**group shares, which were released upon cessation of employment. The Board's exercise of discretion recognised Mr Lamers' continued employment for nearly the entire performance period and contributions to **humm**group's financial success over a number of years.

The Board believes the Executive KMP continue to be remunerated appropriately and, with the exception of Mr Fisk, no fixed remuneration increases were provided to Executive KMP. Mr Fisk was awarded a base salary increase of $101,432 on 1 November 2021.

Conclusion

The Board thanks shareholders both locally and internationally for their support of the remuneration report at the 2021 Annual General Meeting, where it received an overwhelming 97.6% vote in favour.

The Board and management remain committed to **humm**group delivering sustainable profit while implementing initiatives to expand our customer numbers, merchant numbers and addressable market – both locally and abroad.

On behalf of the Board, I would like to thank our shareholders for their ongoing support. The Board also extends its thanks to management for their efforts over the period, and to Ms James for her leadership and contribution during a period of disruption and uncertainty in relation to the proposed HCF sale and ongoing COVID-19 related impacts.

Andrew Abercrombie
Non-Independent, Non-Executive Director
Chair of the Board

26 September 2022

1. KEY MANAGEMENT PERSONNEL ("KMP")

In the 2022 financial year, KMP comprised Non-Executive Directors, the CEO and certain executives who reported to the CEO and led significant parts of the business. Details of the KMP are set out below.

NON-EXECUTIVE DIRECTORS

>> **Andrew Abercrombie**
Chair, Non-Executive[1]
Term as KMP: Full year

>> **Stuart Grimshaw**
Independent, Non-Executive[5]
Term as KMP: From 30 June 2022

>> **Rajeev Dhawan**
Independent, Non-Executive[2]
Term as KMP: Full year, until 30 June 2022

>> **John Wylie AC**
Non-Executive[4]
Term as KMP: Until 22 June 2022

>> **Teresa Fleming**
Independent, Non-Executive[6]
Term as KMP: From 30 June 2022

>> **Christine Christian AO**
Independent, Non-Executive[3]
Term as KMP: Full year, until 30 June 2022

>> **Carol Campbell**
Independent, Non-Executive[3]
Term as KMP: Full year, until 30 June 2022

>> **Alistair Muir**
Independent, Non-Executive[2]
Term as KMP: Until 22 June 2022

EXECUTIVE KMP

>> **Rebecca James**
Chief Executive Officer
Term as KMP: Full year

>> **Adrian Fisk**
Chief Financial Officer[3]
Term as KMP: Part year

>> **Chris Lamers**
Chief Customer Growth Officer and Deputy CEO[2]
Term as KMP: Until 6 May 2022

>> **Jason Murray**
Former Chief Financial Officer[8]
Term as KMP: Part year

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1. Andrew Abercrombie served as Chair of the Company Board until 20 December 2021. Mr Abercrombie was re-appointed as Chair effective 30 June 2022 following the retirement of Christine Christian AO from the Company Board.
2. Christine Christian AO was appointed as independent Chair of the Company on 20 December 2021, having previously served as independent Deputy Chair and served as Chair until Ms Christian's retirement from the Company Board effective 30 June 2022.
3. Rajeev Dhawan and Carole Campbell retired from the Company Board effective 30 June 2022.
4. John Wylie AC and Alistair Muir resigned from the Company Board effective 22 June 2022.
5. Teresa Fleming and Stuart Grimshaw were appointed to the Company Board effective 30 June 2022.
6. Chris Lamers resigned from **humm**group effective 6 May 2022.
7. Adrian Fisk commenced as CFO on 19 July 2021.
8. Jason Murray stepped down as CFO effective 18 July 2021, ceasing employment with **humm**group on 3 September 2021.

2. REMUNERATION PRINCIPLES AND POLICY

The objectives of our employee remuneration policies are to focus our employees on achieving **humm**group's strategy – while also attracting, motivating and retaining talented employees and ensuring ethical conduct.

It is important to us that our salaries and benefits are competitive with similar sized organisations, while also ensuring that we retain our focus on managing our operational expenditure and the long-term interests of **humm**group, in order to drive the best possible outcomes for our customers and shareholders. We have five key principles that underpin our Remuneration Policy.

STRATEGIC ALIGNMENT

Remuneration structures are linked to our business strategy and aligned with our risk appetite and long-term interests.

Clear alignment of remuneration with strategic objectives – this principle ensures that our people are focusing on driving the short- and long-term goals of **humm**group, goals that are aligned with the interests of our shareholders. It means that our framework enables the payment of incentives only when they are directly linked to specific, measurable, strategic business objectives and when those objectives have been achieved.

ATTRACTIVE REMUNERATION

Remuneration programs are competitive, and must continue to remain competitive, so that we can attract, retain and engage the best people to work in our business.

Provide market competitive remuneration to attract the right talent – **humm**group aims to balance commercial considerations and the offer of competitive remuneration packages to enable **humm**group to attract high calibre candidates who will make a positive impact on the performance of the Group.

REWARD FAIRLY

Our people are rewarded fairly for their direct contributions and performance.

Implement remuneration structures that are well understood – it is important that our policies relating to remuneration are clear, well communicated and readily accessible. This includes explicit reference to conduct and behavioural expectations of team members and how these impact on any payments made.

MERIT BASED

Our people are rewarded consistently for like work, within the market range, with individual performance being the key differentiator in pay.

Support merit-based remuneration achievement across a diverse workforce – this principle ensures that we have adequate checks and balances in place, whereby employees are rewarded consistently for like work against market relativities, irrespective of gender, age or other demographic factors, with the key differentiator in pay for individuals being performance.

COMMERCIALLY RESPONSIBLE

Decisions we make regarding remuneration variations are commercially responsible, and considerate of budget and business requirements, including the Board's discretion to reduce payments to zero in appropriate circumstances.

Ensure that remuneration outcomes reflect sustainable, ethical performance practices – this principle ensures there are sufficient risk structures in place to safeguard that results are sustainable and adhere to ethical business practices. It also requires performance to be assessed in conjunction with the demonstration of positive behavioural standards in line with organisational values.

3. EXECUTIVE REMUNERATION STRUCTURE

3.1 Remuneration Structure FY22

Our remuneration framework, outlined below, is designed to deliver on our remuneration principles.

FIXED REMUNERATION ("FR")		
FR consists of base salary, superannuation and allowances (where applicable).	FR is set in relation to the external market and takes into account size, criticality and complexity of the role, individual responsibilities, experience and skills.	The objective of FR is to attract and retain the best talent.
SHORT-TERM INCENTIVE ("STI") PLAN		
STI is delivered in a combination of cash and restricted shares. The Board determined that under the FY22 STI, for the CEO, the award will be delivered wholly in cash and not subject to typical deferral requirements under the Executive STI policy. Please see section 3.1.2 for additional details on changes to the FY22 STI award.	STI is a percentage of fixed remuneration which is set against individual and Group risk-adjusted financial and strategic targets that support the Group's strategy.	The objective of STI is to reward short-term performance.
LONG TERM INCENTIVE ("LTI") PLAN		
LTI is delivered in options, which vest over a two-year performance period if hurdles are achieved.	LTI is aligned to long-term Group performance and shareholder return by rewarding achievement of transformation strategy objectives.	The objective of LTI is to reward long-term performance.

3.1.1 Fixed Remuneration

The executive team members are offered competitive fixed remuneration amounts that reflect the key performance requirements of their roles. Fixed remuneration is reviewed annually in line with the financial year (1 July to 30 June), although a review may not necessarily result in any increases to remuneration. Any increases to executive remuneration require PRC and Board approval and come into effect from 1 July. During FY22, **humm**group engaged remuneration consultants to provide benchmark data for companies which are similar to the Group in terms of industry, size and complexity, against which the executive remuneration was compared. During the year ended 30 June 2022, no remuneration recommendations, as defined by the *Corporations Act 2001* (Cth) ("Corporations Act"),were provided by remuneration consultants.

The fixed remuneration for executive KMP is set out in section 5 of this remuneration report.

3.1.2 Short-Term Incentive

The structure of the STI plan is designed to achieve alignment of organisational performance with our strategic goals. The STI plan considers both Group and individual performance. Group performance goals are determined by the Board at the beginning of the financial year, with clear linkage to key financial metrics and strategic initiatives. Outcomes of the STI plan are approved by the Board at the end of the financial year.

Changes to the FY22 STI award

During FY22, the Board approved a number of modifications to the STI award for Executive KMP in line with the anticipated sale of the HCF business to Latitude.

- In recognition of the CEO's ongoing commitment to **humm**group and HCF, and her importance to the success of the Company, the Board determined to pay a minimum of 50% of the CEO's target STI for FY22.
- The Board determined to pay half (50%) of other executive target STI as a retention payment as it was considered critical to ensure retention of executives during a period of uncertainty associated with the sale of the HCF business.
- The Board agreed to replace Executive KMP and other executives' Key Performance Indicators ("KPIs") for FY22. Half (50%) of participants' STI target was tied to the achievement of the following two KPI's (reflecting the term sheet of the proposed Latitude deal):
  - Consumer Cash Net Profit After Tax target of $A25m (inclusive of the macro-overlay reversal); and

- Consumer Net Tangible Assets target of $A152m as at 30 June 2022 and tangible equity-to-net receivables not to fall below 7%.
- Both STI amounts will be payable if the executive continues to be employed as at 31 August 2022.
- The Board determined that under the FY22 STI, for the CEO, the award will be delivered wholly in cash and not subject to typical deferral requirements under the Executive STI policy.
- In the event of a change of control or redundancy event arising prior to payment date, a proportional amount as determined by the Board in the case of partial KPI achievement will pe payable on half the STI target at the original payment date, while the other half (retention portion) will be payable upon termination.
- The Board approved payment of a retention bonus of $500,000 (inclusive of any employer superannuation as applicable) to the CFO in lieu of an FY22 STI payment in recognition of his contribution and importance to the HCF sale and as retention as a critical member of the **humm**group executive team. This retention award remains on-foot, to be paid subject to his continued employment as at 30 September 2022. This retention award is not subject to typical deferral requirements under the Executive STI Policy.

CEO STI goals

Following the announcement to sell the HCF business, the CEO's STI goals were modified to create alignment with the Latitude term sheet with two financial targets of Cash NPAT and Consumer Net Tangible Assets as detailed under section 3.1.2 Short-term Incentive.

<table>
<tr><th>FEATURE</th><th>DESCRIPTION</th></tr>
<tr><td>How is it paid?</td><td>Delivered in a mix of cash and deferred equity.
<table>
<tr><th></th><th>Cash</th><th>Restricted Shares</th></tr>
<tr><td>CEO</td><td>67%</td><td>33%</td></tr>
<tr><td>Other Executive KMP, excluding CFO</td><td>75%</td><td>25%</td></tr>
</table>
The mix of cash and restricted shares displayed above represents the typical cash and deferred payments under the STI plan. The Board determined that under the FY22 STI, for the CEO, the award will be delivered wholly in cash and not subject to typical deferral requirements under the Executive STI policy.
The Board agreed to pay a retention bonus of $500,000 (inclusive of any employer superannuation as applicable) to the CFO in lieu of a typical STI award and subject to continued employment with hummgroup as of 30 September 2022. </td></tr>
<tr><td>How much can executives earn?</td><td>The table below illustrates the pay-out level (as a percentage of Fixed Remuneration, or Base Salary for the Chief Customer Growth Officer and Deputy CEO) for achievement at defined levels of performance.
<table>
<tr><th></th><th>Threshold</th><th>Target</th><th>Stretch</th></tr>
<tr><td>CEO</td><td>53%</td><td>75%</td><td>94%</td></tr>
<tr><td>Chief Customer Growth Officer & Deputy CEO</td><td>35%</td><td>50%</td><td>63%</td></tr>
</table>
Of the short-term incentive award for FY22, 50% of the award was paid as a retention award, with the remaining 50% subject to revised performance measures as described above. Values shown in table above represent total potential incentive award.
The Chief Customer Growth Officer & Deputy CEO resigned on 6 May 2022.
Threshold and stretch figures are reflective of the individual multiplier, which allows for a threshold of 70% and a stretch of 125% of the target level performance to be achieved.
The CFO has been excluded from the above table as this role received a retention bonus in lieu of STI for FY22. </td></tr>
</table>

<table>
<tr><th>FEATURE</th><th>DESCRIPTION</th></tr>
<tr><td>What are the deferral terms?</td><td>
<table>
<tr><th></th><th>One Year</th><th>Two Years</th></tr>
<tr><td>CEO</td><td>50%</td><td>50%</td></tr>
<tr><td>Other Executive KMP, excluding CFO</td><td>-</td><td>100%</td></tr>
</table>
Vesting of the deferred portions of the awards are subject to continued employment.
The deferral terms above for the CEO and Other Executive KMP reflects the typical deferral terms under the STI award. The Board determined that under the FY22 STI, for the CEO, the award will be delivered wholly in cash and will not be subject to typical deferral requirements under the Executive STI policy.
The Chief Customer Growth Officer & Deputy CEO resigned on 6 May 2022 and the CFO received a retention bonus in lieu of STI for FY22.
</td></tr>
<tr><td>How is performance measured?</td><td>
Performance is measured over a 12-month performance period from 1 July to 30 June. For FY22, in connection with the anticipated sale of the HCF business to Latitude, the Board approved a modification to the FY22 STI performance measures:

Consumer Cash NPAT target of $A25m (inclusive of the macro-overlay reversal); and
Consumer Net Tangible Assets target of $A152m as at 30 June 2022 and tangible equity-to-net receivables not to fall below 7%.

The following additional hurdles must be met in order for any STI awards to pay out:

Risk (no material regulatory breaches, no material breaches of Delegation of Authority, completion of mandatory personal and department compliance training).
Culture (no material breaches of policies).

</td></tr>
<tr><td>How is the award calculated?</td><td>
Changes were made to STI performance measures for FY22 to ensure alignment with the Latitude term sheet as described above, under how performance is measured.
If the performance measures are met, the additional 50% of the target STI (KPI-tensioned portion) will be fully payable. If the KPIs are partially met, the Board may, in its sole discretion, choose to pay a proportional amount.
Further, the Board will consider whether to reduce any STI payment, including to zero, based on any breaches of organisational policy in line with the STI plan rules.
</td></tr>
<tr><td>What are the governance aspects of the plan?</td><td>
Relevant governance aspects include change of control, cessation of employment, eligibility for dividend and voting rights and clawback/malus.
The Board can exercise discretion to apply malus/clawback to make a downwards adjustment to incentive awards which are unvested (malus) or have been paid or vested (clawback).
Further details regarding these aspects of the plan can be found in section 9 of this Remuneration Report.
</td></tr>
</table>

3.1.3 Long-Term Incentive Plan ("LTIP")

On 4 October 2019 the Board approved the terms, the implementation, and the operation of an LTIP. The plan is designed to allow the Board to make grants of options to employees which provide the opportunity to acquire shares to assist with:

a) Attracting, motivating and retaining employees;

b) Delivering rewards to employees for individual and Company performance;

c) Aligning the interests of employees with those of shareholders; and

d) Allowing the Board to apply malus and/or clawback in certain circumstances.

Under the LTIP, eligible persons participating in the LTIP may be granted options on terms and conditions determined by the Board from time to time. An option is a right to acquire a share, subject to the satisfaction of applicable vesting and/or exercise conditions. Options granted under the plan carry no dividend or voting rights.

The Board is responsible for administering the LTIP in accordance with the LTIP Rules and the terms and conditions of specific grants of options to participants in the LTIP. The Board may determine which persons will be eligible to participate in the LTIP from time to time, with those eligible persons invited to apply to participate in the LTIP. The Board may, in its discretion, accept such applications.

The options under the LTIP will vest on, and become exercisable on or after, the applicable Vesting Date to the extent that certain performance-based conditions are achieved in the relevant Performance Period, and a tenure condition is satisfied.

<table>
<tr><th>FEATURE</th><th>DESCRIPTION</th></tr>
<tr><td>How is it paid?</td><td>The LTIP is an annual grant of Options.</td></tr>
<tr><td>How is performance measured?</td><td>FY22 LTI Options granted were subject to two equally weighted performance conditions:

A share price performance hurdle measured over the Performance Period ("Share Price Hurdle") – which is determined based on the 20 trading-day VWAP of hummgroup shares following the FY24 annual results announcement; and

Earnings per share hurdle

Awards under the LTIP will be subject to continued employment with hummgroup until the vesting date.</td></tr>
<tr><td>What is the vesting schedule?</td><td>Share Price Hurdle – 50% weighting
The Vesting schedule below sets out the number of Options in the Share Price Hurdle tranche that may Vest subject to the LTI Plan rules (see section 9.4):
<table>
<tr><th>Share Price at the end of the Performance Period</th><th>Vesting Schedule</th></tr>
<tr><td>< $1.25</td><td>Nil</td></tr>
<tr><td>$1.25</td><td>33%</td></tr>
<tr><td>$1.25 to $2.25</td><td>Straight line vesting between 33% – 100%</td></tr>
<tr><td>> $2.25</td><td>100%</td></tr>
</table>
EPS Hurdle – 50% weighting
The Vesting schedule below sets out the number of Options in the EPS Hurdle tranche that may Vest:
<table>
<tr><th>EPS CAGR at the end of the Performance Period</th><th>Vesting Schedule</th></tr>
<tr><td>< 15%</td><td>Nil</td></tr>
<tr><td>15%</td><td>33%</td></tr>
<tr><td>15% - 25%</td><td>Straight line vesting between 33% - 100%</td></tr>
<tr><td>> 25%</td><td>100%</td></tr>
</table>
EPS CAGR is calculated based on the compound annual growth in Earnings Per Share (EPS) from 30 June 2021 to 30 June 2024.

EPS is determined on a Cash NPAT basis, derived from statutory net profit after tax adjusting for the amortisation of acquired intangibles and material infrequent items.

EPS is calculated as Cash NPAT divided by the weighted average number of shares on issue.</td></tr>
<tr><td>When will the performance hurdles be tested?</td><td>Testing of the Share Price and EPS Hurdle

Testing of the Share Price Hurdle and EPS will occur shortly after the end of the Performance Period.

To the extent that the conditions are satisfied based on the testing results, the relevant number of Options that will Vest (if any) will be determined by the Board.</td></tr>
<tr><td>When will options vest?</td><td>Options that become eligible to Vest following testing will Vest as follows:
Two-thirds Vest immediately on the Testing Date; and
One-third Vests on the 12-month anniversary of the Testing Date

Any Options that do not Vest following testing will lapse immediately.</td></tr>
</table>

The terms and conditions of each grant of options affecting remuneration in future reporting periods are as below for on-foot awards.

The LTIP is an annual grant of Options. The table below illustrates the value per option at grant date.

GRANT DATE	TYPE	TRANCHE NUMBER	DATE VESTED & EXERCISABLE	EXPIRY DATE	EXERCISE PRICE	VALUE PER OPTION, PERFORMANCE RIGHT AT GRANT DATE ($)
21-Sep-21	Performance options	2022 LTIP – EPS – a	30-Sep-24	21-Sep-27	1.21	0.20
		2022 LTIP – ASP – a	30-Sep-24			0.14
		2022 LTIP – EPS – b	30-Sep-25			0.21
		2022 LTIP – ASP – b	30-Sep-25			0.14
19-Nov-20	Performance options	2021 LTIP – CEO	21-Sep-22	19-Nov-25	1.38	0.23
30-Nov-20	Performance options	2021 LTIP – other executives	21-Sep-22	30-Nov-25	1.38	0.31

FEATURE	DESCRIPTION
What are the governance aspects of the plan?	Relevant governance aspects include change of control, cessation of employment, eligibility for dividend and voting rights and clawback/malus. Further details regarding these aspects of the plan can be found in section 9 of this remuneration report.

The table below provides details of LTIP options issued in FY22 over ordinary shares in the Company provided as remuneration to the five most highly remunerated officers of **humm**group.

When exercisable and the exercise price is paid, a performance option is convertible into one ordinary share of **humm**group. Further information on the performance options is set out in note 22 to the financial statements.

NAME	POSITION	NUMBER OF INCENTIVE RIGHTS GRANTED[1]	FAIR VALUE OF INCENTIVE OPTIONS GRANTED DURING THE YEAR ($)[2]
Rebecca James	Group Chief Executive Officer	2,000,000	338,300
Chris Lamers	Chief Customer Growth Officer and Deputy Group CEO	1,200,000	202,980
Adrian Fisk	Chief Financial Officer	950,000	160,693

1. Annual allocation.
2. This is based on the fair value of the shares on the date of grant. If the Options do not vest the value to the executive KMPs is $nil.

The assessed fair value of performance options granted on 21 September 2021 for the CEO and the other executive KMP is determined based on a Monte Carlo simulation on the grant date and the amount allocated to FY22 is included in the remuneration table in section 10.1 of this remuneration report in accordance with AASB accounting standards.

For performance options issued in FY22, the fair values at grant date take into account market-based performance hurdles, the strike price, the term of the performance options, the impact of dilution, the share price at grant date and the expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the performance options. Further information on the incentive options is set out in note 22 to the financial statements.

3.1.4 Sign-On Incentive Rights

No sign-on rights were granted in FY22.

3.1.5 Remuneration Mix

The chart below illustrates the relative proportion of remuneration for executive KMP that is fixed and that which is linked to performance in the event that target performance for STI components is met and stretch performance for LTI components is met.

The remuneration mix for executive KMP is weighted towards variable remuneration to ensure there is a significant focus on achieving transformation objectives.

A portion of the STI award is typically deferred into restricted shares however, for FY22 the Board determined that for the CEO, the award will be delivered wholly in cash and not subject to typical deferral requirements under the Executive STI policy.

CEO: 47% of the CEO's remuneration is fixed remuneration, 53% is performance-based pay.

Chief Customer Growth Officer and Deputy CEO: 54% of the Deputy CEO's remuneration is fixed remuneration and 46% is performance-based.

CFO: 57% of the CFO's remuneration is fixed remuneration, 23% is performance-based. Pay mix for the CFO is representative of typical incentive opportunities. For FY22, the CFO was granted a retention bonus of $500,000 in lieu of FY22 STI payment. This retention award is not subject to typical deferral requirements under the Executive STI Policy.

PAY MIX			
POSITION	FIXED REMUNERATION	STI TARGET[1]	LTI MAXIMUM
CEO	47%	35%	18%
Chief Customer Growth Officer and Deputy CEO[2]	54%	26%	20%
CFO[3]	57%	28%	15%

1. Of the STI Target, 33% for the CEO and 25% for other executive KMP is typically deferred into restricted shares.
2. The Chief Customer Growth Officer and Deputy CEO resigned effective 6 May 2022.
3. The CFO received a retention bonus of $500,000 in lieu of STI for FY22, to be paid in FY23. Pay mix above reflects typical STI target.

4. LINKING EXECUTIVE REMUNERATION TO COMPANY PERFORMANCE

4.1 What We Paid Executive KMP in FY22

The table below represents actual remuneration received in FY22 by executive KMP. Please refer to section 5 for terms of Executive KMP Service Agreements for their contractual fixed remuneration.

In recognition of the CFO's ongoing commitment and importance to the success of the Company, the Board agreed to pay the CFO a retention bonus of $500,000 (inclusive of any employer superannuation as applicable) in lieu of a typical STI award. This will be paid no later than 15 October 2022.

	FIXED REMUNERATION	STI CASH FY22
Rebecca James[1]	$851,874	$160,373
Chris Lamers[1,2]	$495,665	–
Adrian Fisk[1,3]	$568,735	–

1. Fixed remuneration includes Cash Salary and Superannuation.
2. NZD, translated at average exchange rate of 1.069 Mr Lamers terminated on 6 May 2022.
3. CFO was awarded a base salary increase of $101,432 on 1 November 2021.

4.2 Performance Against FY22 STI Measures

The following hurdles are required to be achieved collectively or individually in order to trigger payment under the STI:

- Risk (no material breaches to Delegations of Authority, completion of mandatory personal and department compliance training); and
- Culture (no material breaches of policies).

All hurdles were met triggering payment of STI in FY22.

The Board determined to pay a minimum of 50% of the CEO's target STI for FY22. In addition, the Board has determined the remaining 'non-guaranteed' portion of the FY22 STI target (above the 'guaranteed' 50%) is subject to achievement of the following revised performance measures for the year.

MEASURES	WEIGHTINGS (NON GUARANTEED PORTION)	TARGET	FY22 RESULT	FY22 OUTCOME
Consumer Cash NPAT	50%	$A25m (inclusive of the macro-overlay reversal)	A$22m	Target not met
Consumer Net Tangible Assets	50%	$152m as at 30 June 2022 and tangible equity-to-net receivables not to fall below 7%	Net tangible assets of $220m or 13% of net receivables	Target achieved

4.2.1 STI FY22 Outcomes

In FY22, the Board approved a number of modifications to the STI award for executive KMP in line with the anticipated sale of the HCF business to Latitude.

- In recognition of the CEO's ongoing commitment and importance to the success of the Company the Board determined to pay a minimum of 50% of the CEO's target STI for FY22.
- The Board agreed to replace executive KMP and other executives Key Performance Indicators (KPIs) for FY22 with half (50%) of participants' STI target tied to the achievement of the performance measures outlined in section 4.1.
- The Board determined to pay the remaining half (50%) of executive KMP's STI target as a retention payment as it was considered critical to ensure retention of executives during a period of uncertainty associated with the sale of the HCF business.
- The Board determined that under the FY22 STI, for the CEO, the award will be delivered wholly in cash and not subject to typical deferral requirements under the STI policy.
- The Board approved payment of a retention bonus to the CFO in lieu of any FY22 STI payment in recognition of his ongoing contribution and importance to the success of the HCF deal and as retention as a critical member of the **humm**group executive team. Despite the termination of the deal, given strong financial results and the CFO's contributions throughout the year, this retention award remains on-foot, to be paid subject to continued employment as at 30 September 2022. This retention award is not subject to typical deferral requirements under the STI policy.

The decision to 'guarantee' a minimum STI payment to the CEO and grant retention awards to the CFO, was made by the Board considering the anticipated sale of the HCF business. However, in spite of the sale not proceeding, given the additional workload and challenges associated with pursuing the HCF transaction while managing to deliver exceptional financial results for the Company, the Board, in its discretion, made the determination that these executive KMPs were vital to retain in continuing to deliver on **humm**group's commitments to its shareholders and granted them retention awards.

The Chief Customer Growth Officer and Deputy CEO was not eligible for any FY22 STI related payment due cessation of employment prior to the payment date.

4.2.2 Deferred STI FY22 Outcomes

No deferred STI outcomes vested In FY22 however the Board exercised their discretion to release the deferred FY21 Short Term Incentive ("STI") component of 57,333 **humm**group shares to the former Chief Customer Growth Officer and Deputy CEO, Chris Lamers upon cessation of employment the Board made the decision to accelerate vesting of Mr Lamers' FY21 deferral as part of a termination agreement to recognise Mr Lamers' continued employment for nearly the entire performance period and contributions to **humm**group's financial success throughout the year.

4.3 Company Performance Against LTI Performance Conditions

The vesting conditions attached to LTI awards at the respective grant dates are chosen to align rewards to the CEO and executives with the generation of shareholder value.

The following table provides the Group's total shareholder return ("TSR"), dividend, share price and Cash EPS over the last five years.

YEAR ENDED 30 JUNE	2022	2021	2020	2019	2018[2]
TSR[1]	(26.53%)	(4.5%)	(30.35%)	(13.88%)	17.14%
Dividends per share (cents)	3.10	–	3.85	7.70	7.70
Cash EPS (cents)[4]	9.52	13.75	7.31[3]	19.68	23.00
Return on Equity	7.3%	10.2%	5.1%[3]	12.3%	13.6%
Share price (high)	$1.08	$1.35	$2.47	$2.34	$2.33
Share price (low)	$0.40	$0.87	$0.46	$0.98	$1.44
Share price (close)	$0.41	$0.99	$1.13	$1.63	$2.22

1. TSR is calculated based on VWAP in the 90-day period up to and including 30 June.
2. The opening price for 2018 was $1.8.
3. Retrospectively adjusted for the impacts of International Financial Reporting Interpretation Committee ("IFRIC") guidance on cloud computing costs which reduced Cash NPAT by $1.7m (after tax).
4. Cash EPS (cents) is calculated based on Cash NPAT (exclude preference share dividends) divided by weighted average number of shares

4.3.1 LTI Outcomes in FY22

No LTI granted in the current or historical periods have or are expected to vest during FY22. Refer to section 8.1 for further information.

4.3.2 Shares Provided on Exercise of Remuneration Performance and Sign-On Rights

In the current and prior year, nil ordinary shares in the Company were issued because of the exercise of remuneration performance and sign-on incentive rights.

5. TERMS OF EXECUTIVE KMP

SERVICE AGREEMENTS

Remuneration and other terms of employment for the Chief Executive Officer and the other executive KMP are formalised in service agreements. Each of these agreements can provide for the provision of short-term performance incentives, eligibility for the **humm**group LTIP and may include other competitive benefits.

All employment agreements are unlimited in term but capable of termination at agreed notice by either the Company or the executive. The Company can make a payment in lieu of notice. The notice period for each executive is listed in the table below.

In the event of retrenchment, each of the executives listed in the table below is entitled to the payment provided for in the service agreement. The employment of the executives may be terminated by the Company without notice by payment in lieu of notice. Upon termination of employment, the Board exercises its discretion on payment of a pro-rata STI entitlement and early vesting of any unvested LTIs held by the executive KMP.

The service agreements also contain confidentiality and restraint of trade clauses.

The provisions of the agreements relating to notice period and remuneration are listed in the table below.

	TERM OF AGREEMENT & NOTICE PERIOD[1]	TOTAL FIXED REMUNERATION ($)[2]	TERMINATION PAYMENTS[3]
Rebecca James	6 months	851,874	6 months
Chris Lamers[4]	6 months	550,000	6 months
Adrian Fisk	6 months	625,000	6 months

1. Notice applies to either party.
2. Base salaries and superannuation are for financial year ended 30 June 2022. Annual reviews are performed by the People and Remuneration Committee.
3. Base salary payable if the Company terminates employee with notice, and without cause.
4. Remuneration is in NZ$. Mr Lamers resigned effective 6 May 2022 and served out the entirety of the notice period.

6. FY23 REMUNERATION STRUCTURE CHANGES

The Board will continue to review remuneration and incentive plan structures and performance measures to ensure continued alignment with the strategic objectives.

7. NON-EXECUTIVE DIRECTORS

7.1 Non-Executive Directors' Remuneration Policy and Structure

Fees and payments to Non-Executive Directors reflect the demands that are made on, and the responsibilities of, the Non-Executive Directors. Non-Executive Directors' fees and payments are reviewed as required and benchmarked where appropriate by the Board. Non-Executive Directors do not receive performance rights.

Non-Executive Directors' fees are determined within an aggregate Directors' fee pool limit of $1.2m (as approved by shareholders in 2006). The following fee structure was applicable for the 2022 financial year (unchanged from the prior year):

BASE FEES (PER ANNUM) $	FY22 FEES	FY21 FEES
Chair	250,000	250,000
Other Non-Executive Directors	120,000	120,000
ADDITIONAL FEES (PER ANNUM) $	**FY22 FEES**	**FY21 FEES**
Audit Committee – Chair	25,000	25,000
People and Remuneration Committee – Chair	25,000	25,000
Risk and Compliance Committee – Chair	25,000	25,000
Technology Committee – Chair	25,000	25,000
Committee Fees – Members	10,000	10,000

In addition to the above fees, Directors also receive compulsory superannuation contributions. A Director is entitled to reimbursement for reasonable travel, accommodation and other expenses in attending meetings and carrying out their duties.

Teresa Fleming will be paid in Euros through the relevant Irish subsidiary, converted from AUD to EUR at an exchange rate of 0.6443.

Under clause 10.10 of the Company's constitution, subject to the ASX Listing Rules and the Corporations Act, a Director at the request of the other Directors may be remunerated for performing additional or special duties for the Company.

7.2 Non-Executive Directors' Minimum Shareholding Requirements

There is no minimum shareholding requirement for Non-Executive Directors.

7.3 Non-Executive Directors' Equity Plan

Under clause 10.11 of the Company's constitution, subject to the Listing Rules and the Corporations Act, the Company may pay a former Director, or the personal representatives of a Director who dies in office, a retirement benefit in recognition of past services of an amount determined by the Directors.

The Company may also enter into a contract with a Director providing for payment of the retiring benefit. No such contracts have been entered into to date. Despite having this clause in the Company's constitution, the Company does not intend to pay such benefits to Directors.

8. DETAILS OF PERFORMANCE RIGHTS AND OPTIONS

8.1 Unvested Performance Rights (Tranche Details Granted Prior to FY22 LTI Introduction)

hummgroup has issued performance rights in prior periods as disclosed in previous annual reports.

The terms and conditions of each grant of performance rights affecting remuneration in the previous, in this or in future reporting periods are as below for on-foot awards.

GRANT DATE	TRANCHE NUMBER	DATE VESTED AND EXERCISABLE	OUTSTANDING PERFORMANCE RIGHTS TO KMP	EXPIRY DATE	EXERCISE PRICE	VALUE PER OPTION, PERFORMANCE RIGHT AT GRANT DATE ($)
15-Nov-18	6 EPS	1-Sep-22	264,423	15-Mar-23	Nil	1.29
	6 TSR	1-Sep-22	264,423	15-Mar-23	Nil	0.63
16-May-19	6 EPS	1-Sep-22	37,020	15-Mar-23	Nil	1.29
	6 TSR	1-Sep-22	37,020	15-Mar-23	Nil	0.65

Details of the FY22 LTI are referred to in section 3.1.3 of the report.

Tranche 5 Performance Rights were tested and did not vest following the FY21 results announcement as Cash EPS and Relative TSR thresholds were not met. Tranche 6 Performance Rights will remain on issue and will be assessed following the FY22 results announcement compared to the S&P/ASX 200 Index (excluding materials and energy companies).

The Performance Periods applicable to each of the outstanding performance-based vesting conditions are as follows:

TRANCHE	PERFORMANCE PERIOD	TESTING DATE
6	2022 (1 July 2018 to 30 June 2022)	Post results announcement date in 2022

Tranche 6 Performance Rights will be performance-tested against the following performance-based vesting conditions:

PERCENTAGE OF RIGHTS	PERFORMANCE CONDITIONS
50% of each Tranche of Performance Rights	Cash EPS growth targets for the relevant performance period are met
50% of each Tranche of Performance Rights	Relative TSR for the relevant Performance Period compared to the S&P/ASX 200 Index (excluding materials and energy companies)

1. Performance tracking for Tranche 6 Indicates that Cash EPS growth Is unlikely to achieve threshold to trigger for vesting. Relative TSR will be assessed following FY22 results announcement compared to the S&P/ASX 200 Index (excluding materials and energy companies).

Cash EPS growth performance condition

The first performance-based vesting condition is based on growth in Cash NPAT earnings per share ("Cash EPS"). Cash NPAT is a non-statutory measure of profit and is defined as statutory profit after tax, adjusted for the after-tax effect of material infrequent items and the amortisation of acquired intangible assets. The Group calculates Cash EPS for a financial year as:

- Cash NPAT;
- Divided by the weighted average number of ordinary shares on issue during the year.

This is consistent with how the Group reports its Cash NPAT in its investor presentations.

The performance condition tests the growth in Cash EPS for the relevant financial year above the Cash EPS at the start of the performance period, measured as a percentage ("Cash EPS Growth").

The Cash EPS Growth condition for 6 will be satisfied for a Performance Period in accordance with the following table:

CASH EPS GROWTH TARGET	PERCENTAGE OF PERFORMANCE RIGHTS AVAILABLE IN GIVEN YEAR SATISFYING CONDITION
Compound annual growth rate in Cash EPS less than 4.0%	Nil
Compound annual growth rate in Cash EPS of 4.0%	30%
Compound annual growth rate in Cash EPS greater than 4.0% but less than 10.0%f	Pro-rata between 30% and 100%
Compound annual growth rate in Cash EPS equal to or greater than 10.0%	100%

Relative TSR performance condition

The second performance-based vesting condition for Tranche 6 Performance Rights relates to the Group's TSR for the relevant performance period when compared to the S&P/ASX 200 Index (excluding materials and energy companies).

For each performance period, the TSR for the Group will be determined by calculating the amount by which the sum of:

- The 90-day VWAP for **humm**group shares in the period up to and including 30 June at the end of the relevant performance period; and
- The dividends paid on a share during the relevant performance period,

exceeds the 90-day VWAP for the Group's shares in the period up to and including 1 July at the beginning of the relevant performance period, expressed as a percentage.

Tranche 6 performance targets are as per the table below:

RELATIVE TSR TARGET	PERCENTAGE OF PERFORMANCE RIGHTS AVAILABLE IN GIVEN YEAR SATISFYING CONDITION
Less than 51st percentile of companies in S&P/ASX 200 Index (excluding materials and energy companies)	Nil
51st percentile of companies in S&P/ASX 200 Index (excluding materials and energy companies)	50%
Greater than 51st percentile but less than the 75th percentile of companies in S&P/ASX 200 Index (excluding materials and energy companies)	Pro-rata between 51% and 100%
Greater than or equal to 75th percentile of companies in S&P/ASX 200 Index (excluding materials and energy companies)	100%

The Board has the discretion to amend either the Cash EPS growth performance condition or the relative TSR performance condition at any time during the relevant performance period applicable to those Performance Rights if the Board believes it is appropriate to do so to reflect the Group's circumstances.

Vesting date and expiry date

TRANCHE	VESTING DATE	EXPIRY DATE
6	1 September 2022	15 March 2023

Vested Performance Rights that are not exercised before the relevant expiry date will lapse in accordance with the LTIP Rules.

Recipients of Vested Performance Rights are not permitted to enter into transactions which limit the economic risk of participating in the performance rights scheme.

Disposal restriction

The CEO and executives may not dispose of, deal in, or grant a security interest over any interest in, a Performance Right without the prior written consent of the Board, which may be given subject to such conditions as the Board sees fit in relation to the proposed dealing.

The CEO and executives may not dispose of, deal in, or grant a security interest over any interest in, a share allocated on exercise of a Vested Performance Right for any relevant period determined by the Board.

The Board has imposed a disposal restriction on the shares that are the subject of this approval, which will be granted on the exercise of any Vested Performance Rights. The disposal restriction will be enforced by placing a sale restriction over the shares that are allocated on the exercise of the Vested Performance Rights.

The disposal restrictions on those shares will be lifted at the relevant Restriction Period End Date as set out below:

TRANCHES OF SHARE ALLOCATED ON EXERCISE OF VESTED PERFORMANCE RIGHTS TRANCHES	% OF SHARE ALLOCATED ON VESTING AND EXERCISE OF PERFORMANCE RIGHTS	RESTRICTION PERIOD END DATE
Tranche 6	100%	15 October 2023

The Board may also implement any such other arrangements (including a holding lock) as it determines are necessary to enforce this restriction.

The Board has the discretion to amend or waive any disposal restrictions on the shares that are the subject of this approval, which will be granted on the exercise of any Vested Performance Rights at any time until the disposal restriction ends, if the Board believes it is appropriate to do so to reflect the Group's or the employee's circumstances.

Once any Board-imposed restriction is removed, and subject to the Group's Securities Trading Policy, shares acquired on exercise of Vested Performance Rights may be dealt with freely.

8.2 Unvested Options (Tranche Details Granted Prior to FY22 LTI Introduction)

hummgroup has issued performance rights in prior periods as disclosed in previous annual reports.

The terms and conditions of the option grant in FY21 in the previous, in this or in future reporting periods are as below for on-foot awards.

GRANT DATE	TRANCHE NUMBER	DATE VESTED AND EXERCISABLE	OUTSTANDING PERFORMANCE RIGHTS TO KMP	EXPIRY DATE	EXERCISE PRICE	VALUE PER OPTION, PERFORMANCE RIGHT AT GRANT DATE ($)
19-Nov-20	2021 LTIP - CEO	21-Sep-22	2,000,000	19-Nov-25	1.38	0.23
30-Nov-20	2021 LTIP - other executives	21-Sep-22	4,503,895	30-Nov-25	1.38	0.31

The Performance Periods applicable to each of the outstanding performance-based vesting conditions are as follows:

TRANCHE	PERFORMANCE PERIOD	TESTING DATE
2021 LTIP	2022 (1 July 2020 to 30 June 2022)	Post results announcement date in 2022

FY21 LTIP options will be tested against the following performance-based vesting conditions:

- A share price performance hurdle measured over the Performance Period ("Share Price Hurdle") - which is determined based on the 20 trading-day VWAP of **humm**group shares following the FY22 annual results announcement; and
- Continued employment with **humm**group until the Vesting Date.

The vesting schedule below sets out the percentage of Options that may vest based on the share price achieved at the end of the Performance Period.

ACTUAL SHARE PRICE	VESTING PERCENTAGE
< $1.50	Nil
$1.50 to $2.00	33% to 50%
$2.00 to $2.50	50% to 100%

The Board retains discretion to adjust the Share Price Hurdle and/or Vesting schedule to ensure recipients are neither advantaged nor disadvantaged by matters outside management's influence that materially affect achievement of the Share Price Hurdle.

FY21 LTIP terms

Early vesting opportunity

50% of the options awarded are eligible to vest if the **humm**group share price reaches $2.00 (Early Share Price Target) at any time before 30 June 2021, based on a twenty (20) trading day VWAP. If the Early Share Price Target is met during FY21, half of the eligible options (25% of the total number of options) will Vest immediately. The remaining half of the eligible options (25% of the total number of options) will vest at the end of the Performance Period, subject to continued employment with **humm**group until the vesting date. If early vesting occurs, the remaining 50% of options will be tested at the end of the Performance Period and will vest to the extent the Share Price Hurdle is achieved in accordance with the vesting schedule.

Testing of the Share Price Hurdle

Testing of the Share Price Hurdle will occur shortly after the end of the Performance Period. To the extent that the conditions are satisfied based on the testing results, the relevant number of options that will vest (if any) will be determined by the Board.

Any options that do not vest following testing will lapse immediately.

Testing of the Early Share Price Target

Testing of the Early Share Price Target will occur throughout FY21.To the extent the Early Share Price Target is satisfied based on the testing results, 50% of options may vest (25% immediately and 25% after the end of the Performance Period). The remaining 50% of options will remain "on foot" and will be tested against the conditions after the end of the Performance Period (see "Testing of Conditions" above). The Early Share Price Target was not met during FY21.

Options will vest on the relevant Vesting Date. Any options that do not vest following testing will lapse immediately.

Outcome of FY21 LTIP

None of these tranches vested.

9. GOVERNANCE

9.1 Governance Framework

Governance of our remuneration framework has been a key focus during the last year. We have further enhanced the conduct hurdles underpinning our review process, introducing additional key measures to assess executive conduct during the year. We are confident that our remuneration framework:

- Rewards our team for achieving high performance that is aligned to shareholder value;
- Ensures that we meet strict governance standards and the requirements of our risk management framework; and
- Drives ethical behaviour in our executive team ensuring performance is achieved in the right way, and sustainably.

9.2 Role of the Board

hummgroup has defined approval processes in place for all remuneration decisions. For our executive KMP and direct reports to the CEO, any amendments to remuneration must be approved by the Board.

Remuneration for executive KMP is reviewed annually in line with the financial year. In setting an individual's remuneration, the Board considers:

- External and internal relativities;
- Individual and Group performance and incentivising transformational growth;
- Recommendations from the Group CEO on the remuneration arrangements for the executive team; and
- Market data from comparable roles listed on the ASX against a peer group that is relevant and large enough to provide meaningful data.

9.3 Role of the People and Remuneration Committee

In addition to ensuring that our remuneration framework meets the required governance standards, the People and Remuneration Committee expanded its scope as outlined in the People and Remuneration Committee Charter to also include:

- Culture, capability and engagement across the Group;
- Ongoing performance management and succession planning for key executives;
- Review of executive development plans;
- Group organisational structure and design;
- Group diversity and inclusion; and
- Group Workplace Health and Safety.

The Committee has regular meetings where the remuneration framework and other people matters are discussed, ensuring that any risks or potential risks are identified and addressed in a timely manner. The Committee also regularly reviews the market to understand trends on how executive teams are rewarded, while also ensuring that any remuneration arrangements remain in line with accepted market practices.

As part of its remit, the People and Remuneration Committee undertakes a number of activities for **humm**group, including developing, reviewing and making recommendations to the Board on:

- The Key Performance Indicators ("KPIs") for the Group and for the CEO;
- Remuneration policies for the Group, including Directors, executives and the broader organisation, ensuring the policies comply with the Group's objectives and risk management framework;
- The individual remuneration arrangements for the CEO, executive team and any other executive KMP;
- Overall Group remuneration budgets and STI program for Group employees outside the executive team; and
- Remuneration for Non-Executive Directors.

During FY22, the People and Remuneration Committee consisted entirely of independent Non-Executive Directors as follows: Rajeev Dhawan (Chair) and Carole Campbell.

9.4 Treatment of Unvested Equity Awards Upon Exit

The table below outlines the treatment of unvested equity awards (Deferred STI and LTIP) upon employee exit.

REASON FOR LEAVING	DEFERRED STI	UNVESTED LTI (TIP)
Genuine retirement/redundancy	If employment ceases before the end of the performance period, award is forfeited. If employment ceases after the end of the performance period, but before the payment date, unvested awards may be eligible to vest.	If employment ceases within two years of the performance period, unvested awards will lapse. If employment ceases after two years of the performance period but before the end of the performance period, a pro-rata number of options stays 'on-foot' and will be tested against the performance hurdles at the end of the performance period. If employment ceases after the end of the performance period, the options that are available for vesting stay 'on-foot' post-cessation and vest at the original vesting dates.
Death, illness or incapacity	If employment ceases after the end of the performance period, but before the payment date, unvested awards may be eligible to vest.	As determined by the Board. In the case of death, a pro-rata number of option stays 'on-foot' and will be tested against the performance hurdles at the end of the performance period.
Termination for cause/gross misconduct	Award forfeited.	Unvested awards lapse.
Termination for poor performance	Award forfeited.	Unvested awards lapse.
Resignation	Award forfeited.	Unvested awards lapse.

The Board in its discretion may determine that a different treatment should apply. The Board approved a different treatment to the current STI Deferral Policy as the policy does not contemplate a divestment of a business, change of control or redundancy event arising. On recommendation by the PRC, the Board approved the early release of FY21 STI deferred shares for executive KMP and other eligible executives that become redundant as part of the sales of the HCF business. Executive KMP or other executives that remain employed with the **humm**group business or transfer employment to Latitude as part of the consumer business, the FY21 deferred shares will continue to be restricted until the restriction period is lifted in September 2023.

9.5 Other Governance Requirements

The table below outlines additional governance provisions applicable to the LTIP. Further, **humm**group also has malus/clawback provisions in place for the STI plan. Under these provisions, the Board is able to adjust any unpaid or unvested award (including reducing to zero) where it is appropriate to do so, due to fraud, misconduct or material misstatement.

GOVERNANCE ASPECT	LONG TERM INCENTIVE PLAN
Change of control	In the case of a change of control, where the Board does not exercise discretion to do anything at the time of a change of control event, a pro-rata number of options will vest and become exercisable based on the extent to which the performance conditions have been achieved or are likely to be achieved.
Eligibility for dividends	Options do not carry voting or dividend rights.
Hedging	Participants must not sell, transfer, encumber, hedge or otherwise deal with their options granted under the LTIP. A participant must not enter into any scheme, arrangement or agreement (including options and derivative products) under which the participant may alter the economic benefit to be derived from any options that remain subject to the LTIP Rules, irrespective of future changes in the market price of Shares.
Malus/clawback	The Board has discretion to determine to lapse a number of options in the case of fraud, gross misconduct, gross incompetence, breach of obligations, bringing the Company into disrepute, failure to perform acts reasonably asked of the participant, or undertaking an act which has the effect of delivering strong Company performance in a manner which is unsustainable or involves unacceptably high risk, and results or is likely to result in a detrimental impact on the Company.

9.6 Use of Remuneration Consultants

The Group aims to provide an executive remuneration framework that is market competitive and complementary to the reward strategy at **humm**group. During the year, **humm**group engaged the services of remuneration consultants to provide information regarding remuneration benchmarking which was provided to the People and Remuneration Committee. During the year ended 30 June 20222, no remuneration recommendations, as defined by the Corporations Act, were provided by remuneration consultants.

The Board is satisfied that the information was provided with the required level of independence from executive KMP and the information was free from undue influence by members of the Group's executive KMP, as the remuneration consultants were engaged by, and reported directly to, the Chair of the People and Remuneration Committee in relation to these services.

10. OTHER STATUTORY DISCLOSURES

10.1 Amounts of Remuneration

Details of the remuneration of the Directors and the executive KMP as defined in AASB 124 *Related Party Disclosures* of humm group limited and its subsidiaries are set out in the following tables. The cash bonuses are dependent on the satisfaction of performance conditions as set out in section 3.1.2 Short-Term Incentive.

2022	SHORT-TERM EMPLOYEE BENEFITS					POST-EMPLOYMENT BENEFITS	LONG TERM-BENEFITS		
	CASH SALARY & FEES	ANNUAL LEAVE ACCRUED[1]	STI CASH PAYMENT	OTHER BENEFITS	TERMINATION PAYMENT	SUPERANNUATION	LONG SERVICE LEAVE	SHARE-BASED PAYMENTS EXPENSE[2]	TOTAL EARNINGS
NAME	$	$	$	$	$	$	$	$	$
Non-Executive Directors									
Christine Christian[3] (Independent Chair)	251,346	–	–	–	–	22,534	–	–	273,880
Andrew Abercrombie	193,104	–	–	–	–	23,568	–	–	216,672
Rajeev Dhawan[3]	155,000	–	–	–	–	15,500	–	–	170,500
Carole Campbell[3]	155,000	–	–	–	–	15,500	–	–	170,500
John Wylie[4,5] (resigned 22 June 2022)	120,000	–	–	–	–	–	–	–	120,000
Alistair Muir[4,5] (resigned 22 June 2022)	143,884	–	–	–	–	14,388	–	–	158,272
Teresa Fleming[6,7] (appointed 30 June 2022)	385	–	–	–	–	–	–	–	385
Stuart Grimshaw[7] (appointed 30 June 2022)	385	–	–	–	–	38	–	–	423
Subtotal Non-Executive Directors	1,019,104	–	–	–	–	91,528	–	–	1,110,632
Other Key Management Personnel									
Rebecca James	828,306	54,716	160,373	240,559	–	23,568	–	373,591	1,681,113
Chris Lamers[8,9,10] (resigned 6 May 2022)	455,093	41,400	–	56,720	–	37,023	3,549	(182,943)	410,842
Jason Murray[10,11] (ceased 18 July 2021)	53,382	2,061	–	–	144,576	2,176	–	4,456	206,651
Adrian Fisk[10,12]	545,167	32,191	–	300,000	–	23,568	–	15,985	916,911
Subtotal other key management personnel	1,881,948	130,368	160,373	597,279	144,576	86,335	3,549	211,089	3,215,517
Total key management personnel compensation (Group)	**2,901,052**	**130,368**	**160,373**	**597,279**	**144,576**	**177,863**	**3,549**	**211,089**	**4,326,149**

1. Includes accrued annual leave for Executive KMP.
2. Remuneration for share-based payments represents amounts expensed during the year for accounting purposes.
3. Ms Christian, Mr Dhawan and Ms Campbell resigned from the Company Board effective 30 June 2022. Closing balance is at 30 June 2022.
4. As Mr Wylie is Tanarra Capital's nominated Director, payments are made to Tanarra Capital (amounts in the table above exclude GST and superannuation).
5. Mr Wylie AC and Mr Muir resigned from the Company Board effective 22 June 2022. Closing balance is at 22 June 2022.
6. EUR translated at the average exchange rate of 0.6443.
7. Ms Fleming and Mr Grimshaw were appointed to the Company Board effective 30 June 2022.
8. NZD translated at the average exchange rate of 1.069.
9. Mr Lamers resigned effective 6 May 2022.
10. Other benefits include release of deferred shares paid to Mr Lamers upon termination as well as the retention bonus payable to Ms James and Mr Fisk in August and October 2022, in relation to FY22.
11. Jason Murray ceased as CFO effective 18 July 2021. Closing balance is at 3 September 2021.
12. Mr Fisk commenced the CFO role effective 19 July 2021. Opening balance is effective as at the date Mr Fisk became a KMP.

2021	SHORT-TERM EMPLOYEE BENEFITS					POST-EMPLOYMENT BENEFITS	LONG TERM-BENEFITS		
	CASH SALARY & FEES	ANNUAL LEAVE ACCRUED[1]	STI CASH PAYMENT	OTHER BENEFITS	TERMINATION PAYMENT	SUPERANNUATION	LONG SERVICE LEAVE	SHARE-BASED PAYMENTS EXPENSE[2]	TOTAL EARNINGS
NAME	$	$	$	$	$	$	$	$	$
Non-Executive Directors									
Andrew Abercrombie (Chairman)	261,777	–	–	–	–	22,529	–	–	284,306
Christine Christian (Deputy Chairman)	223,269	–	–	–	–	21,135	–	–	244,404
Rajeev Dhawan	152,653	–	–	–	–	14,502	–	–	167,155
Carole Campbell	160,961	–	–	–	–	15,291	–	–	176,252
John Wylie[3]	121,148	–	–	–	–	–	–	–	121,148
Alistair Muir (appointed 31 March 2021)	33,019	–	–	–	–	3,137	–	–	36,156
Jodie Leonard (retired 19 November 2020)	67,961	–	–	–	–	6,456	–	–	74,417
Subtotal Non-Executive Directors	1,020,788	–	–	–	–	83,050	–	–	1,103,838
Other Key Management Personnel									
Rebecca James	837,864	39,253	379,287	–	–	22,529	–	66,408	1,345,340
Chris Lamers[4]	474,021	39,633	165,487	–	–	29,232	–	87,594	795,968
Jason Murray (appointed 9 July 2020)	560,512	23,901	–	–	–	21,027	–	59,346	664,785
Ross Aucutt[5]	132,610	64,398	–	–	214,153	17,689	30,380	(85,657)	373,572
Subtotal other key management personnel	2,005,006	167,184	544,774	–	214,153	90,477	30,380	127,691	3,179,665
Total key management personnel compensation (Group)	**3,025,794**	**167,184**	**544,774**	–	**214,153**	**173,527**	**30,380**	**127,691**	**4,283,503**

1. Includes accrued annual leave for Executive KMP.
2. Remuneration for share-based payments represents amounts expensed during the year for accounting purposes.
3. As Mr Wylie is Tanarra Capital's nominated Director, payments are made to Tanarra Capital (amounts in the table above exclude GST and superannuation).
4. NZD translated at the average exchange rate of 1.072. NZD amounts, excluding STI, translated at average exchange rate of 1.072 and STI converted at closing spot rate of 1.0745.
5. Other benefits relate to the termination payment made to Mr Aucutt, who terminated on 6 October 2020.

The relative proportions of ongoing remuneration that are linked to performance and those that are fixed are as follows:

	FIXED REMUNERATION		AT RISK - STI		LTI	
NAME	2022 %	2021 %	2022 %	2021 %	2022 %	2021 %
Executives of hummgroup						
Rebecca James	61	67	12	28	27	5
Chris Lamers	100	68	0	21	0	11
Adrian Fisk	97	–	0	–	3	–
Jason Murray	93	91	0	0	7	9

10.2 Loans and Other Transactions

No loans were provided to any KMP during the period.

Financial instrument transactions (other than loans and Option grants) of KMP, their close family members and entities controlled or significantly influenced by them, occur in the ordinary course of business on normal commercial terms and conditions no more favourable than those given to other customers.

10.3 Other Services Obtained from Related Parties: Rental of Melbourne Premises

A controlled entity in the Group, FlexiRent Capital Pty Limited had rented a property in Melbourne owned by entities associated with Mr Andrew Abercrombie. A three months' notice of termination of the lease was provided on 6 July 2021 resulting in the lease terminating on 6 October 2021.

The rent paid in FY22 was fully accrued in FY21 (2021: $237,776). Refer to note 30(D) of the financial statements for further details.

10.4 Equity Instrument Disclosures Relating to Directors and Key Management Personnel

Performance rights and option holdings currently on-foot.

2022							
NAME	BALANCE AT START OF YEAR	GRANTED AS COMPENSATION[1]	EXERCISED	LAPSED/ FORFEITED[2]	BALANCE AT END OF YEAR[4]	VESTED & EXERCISABLE	UNVESTED
Other Key Management Personnel							
Rebecca James	2,528,846	2,188,834	–	–	4,717,680	–	4,717,680
Chris Lamers	1,573,867	1,257,333	(57,333)	(2,773,867)	–	–	–
Adrian Fisk	–	950,000	–	–	950,000	–	950,000
Jason Murray	712,656	–	–	(413,557)	299,099	–	299,099

1. Relates to options granted under FY22 LTI and deferred under the FY21 STI.
2. Chris Lamers' Tranche 6 performance rights and FY21 and FY22 options lapsed during the year due to his resignation.
3. Jason Murray's FY21 options lapsed during the year due to his resignation; a pro-rata number of unvested options remain on-foot based on termination date.
4. Or as at the termination date.

10.5 Shareholding Disclosures Relating to Key Management Personnel

The numbers of shares in the Company held (or controlled) during the financial year by each Director and executive KMP of the Company, including their personally related parties, are set out below.

2022 NAME	BALANCE AT START OF YEAR	RECEIVED DURING THE YEAR ON THE EXERCISE OF RIGHTS AND OPTIONS OR AT DATE OF RESIGNATION	OTHER CHANGES DURING THE YEAR	BALANCE AT END OF YEAR
Non-Executive Directors				
Christine Christian (Chair)[1]	195,000	–	–	195,000
Andrew Abercrombie	99,435,115	–	15,422,885	114,858,000
Rajeev Dhawan[1]	369,371	–	–	369,371
Carole Campbell[1]	107,187	–	–	107,187
John Wylie[2]	27,321,525	–	–	27,321,525
Alistair Muir[2]	29,644	–	–	29,644
Teresa Fleming	–	–	–	–
Stuart Grimshaw	–	–	–	–
Other Key Management Personnel				
Rebecca James	40,000	–	–	40,000
Chris Lamers[3]	–	57,333	–	57,333
Adrian Fisk[4]	–	–	100,000	100,000
Jason Murray[5]	83,328	–	(83,328)	–

1. Ms Christian, Mr Dhawan and Ms Campbell resigned from the Company Board effective 30 June 2022. Closing balance is at 30 June 2022.
2. Mr Wylie AC and Mr Muir resigned from the Company Board effective 22 June 2022. Closing balance is at 22 June 2022.
3. Mr Lamers resigned effective 6 May 2022. Closing balance is effective as at 6 May 2022, the date of Mr Lamers' resignation
4. Mr Fisk commenced the CFO role effective 19 July 2021. Opening balance is effective as at the date Mr Fisk became a KMP.
5. Jason Murray resigned effective 18 July 2021. Closing balance is at 3 September 2021.

CORPORATE GOVERNANCE PRINCIPLES AND RECOMMENDATIONS

This Corporate Governance Statement sets out details of humm group limited's (ABN 75 122 574 583) ("the Company", "the Group" or "**humm**group") corporate governance practices for the year ended 30 June 2022 ("Reporting Period"), including the Company's position in respect of each of the Australian Securities Exchange ("ASX") Corporate Governance Council's ("ASX CGC") Corporate Governance Principles and Recommendations 4th Edition ("Recommendations").

As recommended by the ASX CGC, information in relation to corporate governance practices is publicly available on the Company's website at https://investors.humm-group.com/Investor-Centre/?page=corporate-governance

The Board has established a framework of processes and guidelines for the Company that includes corporate policies and monitoring procedures; financial and operational business risk management and internal control systems; and standards for ensuring lawful and ethical conduct.

During the Reporting Period, the Company entered into a Share Sale Agreement with Latitude Group Holdings Limited for the sale of the **humm**group consumer finance business. On 17 June 2022 the Company announced that the proposed sale had been terminated by mutual agreement. Following the announcement of the termination, the Company received the resignations of Mr Alistair Muir and Mr John Wylie AC on 22 June 2022, Ms Christine Christian AO (who also stepped down as Chair), Ms Carole Campbell, Mr Rajeev Dhawan on 30 June 2022. All resignations were effective immediately.

As at the date of this Corporate Governance Statement, the Board is majority independent and consists of Mr Andrew Abercrombie (Chair), Ms Teresa Fleming and Mr Stuart Grimshaw. Details of the changes in the Board composition are included in the Annual Report.

This Corporate Governance Statement is current as at 25 August 2022 and has been approved by the Board of the Company.

PRINCIPLE 1 – LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

Recommendation 1.1 – Have and Disclose a Board Charter

Board responsibilities

The Board has overall responsibility for the conduct and governance of the Company, including providing strategic guidance and effective oversight of management. The Board's role and responsibilities are formalised in the Board Charter, which defines the matters reserved for the Board and its Committees and those responsibilities delegated to the Chief Executive Officer ("CEO") and management. A copy of the Board Charter – and all Board Committee Charters – is available on the Company's website at https://investors.humm-group.com/Investor-Centre/?page=corporate-governance

Within the scope of the governance framework established by the Board, management of the business and operations of the Company is delegated to the CEO, subject to the oversight and supervision of the Board.

The Board's responsibilities include:

- overseeing the development of the Company's corporate strategy and reviewing and approving strategic plans and performance objectives developed by management, including monitoring of the implementation of the plans;
- appointing the Chair, CEO, the Chief Financial Officer ("CFO") and the Company Secretary and approving other key executive (direct reports to the CEO) appointments and planning for key executive succession;
- monitoring the performance of the CEO and other senior executives of the Company against strategy;
- reviewing and approving remuneration for the senior executives of the Company;
- monitoring the operational and financial position and performance of the Company;
- requiring that financial and other reporting mechanisms be put in place which result in accurate and timely information being provided to the Board and the Company's shareholders and the financial market as a whole being fully informed of all material developments relating to the Company;
- approving the Company's budgets and business plans and monitoring the management of the Company's capital, including the progress of any major capital expenditures, acquisitions or divestitures;

- ensuring effective communication with shareholders, particularly timely and balanced disclosure of all material information concerning the Company, which would have a material effect on the price and value of the Company's securities, and establishing policies to govern the Company's relationship with other stakeholders;
- utilising procedures to ensure that financial results are appropriately and accurately reported on a timely basis in accordance with all legal and statutory requirements;
- identifying the principal risks faced by the Company and requiring management to establish and implement appropriate internal controls and monitoring systems to manage and reduce the impact of these risks;
- establishing, overseeing and regularly reviewing a system for identifying, assessing, monitoring and managing material financial and non-financial risk throughout the Company, including setting the risk appetite for the Company;
- actively promoting ethical and responsible decision making through **humm**group's Code of Conduct;
- adopting appropriate procedures to ensure compliance with all laws, governmental regulations and accounting standards;
- approving and reviewing, from time to time, the Company's internal compliance procedures, including any codes of conduct and taking all reasonable steps to ensure that the business of the Company is conducted in an open and ethical manner; and
- regularly reviewing and, to the extent necessary, amending the Board Charter.

Board Committees

To facilitate the execution of its responsibilities, during the Reporting Period the Board had in place a number of Committees to oversee and report to the Board on various areas of responsibility.

Following the changes to the Board's composition at the end of the Reporting Period, the Board is reviewing its Committee structure to determine the optimal number and size of its Committees.

All Directors are entitled to receive all Committee papers, are provided with minutes of all Committee meetings, and are entitled to attend any Committee meeting. Each Committee reports to the next Board meeting.

Details of the number of meetings of the Board and of each Committee held during the Reporting Period and of each Director's attendance at those meetings are set out in the Directors' Report in the Annual Report.

Audit Committee

AUDIT COMMITTEE		
Name	**Position**	**Duration**
Carole Campbell	Chair	Whole Reporting Period
Christine Christian	Member	Whole Reporting Period

The Audit Committee's role is to assist the Board in carrying out its accounting, auditing and financial reporting responsibilities, including oversight of:

a) Improving the credibility and objectivity of the accountability process, including financial reporting;
b) The effectiveness of the internal and external audit functions and providing a forum for communication between the Board and the internal and external auditor;
c) Ensuring the independence of the external auditor;
d) Providing a structured reporting line for internal audit and monitoring the objectivity and independence of the internal auditor;
e) Assuring the quality of internal and external reporting of financial and non-financial information; and
f) Ensuring that whistleblower issues are actively followed up.

For the Reporting Period, the Audit Committee was chaired by an independent Non-Executive Director and was comprised of two independent Non-Executive Directors. Given the small size of the Board, it was determined that the Audit Committee would be able to discharge its obligations through the appointment of two experienced and appropriately qualified independent Directors.

Risk and Compliance Committee

RISK AND COMPLIANCE COMMITTEE		
Name	**Position**	**Duration**
Christine Christian	Chair	Whole Reporting Period
Rajeev Dhawan	Member	Whole Reporting Period
Carlos da Silva	Advisory Member	Whole Reporting Period

During the Reporting Period, the role of the Risk and Compliance Committee was to assist the Board in fulfilling its corporate governance and oversight responsibilities in relation to the Group's risk appetite statement, compliance, risk management strategy, risk management framework and risk management function. The Risk and Compliance Committee was chaired by an independent Non-Executive Director and comprised of two independent Non-Executive Directors and an advisory member. Given the small size of the Board, it was determined that the Risk and Compliance Committee would be able to discharge its obligations through the appointment of two experienced independent Directors, including the Chair, supported by an advisory member, who is the independent chair of the Company's New Zealand subsidiary board. The members of the Committee brought significant experience, inquiring minds, and a history of sound and prudent enterprise risk management to the Committee.

People and Remuneration Committee

PEOPLE AND REMUNERATION COMMITTEE		
Name	**Position**	**Duration**
Rajeev Dhawan	Chair	Whole Reporting Period
Carole Campbell	Member	Whole Reporting Period

For the Reporting Period, the People and Remuneration Committee assisted and advised the Board on remuneration policies and practices for the Board, the CEO, the CFO, senior management and other persons whose activities, individually or collectively, affect the financial and reputational soundness of the Company. The policies and practices are designed to:

a) enable the Company to attract, retain and motivate Directors, executives and employees who will create value for shareholders;
b) be fair and appropriate, having regard to the performance of the Company and the relevant Director, executive or employee; and
c) comply with relevant legal requirements.

For the Reporting Period the People and Remuneration Committee was chaired by an independent Non-Executive Director and was comprised of two independent Non-Executive Directors. Given the small size of the Board, it was determined that the People and Remuneration Committee would be able to discharge its obligations through the appointment of two experienced independent Directors.

Nomination Committee

NOMINATION COMMITTEE		
Name	**Position**	**Duration**
Christine Christian	Chair Member	Part Reporting Period Part Reporting Period
Rajeev Dhawan	Member	Whole Reporting Period
Andrew Abercrombie	Member Chair	Part Reporting Period Part Reporting Period

For the Reporting Period, the Nomination Committee was responsible for supporting the Board in determining the size and composition of the Board such that it is conducive to making appropriate decisions in the best interests of the Company. The Nomination Committee was chaired by the Chair of the Board.

The Nomination Committee met during the year to oversee the process of recruiting a new Director. Its other duties were met either by the People and Remuneration Committee or by the Board itself.

Technology Committee

TECHNOLOGY COMMITTEE		
Name	**Position**	**Duration**
Alistair Muir	Chair	Part Reporting Period
Andrew Abercrombie	Member	Whole Reporting Period
Fran Ereira	Advisory Member	Whole Reporting Period
Chris Venter	Advisory Member	Whole Reporting Period

For the Reporting Period, the Technology Committee was responsible for supporting the Board in overseeing the end-to-end digital delivery of **humm**group's products and services. That included overseeing the digital ecosystem and customer experience; providing oversight to **humm**group's IT and data functions, including IT strategy; monitoring the development and implementation of **humm**group's capital works program; and overseeing the mitigation and management of risks associated with those activities.

Management responsibilities

The management of the Company and its businesses and affairs is the responsibility of the CEO and the senior executives, including:

- developing business plans, budgets and strategies for the Board's consideration and, subject to the Board's approval, implementing these plans, budgets and strategies;
- operating the Company within the business parameters set by the Board and, where the proposed transactions, commitments or arrangements exceed those parameters, referring the matter to the Board for consideration and approval;
- identifying and managing operational and other risks where those risks could have a material impact on the Company's business, formulating strategies aligned to the Company's purpose, values, strategy and risk appetite for managing these risks for consideration by the Board and, subject to the Board's approval, implementing these strategies;
- managing the Company's current financial and other reporting mechanisms together with managing day-to-day operations within the budget;
- implementing the Company's internal controls and procedures for monitoring these controls and ensuring that these controls and procedures are appropriate and effective;
- providing the Board with accurate and sufficient information regarding the Company's operations on a timely basis and in particular ensuring that the Board is made aware of all relevant matters relating to the Company's performance (including future performance), financial condition, operating results and prospects and potential material risks so that the Board is in an appropriate position to fulfil its corporate governance responsibilities; and
- implementing all policies, processes and codes of conduct approved by the Board.

Directors' independent advice

Directors are empowered to seek independent professional advice if they feel it is necessary to perform their responsibilities and duties as a Director. The Company will reimburse Directors for all reasonable expenses incurred in obtaining this advice, and, where appropriate, and subject to the relevant privacy and legal privilege, a copy of the advice will be made available to the Board on request.

Recommendation 1.2 – Undertake Checks Before Appointment and Provide Shareholders with Information

The Nomination Committee manages the process for the selection and appointment of new Directors to the Board. The Nomination Committee identifies candidates with appropriate skills, knowledge, experience, independence and expertise and recommends them to the Board. The written letter of appointment for each Director outlines the Company's expectations in relation to the time commitment expected from the Director and includes the Director's confirmation that they will be able to devote sufficient time to appropriately performing their duties and responsibilities.

The Company undertakes appropriate background and screening checks prior to nominating a Director for appointment to fill a casual vacancy or being proposed for election by the shareholders.

The Company also undertakes appropriate background and screening checks prior to nominating a senior executive.

Shareholders are provided with all material information in the Company's possession concerning the Director standing for election or re-election in the explanatory notes accompanying the notice of general meeting, including a statement by the Board as to the independence status of the Director, and whether it supports the election or re-election of the Director and a summary of the reasons why.

Recommendation 1.3 – Have a Written Agreement with Directors and Senior Executives

All Non-Executive Directors, including those appointed by the Board to fill a casual vacancy, are engaged by a written letter of appointment setting out the terms and conditions of their appointment.

Those Directors filling a casual vacancy are required to stand for election by the shareholders at the next Annual General Meeting following their appointment.

Any Executive Director and other senior executives enter into written agreements with the Company setting out the terms of their appointment and employment.

Recommendation 1.4 – Company Secretary is Accountable to the Board

The Company Secretary attends all scheduled meetings of the Board and is accountable to the Board through the Chair. The Company Secretary is responsible for, amongst other things:

- ensuring that the Company complies with its statutory requirements;
- helping to organise and facilitate the induction and professional development of Directors;
- monitoring compliance with Board policy and procedures;
- accurately capturing the Board and Committee business in minutes of the meetings;
- coordinating the timely distribution of papers to the Board and Committees;
- advising the Board and its Committees on governance matters;
- ensuring that the Company complies with its requirements under the Corporations Act and ASX Listing Rules; and
- each director is able to communicate directly with the Company Secretary and any decisions to appoint or remove the Company Secretary are approved by the Board as a whole.

Recommendation 1.5 – Have and Disclose a Diversity Policy

The Company has a Diversity Statement which ensures that there is adequate focus on meeting our diversity agenda and recognising and valuing the contributions of people from different backgrounds and with different perspectives and experiences (which in turn benefits our business as a whole). **humm**group recognises the value of recruiting, developing and retaining employees from a diverse range of backgrounds, genders, knowledge, experience and abilities.

The **humm**group Diversity Statement is included in its Code of Conduct and is available on the Company's website at https://investors.humm-group.com/Investor-Centre/?page=corporate-governance.

The Board believes that diversity – which includes, but is not limited to, gender, ethnicity, cultural background, disability, religion, sexual orientation or age – is a key business priority and aims to support the leadership team in the creation of a workplace where everyone can reach their full potential. There is a strong commitment to providing a working environment based on the principles of equal opportunity and diversity and ensuring that decisions in the workplace are based on merit and business needs.

The Board:

- reviews the Diversity Statement from time to time to ensure consistency with best practice;
- has established measurable objectives with a focus on achieving gender diversity; and
- annually assesses both the measurable objectives for achieving gender diversity and the progress made in achieving them.

Diversity and inclusion at **humm**group

hummgroup encourages diversity and inclusion across our business in a number of ways. Our recruitment, promotion and remuneration decisions are based on performance and capabilities. We also ensure that we have clear, readily available policies underpinning our operating model and business processes, and we actively support programs within our business that support diversity and inclusiveness.

We are proud to support a diverse range of customers. It is important to us that our internal team is reflective of our customer base and that we have an inclusive work environment, which translates into our customer interactions. We believe that a strong and diverse internal workforce can provide a great experience for our customers.

hummgroup is committed not only to the principles of equal opportunity employment, but also to the provision of a work environment that is free from unlawful discrimination, harassment, victimisation and bullying.

Results against Key Metrics for 2022

Two key diversity target areas were set for the Reporting Period:

- Female representation at a Board level; and
- Female representation at an Executive Team level.

FEMALE REPRESENTATION AS AT 30 JUNE 2022	
Measure	Result
Meet or exceed the ASX guideline of 30% Female representation among the Non-Executive Directors	33%
≥ 30% female representation on the Executive team	38%

We take inclusion and diversity into account when making all appointments and promotions. We also work closely with our recruitment agency partners when recruiting for new roles to make them aware of our diversity policies, including our focus on gender diversity, and on providing part time or flexible positions.

hummgroup has a focus on ensuring that there is strong and practical support to encourage gender diversity within the organisation and was once again compliant with the *Workplace Gender Equality Act 2012* during the Reporting Period.

At the end of the Reporting Period, **humm**group had approximately 48% female employees.

Key Metrics for 2023

Female representation at both a Board and Executive team level will carry over as key focus areas into the next reporting period.

The key metrics are outlined below:

MEASURE	OBJECTIVE
Female representation – Board among the Non-Executive Directors	Meet or exceed the ASX guideline of 30%
Female representation on the *Executive team	30% (adopting the same metric as used for Board representation)

* Executive team comprises the CEO and senior management.

Employee engagement and training

Initiatives aimed at improving the level of engagement of our employees across all ages, genders and backgrounds have continued during the Reporting Period. In addition to the development initiatives which form part of our regular talent and succession planning processes across all levels of the organisation, we have placed a strong emphasis on building a strong employee community as well as encouraging contributions to our broader external community.

Learning and development are integral parts of our engagement initiatives and the Company provides all employees with a range of opportunities to improve their skills, capability and knowledge via courses created and designed by our Learning and Development team or specialised external facilitators. Categories covered include leadership training (including the Coaches as Leaders program), product and system training, as well as compliance and induction.

Recommendation 1.6 – Periodically Evaluate Board, Committee and Director Performance

The Company recognises the importance of regular reviews of its effectiveness and performance.

The People and Remuneration Committee is responsible for determining the process for evaluating the performance of the Board, its Committees and individual Directors against both measurable and qualitative indicators. During the Reporting Period, and given the significant changes in the Board and Committee composition, it was determined to not conduct the evaluation process for the Board and Committees for this Reporting Period.

Recommendation 1.7 – Annually Evaluate Senior Executive Performance

The Company has a process for periodically evaluating the performance of the CEO and other senior Executives.

The Board, in conjunction with the People and Remuneration Committee, is responsible for approving performance objectives for the CEO and other senior executives and evaluating the performance of each senior executive against these objectives. The objectives are set for each senior executive at the beginning of each financial year and reflect specific financial and non-financial metrics which are aligned to the Company's strategy and values.

The performance of each senior executive in respect of a financial year is generally measured against those metrics.

During the Reporting Period, the Board determined to change the performance objectives for the senior executive team to reflect the circumstances attached to the proposed sale of the **humm**group consumer finance business. A performance evaluation of senior executives against the new objectives was undertaken for the Reporting Period.

Remuneration is reviewed annually by the People and Remuneration Committee in line with the financial year and is dependent on each senior executive's performance against their objectives. Any increases to executive remuneration are approved by the Board and effective from 1 July, following the annual performance review.

There is further detail in the Annual Report on the performance objectives and the performance of each of the Executive Key Management Personnel ("Executive KMP"), who were, at 30 June 2022, the Group CEO and the CFO.

PRINCIPLE 2 – STRUCTURE THE BOARD TO BE EFFECTIVE AND ADD VALUE

Recommendation 2.1 – Have a Nomination Committee and Disclose its Charter

The Board has a Nomination Committee, which has adopted a Nomination Committee Charter disclosed on the Company's website at https://investors.humm-group.com/Investor-Centre/?page=corporate-governance. The Committee is established in accordance with the Company's constitution and authorised by the Board to assist it in fulfilling its statutory, fiduciary and regulatory responsibilities. It has the authority and power to exercise the role and responsibilities set out in its charter and under any separate resolutions of the Board.

The Nomination Committee will meet as required to assist and advise the Board on:

- Director selection and appointment practices;
- Board composition;
- establishing and maintaining a diversity policy to outline the Company's commitment to diversity and inclusion in the workplace;
- developing and reviewing induction procedures for new appointees to the Board;
- succession planning for the Board and senior management; and
- ensuring the Board is of a size and composition conducive to making appropriate decisions, with the benefit of a variety of perspectives and skills, and in the best interests of the Company as a whole.

The Nomination Committee met during the Reporting Period as part of the recruitment of a new Director.

Recommendation 2.2 – Have and Disclose a Board Skills Matrix

Board skills matrix benchmarking table

For the Reporting Period, the Board retained the skills matrix below.

The Board determined that the Directors collectively had the range of skills, knowledge and experience necessary to meet the Board's responsibilities and objectives and direct the Company. The Non-Executive Directors contributed operational knowledge, an understanding of the industry in which the Company operates, knowledge of financial markets, and an understanding of health, safety, sustainability and stakeholder matters that are important to the Company. The next review of the skills matrix is planned to be conducted in the financial year ending 30 June 2023.

Skills matrix

SKILL SET
Management and Leadership
International Business
Legal
Audit and Finance
Mergers and Acquisitions
Industry Experience
Risk Management
Marketing, Communications and Business Development
Technology
Listed Entity

Recommendation 2.3 – Disclose Independence of Directors

As at the date of this Corporate Governance Statement, all the Directors are Non-Executive Directors, with the Board determining that each of the Non-Executive Directors (other than Mr Abercrombie) is independent.

The Board's on-going assessment of a Non-Executive Director's independence is based on whether the Director is free of any material relationship (other than as a consequence of being a Director) that could be reasonably considered to interfere with the exercise of their independent judgement and conflict with the interests of the Company.

A "material relationship" includes a direct or indirect relationship that could reasonably be considered to influence, in a material way, a Director's decision in relation to the Company. When considering whether a relationship is "material", the Board will consider the materiality to each of the Company, the Director and the person or organisation with which the Director is related (for example, as a customer or supplier). The Board has not set quantitative materiality thresholds to be used in assessing whether a relationship is a "material relationship" and it considers all relationships on a case-by-case basis.

The Board regularly reviews the independence of each Director. The Board has determined that, other than Mr Abercrombie, all Directors are independent based on the factors outlined above. Any Director who considers that he or she has, or may have, a conflict of interest or a material personal interest in any matter concerning the Company is required to give the Directors immediate notice of the interest.

Details of each person who acted as Director during the Reporting Period, including length of service, skills, experience, relevant qualifications and expertise, are set out in the Annual Report.

Recommendation 2.4 – Have a Majority of Independent Directors

During the Reporting Period, the Board was composed of a majority of independent Non-Executive Directors.

Recommendation 2.5 – Board Chair Should be Independent

During the Reporting Period, the Company changed Chairs from Mr Abercrombie to Ms Christine Christian, who was an independent Non-Executive Director.

Mr Abercrombie held the role of Chair for the period to Ms Christian's appointment and has resumed the role following her resignation from the Board. The Board believes Mr Abercrombie's lengthy experience with, and knowledge of, the Company, including his role as a founding director, is of significant benefit to the Company, and supports his ongoing role as Chair, notwithstanding that he is not an independent director.

Recommendation 2.6 – Have a Director Induction Program, and Review Director Professional Development

Induction is provided to all new Directors, which includes formal discussions with each of the CEO, Chair, and senior executives. The induction materials include information about the Company's strategy, culture, values, key policies, the Company's financial, operational and risk management position, the Company's constitution, the rights and responsibilities of Directors, and the role of the Board and its Committees.

All Directors are expected to maintain the skills required to discharge their obligations. The Company provides professional development opportunities for Directors to develop and maintain their skills and knowledge.

PRINCIPLE 3 – INSTIL A CULTURE OF ACTING LAWFULLY, ETHICALLY AND RESPONSIBLY

Recommendation 3.1 – Articulate and Disclose the Values

hummgroup has five clearly articulated values which are embedded into its systems and policies, including the Code of Conduct. Every day, our people (our "**humm**bassadors") are recognised internally by their peers and leaders and rewarded for how they have demonstrated one or more of the values.

At **humm**group we articulate our values through "how we humm" – Feel their world, Famous for delivery, Focus on impact, Feed your mind, and #FTB.

Recommendation 3.2 – Have and Disclose a Code of Conduct

Code of Conduct

The Company has a formal Code of Conduct to which all Directors, Officers, Executives and employees of the Company and its subsidiaries are required to adhere, together with a comprehensive range of corporate policies (which are reviewed periodically) which details the framework for acceptable corporate behaviour. The Code of Conduct also applies to **humm**group's contractors, consultants and associates. Together, the Code of Conduct and supporting policies set out the expectations in relation to a range of areas, including share trading, employment practices and regulatory compliance.

The Code of Conduct outlines the rules of behaviour **humm**group has established for employees and is recognised as one of the Company's most important documents because how things are done is just as important as what is done.

hummgroup's Code of Conduct includes the behaviours that **humm**group considers to be non-negotiable, which come back to two simple concepts:

- We're respectful – yes, we're all different, but that's what makes us stronger. We want people to think and look and act differently. We want people to fight the bureaucracy, but we always do that respectfully – whether it's in our conversations or emails, our personal presentation, or our behaviour;
- We behave ethically – but we don't do it because we have to, we do it because we want to. We act in line with community standards and expectations – whether that's towards our customers (our buyers and our sellers) or our colleagues.

A copy of the Code of Conduct, which also contains the **humm**group Diversity Statement, is available on the Company's website at https://investors.humm-group.com/Investor-Centre/?page=corporate-governance.

Any material breaches of the Code of Conduct are considered serious and will be reported to the Board following an appropriate investigation.

Recommendation 3.3 – Have and Disclose a Whistleblower Policy

hummgroup believes in and is committed to having a corporate culture where ethical behaviour is promoted and recognised, and employees and contractors are encouraged to report unethical, unlawful or undesirable conduct without fear of disadvantage, intimidation, reprisals or retaliatory action. This applies even if the report is subsequently determined to be incorrect or is not substantiated (as long as the report is made honestly).

At **humm**group, we want to provide our people with a safe environment where we all feel comfortable about raising concerns about actual, suspected or anticipated wrongdoing within **humm**group, and therefore, we have in place a Whistleblower Protection Policy, which can be found on the Company's website: https://investors.humm-group.com/Investor-Centre/?page=corporate-governance

The Board receives updates on any material matters reported under the policy.

Recommendation 3.4 – Have and Disclose an Anti-bribery and Corruption Policy

hummgroup recognises the importance of having oversight of risks associated with conflicts of interest and, at the extreme, issues associated with bribery and corruption, as each may be indicative of issues associated with the Company's culture. The Board will continue to have oversight of this area directly or through one of its Committees and will receive reports of any material incidents of bribery or corruption, and consequent actions taken.

A copy of the Company's Anti-Bribery and Corruption Policy is available on the Company's website at https://investors.humm-group.com/Investor-Centre/?page=corporate-governance

Policy on trading in Company's Securities

Director and employee share trading is subject to the Company's Securities Trading Policy, which restricts the times when a Director or employee can purchase or sell Company securities. Directors and employees (and their immediate family members and closely connected persons and entities) are only permitted to acquire and sell the Company's shares when they are not in possession of price sensitive information that is not generally available to the market.

During the Reporting Period, the Securities Trading Policy was reviewed and updated to introduce trading windows and new pre-trade notification obligations. The policy retains the prohibition on employees, who include KMP, from dealing in **humm**group shares from the close of market trading of the half year-end and full year-end periods until midday of the day after the Company's results announcement is released to the market following its lodgement with ASX (unless certain exceptional circumstances exist and appropriate approval has been received).

A copy of the Company's Securities Trading Policy is available on the Company's website at https://investors.humm-group.com/Investor-Centre/?page=corporate-governance.

PRINCIPLE 4 – SAFEGUARD THE INTEGRITY OF CORPORATE REPORTS

Recommendation 4.1 – Have an Audit Committee and Disclose its Charter

Audit Committee

During the Reporting Period, the Audit Committee was comprised of two independent Non-Executive Directors and was chaired by an independent Non-Executive Director, who was not the Chair of the Board. Given the small size of the Board, it was determined that the Audit Committee would be able to discharge its obligations through the appointment of two experienced and appropriately qualified independent Directors.

The qualifications and experience of the members of the Audit Committee are set out in the Annual Report along with the number of times the Audit Committee met throughout the Reporting Period and the attendance of its members. The Audit Committee Charter is disclosed on the Company's website at https://investors.humm-group.com/Investor-Centre/?page=corporate-governance.

The Audit Committee provides advice and assistance to the Board in fulfilling the Board's responsibilities relating to the Group's financial risk management and compliance systems and practices, financial statements, financial and market reporting processes, internal accounting and control systems, external audit and such other matters as the Board may request from time to time. In addition, the Committee is responsible for assessing significant estimates and the judgments made during the Reporting Period to ensure the integrity of the Company's external financial reporting and financial statements, as well as ensuring whistleblower issues are actively followed up.

The Audit Committee's processes are designed to establish a proactive framework and dialogue in which the Committee, management and external auditors review and assess the quality of earnings, liquidity and the strength of the income statements and balance sheets, and transparency and accuracy of reporting. In fulfilling its responsibilities, the Audit Committee reviews the processes the CEO and CFO have in place to support their declarations to the Board.

Recommendation 4.2 – Board to Receive a Declaration from the CEO and CFO in Advance of Approving the Financial Statements

Declarations

In accordance with section 295A of the Corporations Act, for the Reporting Period, the executives primarily and directly responsible to the Directors for the general and overall management of the Company have declared to the Board that:

- the financial records of the Company have been properly maintained in accordance with section 286 of the Corporations Act;
- the financial statements and the notes to the financial statements comply with the Australian Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- the financial statements and the notes to the financial statements give a true and fair view of the financial position and performance of the Company and consolidated entity.

In addition, the CEO and CFO have stated to the Board in writing that:

- the Company's financial report is founded on sound systems of risk management and internal compliance and control which implement the policies adopted by the Board; and

- the Company's risk management and internal compliance and control system is operating effectively in all material respects.

The Company has the following guiding principles to ensure the independence of the external auditor:

1. the Audit Committee will review and assess the independence of the external auditor, including but not limited to any relationships with the Company or any other entity that may impair the external auditor's judgement or independence in respect of the Company;
2. the Audit Committee will request an annual confirmation of independence from the external auditor, and will track during each year the amount of non-audit work being undertaken by the external auditor;
3. the amount of non-audit work performed by the external auditor will be minimised, with approval from the Audit Committee (or the Committee Chair in certain specific circumstances) being required before any work is undertaken by the external auditor; and
4. the Audit Committee will require the rotation of the audit signing partner and the independent review partner every five years. The Company's external auditor, Ernst and Young (EY) has provided the Audit Committee with a confirmation of its independence for the Reporting Period. The Board has determined that it is satisfied as to the independence of the external auditor in relation to the Reporting Period and the audit of the Financial Report for the Reporting Period.

Recommendation 4.3 – Disclose the Process to Verify Unaudited Periodic Reporting

All periodic corporate reports for **humm**group that are not otherwise subject to audit or review by an external auditor are reviewed in accordance with an internal verification procedure to ensure the integrity and accuracy of the information included in those reports. This verification procedure involves a systematic checking and signing off procedure. Where possible, each statement or number is linked back to an independent external or internal source document.

PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE

Recommendation 5.1 – Have and Disclose a Continuous Disclosure Policy

The Board recognises the importance of keeping the market fully informed of the Company's activities and of communicating openly and clearly with all stakeholders.

The Company has a Disclosure and Communication Policy to ensure compliance with the continuous disclosure requirements in the ASX Listing Rules and the Corporations Act. Specifically, the Disclosure and Communication Policy outlines the corporate governance measures adopted by the Company to further its commitments and provides detailed information regarding **humm**group's:

- Continuous disclosure obligations;
- Disclosure roles, responsibilities and internal procedures;
- Disclosure matters generally;
- Market communications; and
- Shareholder communications.

The Company has established a Disclosure Committee which manages the Company's compliance with its disclosure obligations and the Disclosure and Communication Policy. The Disclosure Committee is made up of the Company Secretary, CEO and CFO. The Company's Disclosure and Communication Policy is available on the Company's website at https://investors.humm-group.com/Investor-Centre/?page=corporate-governance

Information considered to require disclosure is announced immediately through the ASX. Key presentations given by Company personnel to investors and institutions are also lodged first with the ASX. Following the lodgement of an announcement with ASX, key communications are placed on the Company's website. General and historical information about the Company and its operations is also available on the Company's website.

Recommendation 5.2 – Promptly Provide the Board with all Material Market Announcements

The Directors of the Board are subscribed to a service which alerts them to the publication of all of the Company's market announcements, including material announcements. In addition, the Board receives notice of all market announcements at the next Board meeting following the announcement.

Recommendation 5.3 – Release a Copy of Investor or Analyst Presentations to the Market

hummgroup believes in keeping its security holders appropriately and equally informed and has a process in place to first submit to the ASX Market Announcements Platform any new and substantive investor or analyst presentations before they are given to the investors or analysts.

In addition, a webcast from management is arranged for the full year and half year results announcements, at which the CEO will give a presentation, which has first been submitted to the ASX Market Announcements Platform and provide investors and analysts with the opportunity to submit questions on that presentation.

PRINCIPLE 6 – RESPECT THE RIGHTS OF SECURITY HOLDERS

Recommendation 6.1 – Provide Company and Governance Information on the Website

It is the Board's aim that the Company maintains effective communications with its shareholders and keeps them fully informed of significant developments and activities of the Company, as well as provides them with the facilities to allow them to effectively exercise their rights as security holders.

This commitment is achieved by:

- complying with the ASX Listing Rules and the Corporations Act continuous disclosure and reporting requirements;
- distribution of the Annual Report to shareholders who notify the Company that they do wish to receive it, as well as publishing Annual Reports and financial statements on the Company's website at https://investors.humm-group.com/Investor-Centre/?page=annual-reports;
- holding an accessible and informative AGM. The Board requires the external auditor to attend the AGM and be available to answer shareholder questions relating to the audit of the Company's financial statements, the preparation and content of the auditor's report, the accounting policies adopted by the Company, and auditor independence;
- regularly updating the Company's website (https://investors.humm-group.com/investor-centre) to include annual and interim reports, market announcements and presentations as well as financial and shareholder information to ensure transparency and a high level of communication of the Company's operations and financial situation, to the extent that this information is not commercially sensitive or confidential; and
- responding to questions and comments at the AGM submitted by shareholders to the Company at, and in advance of, the AGM.

hummgroup encourages direct contact from shareholders. Contact details of our Investor Relations team are provided in all ASX announcements. Contact details, including phone number, website and email of the Company's share registry, Link Market Services, are provided on the Company's website at https://investors.humm-group.com/Investor-Centre/?page=my-shareholding.

Recommendation 6.2 – Have an Investor Relations Program to Facilitate Two-way Communication with Investors

hummgroup is committed to providing its shareholders with the appropriate information and facilities to allow them to exercise their rights as shareholders effectively. **humm**group's Disclosure and Communication Policy, available on its investor website, provides the framework for how the Company meets its commitment to deliver timely disclosures and clear communications, underpinned by strong governance to promote investor confidence.

In addition, the Company has in place resources to support its investor relations program, which consists of a number of regular communications channels for all current and prospective shareholders, in addition to ad hoc engagements with institutional investors and investment analysts. Channels are in place to ensure retail investors are also able to engage with the Company through the investor relations team.

Recommendation 6.3 – Disclose How Security Holder Participation at Meetings is Encouraged

Allowing the opportunity for security holders to engage with the Company and Board at general meetings is a key element of the agenda for each meeting, with the Company providing security holders with the opportunity to submit questions in advance of, or at, the meeting, to be addressed at the meeting.

hummgroup has rotated the location of its general meeting between Sydney and Melbourne over recent years, except for 2021, where the Annual General Meeting was held virtually in response to the COVID-19 global pandemic and government restrictions and continues to investigate other ways of conducting its meetings to facilitate interaction with its security holders.

Recommendation 6.4 – Substantive Security Holder Resolutions to be Determined by Poll

hummgroup conducts, and will continue to conduct, its security holder resolutions by poll.

Recommendation 6.5 – Provide Option to Security Holders to Receive Electronic Communications

hummgroup supports and encourages its security holders to receive communications from **humm**group and its registry by electronic means. Security holders are also encouraged to use electronic means to contact the Company and our investor relations team.

PRINCIPLE 7 – RECOGNISE AND MANAGE RISK

Risk management

The Board recognises that risk management and internal controls are fundamental to sound management and that oversight of such matters is a key responsibility of the Board. The Company has a risk management policy framework and governance structure designed to ensure that the risks of conducting business are properly managed. Management is responsible to the Board for identifying, managing, reporting upon and implementing measures to address risk.

Recommendation 7.1 – Have a Risk Committee and Disclose its Charter

The Board oversees and reviews the effectiveness of risk management at all levels across the Company and, during the Reporting Period, was assisted and advised in this role by the Risk and Compliance Committee.

Risk and Compliance Committee

For the Reporting Period, the Risk and Compliance Committee was chaired by an independent Non- Executive Director, and comprised two independent Non-Executive Directors, and an advisory member. Given the small size of the Board, it was determined that the Risk and Compliance Committee would be able to discharge its obligations through the appointment of two experienced independent Directors supported by an advisory member, being the independent chair of the Company's New Zealand subsidiary board. The members of the Committee brought significant experience, inquiring minds, and a history of sound and prudent enterprise risk management.

The qualifications and experience of the Directors on the Risk and Compliance Committee are set out in the Annual Report along with the number of times the Risk and Compliance Committee met throughout the Reporting Period and the attendance rates of its members. The Risk and Compliance Committee Charter, which sets out the role and responsibilities of the Committee, is disclosed on the Company's website at https://investors.humm-group.com/Investor-Centre/?page=corporate-governance

While ultimate responsibility for risk oversight and risk management rests with the Board, the Risk and Compliance Committee provides advice and assistance to the Board to fulfil its corporate governance and oversight responsibilities in relation to how risk is identified, assessed and managed across the Group, including in accordance with the Board approved Risk Appetite Statement. In addition, the Committee was responsible for assessing significant risks and compliance with internal and external requirements during the Reporting Period.

The Company has identified key financial and non-financial risks within the business, as outlined in the Risk Appetite Statement. In the ordinary course of business, management monitors and manages these risks, providing regular reporting on key metrics, including the Company's risk appetite. Performance in each risk class is presented to and reviewed by the Committee, with clear escalation procedures in place where the Company's risk profile sits outside appetite.

Recommendation 7.2 – Annually Review the Risk Management Framework

The Board delegates the review of the Company's risk management framework to the Risk and Compliance Committee. The Committee structures its meetings to ensure all elements of the Group risk management framework and risk management operations are considered and addressed over the course of the year. This includes identifying where material risks sit across the organisation, where investment has been made in improving risk management capability and processes, and where further enhancements can be made.

Enhancements to the reporting on the different risk classes continue to be undertaken.

Recommendation 7.3 – Make Disclosures Regarding the Internal Audit Function

hummgroup engages Grant Thornton, an independent external provider, to provide the formal internal audit function. The internal auditor reports to the Audit Committee, which is also responsible for assessing the internal auditor's performance.

An annual plan of review and advisory activity to be conducted by the internal auditor is developed with management and approved by the Audit Committee, with regular reporting provided to the Committee. In camera sessions with the Audit Committee and internal auditor, excluding management, are conducted at least annually.

Recommendation 7.4 – Disclose if the Company has any Material Environmental or Social Risks, and their Mitigants

hummgroup is dedicated to effectively managing all material risks faced by the Company, including its exposure to economic, environmental, climate change, or social sustainability risks.

PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBLY

During the Reporting Period, the Board had a People and Remuneration Committee, whose Charter is available on the Company's website at https://investors.humm-group.com/Investor-Centre/?page=corporate-governance

Recommendation 8.1 – Have a Remuneration Committee and Disclose its Charter

The Company's People and Remuneration Committee was comprised of two members, with both members being independent Non-Executive Directors. Taking into account the size of the Board, the Board determined that the members had the appropriate expertise in remuneration related matters to act effectively as the Committee.

Details of the number of meetings of the People and Remuneration Committee held during the Reporting Period and of each member's attendance at those meetings are set out in the Annual Report.

The People and Remuneration Committee has responsibility for the performance appraisal process and remuneration policies for the Company's management, with a process in place for Director remuneration to be reviewed from time-to-time.

The CEO's performance evaluation of key executives is periodically reviewed by the People and Remuneration Committee. The CEO's performance evaluation is undertaken by the Board.

The People and Remuneration Committee assisted and advised the Board on remuneration policies and practices for the Board, the CEO, senior management and other persons whose activities, individually or collectively, affect the financial soundness of the Company.

The People and Remuneration Committee's responsibilities include developing, reviewing and making recommendations to the Board on:

- the ongoing appropriateness and relevance of the remuneration framework for the Chair and the Non-Executive Directors (including the process by which any shareholder approved pool of Directors' fees is allocated to Directors);
- the Company's policy on remuneration for the CEO and senior management, any changes to the policy and the implementation of the policy (including any shareholder approvals required);
- the total remuneration packages for the CEO and senior management (including base pay, incentive payments, equity-based awards, superannuation and other retirement rights, employment contracts), any changes to remuneration packages and recommending proposed award after performance evaluation procedures;
- the Company's recruitment, retention and termination policies for the CEO and senior management and any changes to those policies;
- incentive schemes, if appropriate, for the CEO and senior management to encourage them to pursue the growth and success of the entity without rewarding conduct that is contrary to the entity's values or risk appetite;

- equity based plans, if appropriate, for the CEO, senior management and other employees;
- superannuation arrangements for Directors and management;
- monitoring and providing input to the Board regarding:
- legislative, regulatory or market developments likely to have a significant impact on the Company and legislative compliance in employment issues;
- the remuneration trends across the Company; and
- major changes to employee benefits structures in the Company.

Recommendation 8.2 – Disclose Policies and Practices for Non-Executive Directors, Executive Directors, and for Executive Management

Remuneration Report

In accordance with section 300A of the Corporations Act, disclosures in relation to Director and executive remuneration are included in a separate component of the Directors' Report in the Annual Report, entitled Remuneration Report. The Remuneration Report contains details of the Company's remuneration philosophy and structure, including fixed and variable remuneration.

Board remuneration

Remuneration of the Non-Executive Directors is fixed and designed to ensure that Board membership of an appropriate mix and calibre is maintained and aligned with remuneration trends in the marketplace. Remuneration levels and trends are reviewed with the assistance of independent external remuneration consultants when appropriate.

CEO and Executive remuneration

The underlying principles of risk and reward for performance are set out in the Remuneration Report. These principles recognise the different levels of contribution of management to the short-term and long-term success of the Company. A key element is the principle of reward for performance that is dependent upon both personal and Company performance. Every employee undergoes a formal performance appraisal each financial year, which is used, in part, to determine that employee's remuneration in the financial year ahead.

The CEO's performance is continuously monitored and annually assessed. The assessment is used to determine, in part, the level of "at risk" remuneration paid to the CEO.

Recommendation 8.3 – Have and Disclose a Policy on Limiting Economic Risk of Participating in Equity Based Remuneration Programs

As set out above, the Company offers equity-based plans, if appropriate, for the CEO, senior management and other employees. The Company's Securities Trading Policy prohibits participants in equity-based plans from entering into transactions which limit the economic risk of participating in the equity-based plan whilst the relevant interests granted pursuant to an equity-based plan remain unvested. The Company's Securities Trading Policy is disclosed on the Company's website at https://investors.humm-group.com/Investor-Centre/?page=corporate-governance

DIRECTORS' REPORT

We, the Directors, are pleased to present this report for the year ended 30 June 2022.

ABOUT HUMMGROUP

hummgroup is a diversified financial services group providing, both directly and through an extensive network of retailers and brokers, a product suite of BNPL, credit cards, and business financing products which has been designed around the core needs of today's shoppers, retailers, and SMEs.

humm group limited (ASX: HUM) ("Company", and with its other group and consolidated entities "**humm**group" or "Group") offers our financial solutions across a broad range of industries to over 2.7 million customers, and during the year operated, and continues to operate in Australia, New Zealand, Ireland and the UK. From December 2021 **humm**group also commenced operations in Canada.

The Group's principal activities continue to be in:

- BNPL products.
- Consumer revolving finance and cards.
- Commercial Leasing and SME financing services.

DIRECTORS

Set out below are the details of those persons who were Directors of humm group limited during the year and as at the date of this report, unless specified otherwise.

>> **Andrew Abercrombie**
LLB, BEc, MBA
Chair (1 July – 20 December 2021, from 30 June 2022)
Chair Nomination Committee, Member Technology Committee

>> **Teresa Fleming**
BA, AITI
Independent, Non-Executive
(Appointed 30 June 2022)

>> **Stuart Grimshaw**
BComm, MBA
Independent, Non-Executive
(Appointed 30 June 2022)

>> **Christine Christian AO**
BA, GAICD
Chair (20 December 2021 – 30 June 2022)
Chair Risk and Compliance Committee, Member Audit Committee, Member Nomination Committee
(Resigned 30 June 2022)

>> **Rajeev Dhawan**
BComm, MBA
Independent, Non-Executive
Chair People and Remuneration Committee, Member Risk and Compliance Committee, Member Nomination Committee (Resigned 30 June 2022)

>> **Carole Campbell**
BEc, GAICD, FCA
Independent, Non-Executive
Chair Audit Committee, Member People and Remuneration Committee (Resigned 30 June 2022)

>> **John Wylie AC**
BComm, MPhil
Non-Executive
(Resigned 22 June 2022)

>> **Alistair Muir**
BSc (First Class Hons) (Comp Sci), Executive MBA (ongoing)
Independent, Non-Executive
Chair Technology Committee (Resigned 22 June 2022)

COMPANY SECRETARIES

>> **Christina Seppelt**
BEcon, LLB, MLM
(Appointed 27 May 2022)

>> **Isobel Rogerson**
LLB, Bec, GAICD, FGIA
(Resigned 23 August 2022)

>> **Belinda Hannover**
GIA (Affiliate)
(Appointed 28 July 2021, Resigned 27 May 2022)

>> **Company Matters Pty Limited**
Provided governance advisory services during the year.

MEETINGS OF DIRECTORS

	Board		Audit Committee		Nomination Committee		People and Remuneration Committee		Risk and Compliance Committee		Technology Committee	
	A	B	A	B	A	B	A	B	A	B	A	B
Andrew Abercrombie	27	25	+	+	1	1	+	+	+	+	8	8
Christine Christian AO (resigned 30/06/22)	27	27	7	6	1	1	+	+	7	7	+	+
Rajeev Dhawan (resigned 30/06/22)	27	26	+	+	1	1	6	6	7	6	+	+
Carole Campbell (resigned 30/06/22)	27	27	7	7	+	+	6	6	+	+	+	+
John Wylie AC (resigned 22/06/22)	27	27	+	+	+	+	+	+	+	+	+	+
Alistair Muir (resigned 22/06/22)	27	25	+	+	+	+	+	+	+	+	8	8
Teresa Fleming (appointed 30/06/22)	0	0	+	+	+	+	+	+	+	+	+	+
Stuart Grimshaw (appointed 30/06/22)	0	0	+	+	+	+	+	+	+	+	+	+

A = Number of meetings held during the time the Director held office or was a member of the committee during the Reporting Period.
B = Number of meetings attended.
\+ = Not a member of the committee.

REVIEW OF OPERATIONS

We have provided on pages 11-23 above, Review of Operations, an update on the key performance measures and financial position of the Group for the year ended 30 June 2022, including an update on the **humm**group strategy, and summary of the key risks and challenges facing the Group.

REMUNERATION REPORT

We have presented in the Remuneration Report (pages 24-49 above) information on **humm**group's remuneration policies and practises insofar as they relate to our key management personnel ("KMP"), including in respect of the relationship between remuneration and the Company's performance.

DECLARATION OF INTERESTS

Other than as disclosed in the financial statements, no Director of the Company has received or become entitled to receive a benefit other than remuneration by reason of a contract made by the Company or a related corporation with a Director or with a firm of which he or she is a member, or with a company in which he or she has a substantial financial interest.

DIVIDENDS AND OPTIONS

During the year the Company declared a dividend of 1.7 cents per share in respect of the half year ended 31 December 2021. On 25 August 2022 a final dividend of 1.4 cents per share was declared for the full year ended 30 June 2022.

ENVIRONMENTAL REGULATION

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

PROCEEDINGS ON BEHALF OF COMPANY

No person has applied to the court under section 237 of the Corporations Act for leave of the court to bring proceedings on behalf of the Company, or intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings. The Company was not a party to any such proceedings during the year.

No proceedings have been brought or intervened in on behalf of the Company with leave of the court under section 237 of the Corporations Act.

AUDITOR

On 31 December 2021, Ernst & Young were appointed to act as the Company's auditor in accordance with section 327 of the Corporations Act. The appointment is subject to approval by shareholders at the 2022 Annual General Meeting.

INDEMNITY OF AUDITORS

hummgroup has agreed to indemnify our auditors, Ernst & Young, to the extent permitted by law against any claim by a third party arising from the Company's breach of their agreement. The indemnity stipulates that **humm**group will meet the full amount of any such liabilities including a reasonable amount of legal costs.

NON-AUDIT SERVICES

hummgroup may sometimes decide to employ the auditor on assignments additional to its statutory audit duties where the auditor's expertise and experience with the Company and/or the Group are important.

Details of the amounts paid to the auditor for audit and non-audit related services provided during the year are set out in note 32 of the financial statements.

INSURANCE

During the year ended 30 June 2022 **humm**group paid insurance premiums in respect of a contract for Directors' and Officers' Liability insurance. The policy prohibits **humm**group from disclosing the total amount of the premium and the nature of the liabilities covered by the insurance.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration, as required by section 307C of the Corporations Act, is set out below on page 69.

ROUNDING OF AMOUNTS

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

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Other than the matters discussed in note 36, there are no other matters or circumstances that have arisen since 30 June 2022 which have significantly affected, or may significantly affect:

a. The Company's operations in future financial years;

b. The results of those operations in future financial years; or

c. The Company's state of affairs in future financial years.

This Report is made in accordance with a resolution of the Directors.

Andrew Abercrombie
Chairman
Sydney

26 September 2022

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

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

Building a better working world

Auditor's independence declaration to the directors of humm group limited

As lead auditor for the audit of the financial report of humm group limited for the financial year ended 30 June 2022, I declare to the best of my knowledge and belief, there have been:

a. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit;

b. No contraventions of any applicable code of professional conduct in relation to the audit; and

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

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

Ernst & Young

Ernst & Young

Kieren Cummings
Partner
Sydney

26 September 2022

A member firm of Ernst & Young Global Limited
Liability limited by a scheme approved under Professional Standards Legislation

ANNUAL FINANCIAL STATEMENTS 2022

hummgroup and its Controlled Entities
Annual Financial Statements – 30 June 2022

ABN 75 122 574 583

These financial statements are the consolidated financial statements for the Group consisting of humm group limited ("the Company") and its subsidiaries and controlled entities (collectively "**humm**group" or the "Group"). A list of subsidiaries and controlled entities is included in note 29. The financial statements are presented in Australian dollars.

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

Level 1, 121 Harrington Street, Sydney NSW 2000

A description of the nature of the consolidated entity's operations and its principal activities is included in the Review of Operations on page 11, which is not part of these financial statements.

The financial statements were authorised for issue by the Directors on 26 September 2022. The Directors have the power to amend and reissue the financial statements.

Through the use of the internet, we have ensured that our corporate reporting is timely, complete, and available globally at a minimum cost to the Company. All press releases, financial statements and other information are available at our Investor Centre on our website: https://investors.humm-group.com/Investor-Centre/

CONTENTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2022

A$m	Notes	2022	2021
Interest income	4	341.2	340.6
Fee and other income	5	99.2	103.3
Gross income		**440.4**	**443.9**
Cost of origination		(27.6)	(26.8)
Interest expense		(84.1)	(74.2)
Net operating income		**328.7**	**342.9**
Credit impairment charge	24(c)	(63.4)	(58.7)
Employment expenses		(91.6)	(81.1)
Marketing expenses		(23.9)	(30.0)
Operating and other expenses	6(a)	(88.9)	(65.4)
Depreciation and amortisation expenses	6(b)	(37.2)	(25.8)
Impairment of goodwill and other intangible assets	6(c)	(207.5)	-
(Loss)/profit before income tax		**(183.8)**	**81.9**
Income tax benefit/(expense)	7(a)	13.5	(21.8)
(Loss)/profit for the year attributable to shareholders of humm group limited		**(170.3)**	**60.1**
Other comprehensive income			
Items that may be reclassified to profit and loss:			
Exchange differences on translation of foreign operations		(6.6)	(2.5)
Changes in the fair value of cash flow hedges, net of tax		59.8	13.7
Items that will not be reclassified to profit and loss:			
Changes in fair value of equity investments at fair value through other comprehensive income		(0.8)	(1.4)
Other comprehensive income for the year, net of tax		**52.4**	**9.8**
Total comprehensive (expense)/income for the year attributable to shareholders of humm group limited		**(117.9)**	**69.9**
Earnings per share for (loss)/profit attributable to the ordinary equity holders of the Company:		**Cents**	**Cents**
Basic earnings per share	20(a)	(35.2)	12.0
Diluted earnings per share	20(a)	(35.2)	12.0

The above Consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

A$m	Notes	30 June 2022	30 June 2021 Restated*
Assets			
Cash and cash equivalents	21	281.0	218.2
Receivables	8	219.8	226.2
Customer loans	8	1,729.6	1,783.1
Chattel loans	8	1,277.9	643.8
Inventories	9	2.1	1.0
Current tax receivable		5.4	–
Assets classified as held for sale	10	–	8.5
Equity investment	11	0.3	1.1
Plant and equipment	12	3.9	5.2
Right-of-use assets	12	12.8	15.9
Goodwill and other intangible assets	13	130.2	350.1
Derivative financial instruments	23	66.0	0.6
Deferred tax asset	7(e)	37.7	46.3
Total assets		**3,766.7**	**3,300.0**
Liabilities			
Trade and other payables	14	51.8	56.2
Contract liabilities		11.5	7.8
Lease liabilities	12	16.0	18.6
Borrowings	15	3,025.5	2,406.5
Current tax liabilities		–	6.4
Provisions	16	32.7	21.8
Derivative financial instruments	23	–	18.9
Deferred tax liabilities	7(e)	1.5	4.7
Total liabilities		**3,139.0**	**2,540.9**
Net assets		**627.7**	**759.1**
Equity			
Contributed equity	17(a)	507.6	507.6
Reserves	18(a)	45.6	(7.4)
Retained earnings	18(b)	74.5	258.9
Total equity		**627.7**	**759.1**

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

The above Consolidated statement of financial position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2022

2022					
A$m	**Notes**	**Contributed equity**	**Reserves**	**Retained earnings**	**Total**
Balance at the beginning of the year		**507.6**	**(7.4)**	**258.9**	**759.1**
Loss for the year		–	–	(170.3)	(170.3)
Other comprehensive income		–	52.4	–	52.4
Total comprehensive income for the year		**-**	**52.4**	**(170.3)**	**(117.9)**
Transfer to share capital from share-based payment reserve	18	0.3	(0.3)	–	–
Purchase of treasury shares	17	(0.3)	–	–	(0.3)
Share based payment expense (net of tax)	18	–	0.9	–	0.9
Dividends provided for or paid	19	–	–	(14.1)	(14.1)
Balance at the end of the year		**507.6**	**45.6**	**74.5**	**627.7**

2021					
A$m	**Notes**	**Contributed equity**	**Reserves**	**Retained earnings**	**Total**
Balance at the beginning of the year		**393.1**	**(17.8)**	**203.1**	**578.4**
Profit for the year		–	–	60.1	60.1
Other comprehensive income		–	9.8	–	9.8
Total comprehensive income for the year		**-**	**9.8**	**60.1**	**69.9**
Issuance of shares	17(b)	112.4	–	–	112.4
Transfer to share capital from share-based payment reserve	18	2.1	(2.1)	–	–
Share-based payment expense (net of tax)	18	–	2.7	–	2.7
Dividends provided for or paid	19	–	–	(4.3)	(4.3)
Balance at the end of the year		**507.6**	**(7.4)**	**258.9**	**759.1**

The above Consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2022

A$m	Notes	2022	2021 Restated*
Cash flows from operating activities			
Interest income received from customers		359.7	349.7
Fee and other income received from customers less cost of origination		73.2	76.9
Payment to suppliers and employees		(217.0)	(176.8)
Borrowing costs		(83.0)	(73.2)
Income taxes paid		(17.5)	(24.0)
Cash inflow from operating activities before movement in customer loans, receivables and chattel loans		**115.4**	**152.6**
Net loss		(82.0)	(88.9)
Net movement in:			
Customer loans		53.5	(51.8)
Receivables		26.3	57.6
Chattel loans		(634.1)	(180.1)
Cash outflow from movement in customer loans, receivables and chattel loans		**(636.3)**	**(263.2)**
Net cash outflow from operating activities		**(520.9)**	**(110.6)**
Cash flows from investing activities			
Proceeds from sale of associate		8.5	-
Payment for equity investment		-	(2.2)
Payment for purchase of plant and equipment and software		(23.3)	(29.1)
Net cash outflow from investing activities		**(14.8)**	**(31.3)**
Cash flows from financing activities			
Dividends paid		(14.1)	(19.5)
Proceeds from equity raising, net of transaction costs		-	111.3
Purchase of treasury shares		(0.3)	-
Cash payments relating to lease liabilities		(3.7)	(5.4)
Drawdown of corporate borrowings		-	84.9
Repayment of corporate borrowings		-	(152.3)
Net movement in:			
Non-recourse borrowings		619.0	157.8
Loss reserve on non-recourse borrowings		-	26.6
Net cash inflow from financing activities		**600.9**	**203.4**
Net increase in cash and cash equivalents		65.2	61.5
Cash and cash equivalents at the beginning of the year		218.2	157.5
Effects of exchange rate changes on cash and cash equivalents		(2.4)	(0.8)
Cash and cash equivalents at the end of the year	21	**281.0**	**218.2**

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

The above Consolidated statement of financial position should be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This financial report of **humm**group and its subsidiaries for the year ended 30 June 2022 was authorised for issue by the Board of Directors on 26 September 2022. The Directors have the power to amend and reissue the financial report. The principal accounting policies adopted in the preparation of this financial report are set out below or in the accompanying notes to the financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

These general-purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the Corporations Act. **humm**group limited is a for-profit entity for the purpose of preparing the financial statements.

The Consolidated financial statements of **humm**group also comply with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and liabilities (including derivative instruments) at fair value. The Consolidated statement of financial position has been prepared in order of liquidity, including the comparatives.

The Group has elected to restate the comparative financial information for the prior period to change the presentation of items in its financial statements. Unless otherwise stated, comparative information has been restated for any changes to presentation made in the current year.

The disaggregation of amounts receivable and payable in the next 12 months and beyond is outlined in the accompanying notes to the financial statements and the maturity profile of financial liabilities is outlined in note 24.

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, relating to the "rounding off" of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with that Instrument to the nearest hundred thousand dollars, or in certain cases, to the nearest dollar.

New Australian Accounting Standards and interpretations

The Group applied for the first time certain standards and amendments outlined below, which are effective for annual periods beginning on or after 1 July 2021. Other amendments made to existing standards that were mandatorily effective for the annual reporting period beginning on 1 July 2021 did not result in a material impact to **humm**group's financial statements.

Interest Rate Benchmark Reform – Phase 2: Amendments to AASB 9, AASB 139, AASB 7, AASB 4 and AASB 16

The amendments provide temporary relief which addresses the financial reporting effects when an interbank offered rate ("IBOR") is replaced with an alternative nearly risk-free interest rate ("RFR"). The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest;
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued; and
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

The Group applied the Phase 2 amendments retrospectively. However, in accordance with the exceptions permitted in the Phase 2 amendments, the Group has elected not to restate comparatives for the prior periods to reflect the application of these amendments. Since the Group had no transactions for which the benchmark rate had been replaced with an alternative benchmark rate as at 30 June 2021 there is no impact on opening equity balances as a result of retrospective application.

COVID-19-Related Rent Concessions beyond 30 June 2021 Amendments to AASB 16

The amendments provide relief to lessees from applying AASB 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. The Group has not received COVID-19-related rent concessions and is not affected by this amendment.

BUSINESS COMBINATIONS

The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group. In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs.

The Group has an option to apply a 'concentration test' that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

PARENT ENTITY FINANCIAL INFORMATION

The financial information for the parent entity, **humm**group, disclosed in note 34 has been prepared on the same basis as the consolidated financial statements.

Investments in subsidiaries are accounted for at cost less allowance for impairment in the financial statements of **humm**group. No receivables nor loans are originated by the parent.

INVESTMENTS IN SUBSIDIARIES

Subsidiaries are entities controlled by the Group. The Group 'controls' an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Non-controlling interest are measured initially at their proportionate share of the acquiree's identifiable net assets at the date of acquisition.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

FOREIGN CURRENCY TRANSLATION

a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Australian dollars, which is **humm**group's functional and presentation currency.

b) Transactions and balances

Foreign currency transactions are translated into the functional currency using average exchange rates for the respective month (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the date of the transaction). Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in the Consolidated statement of comprehensive income.

Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

Non-monetary items that are measured based on historical cost in a foreign currency are translated using the spot exchange rate at the date of the transaction.

Foreign exchange gains and losses are presented in the Consolidated statement of comprehensive income on a net basis within other income or other expenses.

c) Group companies

The results and Consolidated statement of financial position of all Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities in the Consolidated statement of financial position presented are translated at the closing rate at the date of the Consolidated statement of financial position,
- Income and expenses in the Statement of comprehensive income are translated at average exchange rates for the respective month (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- All resulting exchange differences are recognised in Other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, a proportionate share of such exchange difference is recognised in the Consolidated statement of comprehensive income, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign entities and as a result are expressed in the functional currency of the foreign operation and translated at the closing rate.

When a foreign operation is disposed, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

INDIRECT TAXES

Indirect taxes comprise of the below:

- Goods and Services Tax ("GST") in Australia, New Zealand and Canada; and
- Value Added Tax ("VAT") in Ireland and UK.

Revenues, expenses and assets are recognised net of the amount of indirect taxes, unless the amount incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated exclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the Consolidated statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

INVENTORY

Inventory comprises returned rental equipment prior to end of term and inertia assets from matured customer lease contracts. Inventory is recognised at the lower of cost and net realisable value when legal ownership transfers to the Group and is expected to be realised in the next 12 months.

EQUITY INVESTMENT

The Group held a minority investment in an ASX listed fintech, Douugh Limited, carried at fair value based on quoted market price at 30 June 2022 of $0.3m (30 June 2021: $1.1m).

COST OF ORIGINATION

Cost of origination includes placement costs, sales commissions and rebates, and transaction processing costs associated with the Group's revolving products in the Consumer business. Placement costs relate to payments made to merchants to access their customers through e-commerce platforms or in store. Transaction processing costs comprise credit reference costs, bank fees and other transaction processing fees.

GOVERNMENT GRANTS

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received, and the Group will comply with all attached conditions.

Australian JobKeeper subsidies are included in the 'Employment expenses' line item. There are no unfulfilled conditions or other contingencies attaching to these grants.

In 2022, the Group did not receive the subsidies (2021: $6.1m) or any other form of government assistance.

STANDARDS ISSUED BUT NOT YET EFFECTIVE

A number of new standards are effective for annual periods beginning after 1 July 2021 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

- **Onerous contracts – Cost of Fulfilling a Contract (Amendments to AASB 137)**

The amendments specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous. The amendments apply for annual reporting periods beginning on or after 1 January 2022 to contracts existing at the date when the amendments are first applied. At the date of initial application, the cumulative effect of applying the amendments is recognised as an opening balance adjustment to retained earnings or other components of equity, as appropriate. The comparatives are not restated.

- **Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to AASB 112)**

The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences – e.g. leases. The amendments apply for annual reporting periods beginning on or after 1 January 2023. For leases, the associated deferred tax asset and liabilities will need to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented. The Group accounts for deferred tax on leases applying the 'integrally linked' approach, resulting in a similar outcome to the amendments, except that the deferred tax impacts are presented net in the Consolidated statement of financial position. Under the amendments, the Group will recognise a separate deferred tax asset and a deferred tax liability. There will be no impact on retained earnings on adoption of the amendments.

The following new and amended standards are not expected to have a significant impact on the Group's consolidated financial statements.

- *Annual Improvements to Australian Accounting Standards 2018–2020, effective 1 January 2022.*
- *Classification of Liabilities as Current or Non-current (Amendments to AASB 101), effective 1 January 2023.*
- *AASB 17 Insurance Contracts and amendments to AASB 17 Insurance Contracts, effective 1 January 2023.*
- *Disclosure of Accounting Policies (Amendments to AASB 101 and Australian Practice Statement 2), effective 1 January 2023.*
- *Definition of Accounting Estimates (Amendments to AASB 108), effective 1 January 2023.*

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Management believes that the estimates used in preparing these Financial Statements are reasonable. Actual results in the future may differ from those reported and it is therefore reasonably possible, on the basis of existing knowledge, that outcomes within the next financial year that are different from management's assumptions and estimates could require an adjustment to the carrying amounts of the reported assets and liabilities in future reporting periods.

Despite positive signs of returning to pre-pandemic life emerging, the COVID-19 pandemic continues to have an impact on global economies and remains a source of uncertainty. Certain sectors, including tourism and transport, hospitality, education, retail, personal services and commercial property, are not expected to return to pre-COVID-19 activity levels in the short-term.

Apart from the lingering economic effects of COVID-19, the Group continues to navigate amongst geopolitical and economic headwinds that have emerged from the war in Ukraine, supply chain disruptions, rising interest rates and inflation, expected decline in consumer confidence and discretionary spending, as well as tightened capital and debt markets. Given the dynamic and evolving nature of these uncertainties, the Group continues to incorporate estimate assumptions and judgement into the measurement calculations.

Where specific areas of judgement and uncertainty exist due to COVID-19, we have included increased disclosure in the accompanying notes to the financial statements.

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements is included in the following notes:

EXPECTED CREDIT LOSSES

The Group estimates expected losses on its customer loans, finance lease receivables and chattel loans in accordance with the policy set out in note 24.

Expected Credit Loss ("ECL") models are expected to be subject to a higher than usual level of uncertainty. In this environment the application of judgement is required in order to reflect evolving uncertainties and risks.

This judgement has been applied in the form of the re-assessment of macro-economic model overlays including scenario weightings and hardship and watchlist overlays. Refer note 24 for ECL judgemental inputs and overlays.

ASSESSMENT OF IMPAIRMENT OF GOODWILL, ACQUIRED INTANGIBLES, INVESTMENTS IN SUBSIDIARIES, INVESTMENT IN ASSOCIATES AND CAPITALISED SOFTWARE

The Group performs an annual assessment as to whether there has been any impairment of its goodwill and indefinite life intangible assets. In addition, the Group uses judgement to perform an impairment assessment of other assets in the event it identifies indicators of impairment. Details of the basis of performance of the assessment of goodwill and the assumptions made are set out in note 13.

ESTIMATION OF UNGUARANTEED RESIDUALS ON LEASES

The Group regularly reviews the estimated value of unguaranteed lease residuals based on its prior experience for similar contracts. Where applicable, residual values are set at rates ranging between 0% and 20% depending on asset type and the duration of the contract.

ACQUIRED INTANGIBLE ASSETS

The assets and liabilities of businesses acquired through a business combination are to be measured at their acquisition date fair values. The Group applies judgements in selecting valuation techniques and setting valuation assumptions to determine the acquisition date fair values and to estimate the useful lives of these assets as set out in notes 13.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss in the expense category that is consistent with the function of the intangible assets.

SHARE-BASED PAYMENT EXPENSE

In determining the share-based payments expense for the year, the Group makes various assumptions in determining the fair value of the instruments, the probability of non-market vesting conditions being met, and the likelihood of employees meeting tenure conditions. Refer note 22.

TAXATION

Judgement is required in determining provisions held in respect of uncertain tax positions. The Group estimates its tax liabilities based on its understanding of the relevant tax law in each of the countries in which it operates and seeks independent advice to support the assessment where required. Refer note 7.

PROVISION FOR CUSTOMER REMEDIATION

Judgement is required in determining provisions held in respect of customer and other remediation obligations. The Group estimates these provisions based on its understanding of likely outcome, considering expert opinions and on-going discussions with regulatory bodies. Refer note 16.

LITIGATION PROVISION

Litigation provision involves judgement regarding the timing and outcome of future events, including estimates of expenditure required to satisfy such obligations. Where relevant, expert legal advice has been obtained. In light of such advice, provision and disclosures have been made as appropriate. Refer note 27.

3. SEGMENT INFORMATION

a) Description of segments

Management has determined the operating segments based on the reports reviewed by the Directors that are used to make strategic decisions. In addition to statutory profit after tax, the Directors assess the business on a Cash NPAT basis. Cash NPAT is defined as statutory profit after tax, adjusted for the after-tax effect of material infrequent items that the Directors believe do not reflect ongoing operations of the Group, and amortisation of acquired intangible assets.

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

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

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

The segment information provided to the Chief Operating Decision Makers for the reportable segments for the year ended 30 June 2022 is as below:

b) Operating segments

Year ended 30 June 2022

A$m	Notes	BNPL	AU Cards	NZ Cards	Commercial & Leasing	Total
Interest income		87.8	56.1	102.5	94.8	341.2
Fee and other income		36.9	19.0	19.1	24.2	99.2
Gross income		**124.7**	**75.1**	**121.6**	**119.0**	**440.4**
Cost of origination		(10.3)	(8.4)	(8.9)	–	(27.6)
Interest expense		(17.4)	(16.7)	(20.4)	(29.6)	(84.1)
Net operating income		**97.0**	**50.0**	**92.3**	**89.4**	**328.7**
Credit impairment charge		(38.8)	(0.1)	(10.6)	(13.9)	(63.4)
Marketing expense		(13.2)	(3.2)	(6.9)	(0.6)	(23.9)
Employment, operating and depreciation expenses		(73.5)	(37.0)	(36.0)	(56.2)	(202.7)
Amortisation of acquired intangible assets		–	–	(15.0)	–	(15.0)
Impairment of intangibles		(73.4)	(31.6)	(85.8)	(16.7)	(207.5)
Statutory (loss)/profit before income tax		**(101.9)**	**(21.9)**	**(62.0)**	**2.0**	**(183.8)**
Income benefit/(tax expense)		22.8	(0.6)	(4.3)	(4.4)	13.5
Statutory (loss)/profit for the year		**(79.1)**	**(22.5)**	**(66.3)**	**(2.4)**	**(170.3)**
Infrequent items, net of tax:						
Amortisation of acquired intangible assets		–	–	10.7	–	10.7
Impairment of intangibles		61.3	27.9	85.5	16.7	191.4
Other[1]		0.5	3.5	0.9	14.4	19.3
Cash net (loss)/profit after tax		**(17.3)**	**8.9**	**30.8**	**28.7**	**51.1**
Total segment receivables at 30 June 2022[2]		**775.5**	**435.2**	**572.4**	**1,523.7**	**3,306.8**
ECL provision, unamortised direct transaction costs, contract liabilities and other debtors						(79.5)
Total receivables, chattel loans and customer loans per the Consolidated statement of financial position						**3,227.3**
Fee and other income:						
Account servicing fees		30.3	8.7	10.3	1.5	50.8
Transaction processing fees		5.4	9.4	6.9	1.1	22.8
Leasing related income		–	–	–	21.1	21.1
Other fees and income		1.2	0.9	1.9	0.5	4.5
Total fee and other income		**36.9**	**19.0**	**19.1**	**24.2**	**99.2**

1. Other includes legal provision, HCF related transaction and separation costs, customer remediation programme and other adjustments.
2. Total segment receivables at 30 June 2022 include contract liabilities.

Year ended 30 June 2021

A$m	Notes	BNPL	AU Cards	NZ Cards	Commercial & Leasing	Total
Interest income		91.2	70.4	113.1	65.9	340.6
Fee and other income		29.4	20.7	22.3	30.9	103.3
Gross income		**120.6**	**91.1**	**135.4**	**96.8**	**443.9**
Cost of origination		(10.9)	(8.0)	(7.9)	–	(26.8)
Interest expense		(18.9)	(14.4)	(20.2)	(20.7)	(74.2)
Net operating income		**90.8**	**68.7**	**107.3**	**76.1**	**342.9**
Credit impairment charge		(33.2)	(1.9)	(19.4)	(4.2)	(58.7)
Marketing expense		(13.9)	(5.2)	(8.5)	(2.4)	(30.0)
Operating and depreciation expenses		(43.1)	(38.7)	(41.1)	(46.5)	(169.4)
Amortisation of acquired intangible assets		–	–	(2.9)	–	(2.9)
Statutory profit before income tax		**0.6**	**22.9**	**35.4**	**23.0**	**81.9**
Income tax expense		(0.5)	(9.8)	(10.6)	(0.9)	(21.8)
Statutory profit for the year		**0.1**	**13.1**	**24.8**	**22.1**	**60.1**
Infrequent items, net of tax:						
Amortisation of acquired intangible assets		–	–	2.1	–	2.1
Redundancy and restructure		0.5	0.4	0.4	0.3	1.6
Impairment and initial profit on sale adjustment to held for sale investment in associate	10	–	–	–	3.9	3.9
Other[1]		0.6	3.3	0.8	(4.0)	0.7
Cash net profit after tax		**1.2**	**16.8**	**28.1**	**22.3**	**68.4**
Total segment receivables at 30 June 2021[2]		**762.7**	**454.9**	**639.9**	**885.1**	**2,742.6**
ECL provision, unamortised direct transaction costs, contract liabilities and other debtors						(89.5)
Total receivables, chattel loans and customer loans per the Consolidated statement of financial position						**2,653.1**
Fee and other income:						
Account servicing fees		22.2	10.0	11.5	2.7	46.4
Transaction processing fees		5.9	9.9	6.8	2.6	25.2
Leasing related income		–	–	–	25.1	25.1
Share of profit after tax from investment in associate		–	–	–	(0.5)	(0.5)
Other fees and income		1.3	0.8	4.0	1.0	7.1
Total fee and other income		**29.4**	**20.7**	**22.3**	**30.9**	**103.3**

1. Other includes:
   - The share-based payment expense recognised during the year due to the cancellation of the Group's FY20 TIP with hurdles being significantly out of the money as a result of COVID-19 and actions taken in response to this. The plan was cancelled as it no longer served as a suitable retention tool for participants; and
   - The reversal of net tax liabilities no longer required, with the resolution of historical tax matters in the year.
2. Total segment receivables at 30 June 2021 include contract liabilities.

4. INTEREST INCOME

ACCOUNTING POLICY

Customer loan interest income is recognised in the Consolidated statement of comprehensive income using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses.

The calculation of the effective interest rate includes all fees such as merchant services fees and establishment fees, transaction costs and all other premium or discounts that are an integral part of the effective interest rate.

Merchant services fees and establishment fees are amortised over the expected life of the contractual arrangements.

Receivable interest income is recognised by applying discount rates implicit in the lease to the receivable balance at the beginning of each payment period. Initial direct costs incurred in the origination of the lease are included as part of finance lease receivables in the Consolidated statement of financial position and form part of the effective interest rate calculation.

Chattel loans are originated with maturities ranging between one and five years and generally require the customer to make equal monthly payments over the life of the contract. Interest income is recognised in the Consolidated statement of comprehensive income using the effective interest method.

A$m	**2022**	**2021**
Interest income	341.2	340.6
Total interest income	**341.2**	**340.6**

5. FEE AND OTHER INCOME

ACCOUNTING POLICY

hummgroup has adopted AASB 15 Revenue from Contracts with Customers ("AASB 15") as the primary accounting standard for revenue recognition.

AASB 15 applies to contracts with customers except for revenue arising from items such as financial instruments, insurance contracts and leases. The majority of the Group's revenue arises from financial instruments and leases. The type of revenue earned by the Group from its contracts with customers primarily consists of the below categories of income. Revenue is measured based on the consideration specified in the contract with a customer and is recognised when it transfers control of the services to a customer.

If the services under a single arrangement are rendered in different reporting periods, then the consideration is allocated based on their relative stand-alone selling prices over the service periods. The stand-alone selling price is determined based on the list prices at which the Group sells the services in separate transactions.

Account service fee
Account servicing fees involve fees earned for managing and administering facilities for customers. Revenue is recognised over the service period on an accrual basis as the performance obligations are satisfied. Contract liabilities in the Consolidated statement of financial position relate to unearned account service fee income.

Transaction processing fee
Transaction processing fees involve fees charged when transactions are carried out for the customers, when payments are dishonoured and when payments are late. Revenue is recognised when the fee is charged to customers; this is typically a single performance obligation.

Leasing related income
The Group operates an equipment protection and debt waiver plan entitled Protect Plan. Equipment protection and debt waiver plan revenue is recognised on an accrual basis over the life of the contract. A provision for outstanding expected claims is recognised in the Consolidated statement of financial position for the cost of Protect Plan claims which have been incurred at year end, but have not yet been notified to the Group; or which have been notified to the Group but not yet paid.

Secondary lease income including rental income on extended rental assets (or inertia income) and gain on sale of goods, is recognised on an accrual basis. Gains from the sale of rental assets are recognised upon disposal of the relevant assets.

Other income
Other income includes premium revenue earned from the Group's Consumer Insurance business in New Zealand. Premium revenue is recognised in the Statement of comprehensive income when it has been earned. The unearned portion of premium revenue is recognised as a provision on the Consolidated statement of financial position.

Fee and other income is summarised in the table below:

A$m	2022	2021
Account servicing fees	50.8	46.4
Transaction processing fees	22.8	25.2
Leasing related income	21.1	25.1
Share of loss after tax from investment in associate held for sale (refer to note 10)	–	(0.5)
Other income	4.5	7.1
Total fee and other income	**99.2**	**103.3**

6. EXPENSES

ACCOUNTING POLICY

Expenses are recognised in the Consolidated statement of comprehensive income as incurred unless otherwise stated.

Employment benefits are expensed as the related service is provided.

Insurance claims include payments made to settle customer claims and an allowance for claims incurred at year end but not yet paid. Insurance claims relate to the Group's Protect Plan and Consumer Insurance business.

Refer to note 12 for the accounting policy on depreciation and amortisation expenses and note 13 for the accounting policy on impairment of goodwill and other intangible assets.

a) Operating and other expenses

A$m	2022	2021
Customer remediation programme	1.1	–
Information technology and communication	29.7	23.2
Insurance and occupancy costs	6.8	5.6
Legal provision[1]	15.5	–
Outsourced operations	4.8	5.0
Professional, consulting and other service provider costs	15.1	12.8
Insurance claims	1.1	3.4
Loss on sale adjustment and impairment – held for sale investment in associate	–	5.0
Transaction and separation costs	8.0	–
Other[2]	6.8	10.4
Total operating expenses	**88.9**	**65.4**

1. On 1 September 2021, Flexirent Capital Pty Ltd, a subsidiary of humm group limited received a claim from a third party in relation to the investigation relating to equipment leases arranged by Forum Finance. Records indicate that the decommissioned managed services business of the Group generated business linked to Forum Finance between 2016 and 2018. The business no longer operates and closed in 2018. The Group set aside $15.5m provision for this matter as advised by its legal counsel.
2. Other includes: GST non-recoverable operating expenses and miscellaneous expenses such as travel, administration and office expenses.

b) Depreciation and amortisation expenses

A$m	2022	2021
Depreciation of plant and equipment	1.3	2.4
Depreciation of right-of-use asset	3.0	3.1
Impairment of plant and equipment	0.7	–
Amortisation of other intangible assets	32.2	20.3
Total depreciation and amortisation expenses	**37.2**	**25.8**

c) Impairment of intangible assets

A$m	2022	2021
Impairment of goodwill	152.1	–
Impairment of other intangible assets	55.4	–
Total impairment of goodwill and other intangibles	**207.5**	**-**

7. INCOME TAX EXPENSE

ACCOUNTING POLICY

The income tax expense for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and unused tax losses.

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends. Current tax assets or liabilities are offset only if certain criteria are met.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- Temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- Taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Deferred tax assets and liabilities are offset only if certain criteria are met.

Current and deferred tax is recognised in the income tax expense except to the extent that it relates to items recognised directly in equity, in other comprehensive income.

Tax consolidation legislation

hummgroup and its wholly owned Australian controlled entities have implemented the tax consolidation legislation. As a consequence, these entities are taxed as a single entity and the deferred tax assets and liabilities of these entities are set-off in the consolidated financial statements.

On adoption of the tax consolidation legislation, the entities in the Tax Consolidated Group entered into a Tax Sharing Agreement which limits the joint and several liability of the wholly owned entities in the case of a default by the head entity, **humm**group.

The entities have also entered into a Tax Funding Agreement under which the wholly owned entities compensate **humm**group for any current tax payable assumed and are compensated by **humm**group for any current tax receivable and deferred tax assets relating to the unused tax losses or unused tax credits that are transferred to **humm**group under the tax consolidation legislation. The amounts are recognised in the wholly owned entities' financial statements.

The amounts receivable/payable under the Tax Funding Agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of the financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments. The funding amounts are recognised as intercompany receivables.

a) Income tax expense

A$m	2022	2021
Current tax expense		
Current tax	9.0	24.0
Changes in estimate related to prior years	(2.9)	(2.0)
Deferred tax expense		
Originating from reversal of temporary differences	(19.6)	(0.2)
Total income tax (benefit)/expense	**(13.5)**	**21.8**

b) Numerical reconciliation of income tax expense

A$m	2022	2021
(Loss)/profit before income tax expense	(183.8)	81.9
Tax at the Australian tax rate of 30%	(55.1)	24.6
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Impairment of goodwill	45.6	–
Effect of differences in tax rates in a foreign jurisdiction	(0.9)	(0.7)
Adjustment of current tax of prior periods	(2.9)	(2.0)
Other[1]	(0.2)	(0.1)
Total income tax (benefit)/expense	**(13.5)**	**21.8**

1. Includes dividend on preference shares, income from investment in associates and other non-deductible costs.

c) Amount recognised directly in equity

A$m	2022	2021
Share-based payments	–	0.1
Cash flow hedge	25.0	6.0
Equity raising costs	–	(1.0)
Others	0.7	2.6
Deferred income tax expense related to items taken directly to equity	**25.7**	**7.7**

d) Deferred tax expense represents movements in deferred tax assets/liabilities

A$m	2022	2021
Difference between Commercial lease principal to be returned as assessable income and depreciation on leased assets to be claimed as a tax deduction	(4.4)	(7.5)
Initial direct transaction costs	1.5	(1.0)
Other intangible assets	(2.1)	(2.1)
Plant and equipment	(0.9)	0.6
Payables and provisions	(5.3)	(0.9)
Expected credit allowance	5.5	8.7
Lease liabilities	0.7	(0.7)
Software	(10.1)	1.6
Unearned income	(1.1)	0.9
Right-of-use assets	(0.8)	1.1
Tax losses	(3.1)	–
Others	0.5	(0.9)
Deferred tax benefit	**(19.6)**	**(0.2)**

e) Deferred tax assets and liabilities

Deferred tax assets

A$m	2022	2021
Payables and provisions	16.9	11.6
Expected credit allowance	31.7	37.2
Lease liabilities	4.3	5.0
Derivative financial instruments	–	5.4
Software	12.4	2.3
Unearned income	3.4	2.3
Tax losses	3.1	–
Others	3.0	3.5
Total deferred tax assets	**74.8**	**67.3**

Deferred tax liabilities

A$m	2022	2021
Difference between Commercial finance lease principal to be returned as assessable income and depreciation on leased assets to be claimed as a tax deduction	2.4	6.8
Initial direct transaction costs	3.5	2.0
Derivative financial instruments	19.6	-
Plant and equipment	1.5	2.4
Other intangible assets	8.1	10.2
Right-of-use assets	3.5	4.3
Total deferred tax liabilities	**38.6**	**25.7**

Net deferred tax assets

A$m	2022	2021
Deferred tax assets and liabilities disclosed on balance sheet:		
Deferred tax assets	37.7	46.3
Deferred tax liabilities	(1.5)	(4.7)
Net deferred tax assets	**36.2**	**41.6**
Amounts expected to be settled within 12 months	20.3	13.9
Amounts expected to be settled after 12 months	15.9	27.7
Net deferred tax assets	**36.2**	**41.6**

f) Carry forward tax losses

As at 30 June 2022, the Group is carrying a deferred tax asset of $3.1m (2021: $1.3m) in respect of $15.8m (30 June 2021: $10.1m) of carry forward losses in Australia and Ireland.

g) Significant estimates – uncertain tax position

During the year, the Group has continued to work on addressing those matters in respect of which significant tax risks may arise, including seeking external advice where appropriate. The Group has assessed these risks and considers that it has made appropriate provisions for these matters, and therefore does not have any material uncertain tax matters not otherwise provided for as at 30 June 2022 (30 June 2021: Nil).

8. RECEIVABLES, CUSTOMER LOANS AND CHATTEL LOANS

ACCOUNTING POLICY

Financial assets are grouped into the following classes:

Financial assets at amortised costs

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at fair value through profit and loss ("FVTPL"):

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortised cost or fair value through other comprehensive income ("FVOCI") as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The Group has two classes of assets measured at amortised cost being chattel loans and customer loans.

i) Customer loans

Customer loans are financial assets for which the contractual cash flows are solely repayments of principal and interest and that are held in a business model with the objective of collecting contractual cash flows.

Customer loans are initially recognised at fair value plus transaction costs directly attributable to the origination of the loan or advance. Subsequently, customer loans are measured at amortised cost using the effective interest rate method, net of any provision for credit impairment.

ii) Chattel loans

Chattel loans are secured equipment finance arrangements, measured at amortised cost. The Group may take possession of the financed asset in circumstances where the customer is unable to meet financial commitments under the terms of the loan contract. Income is recognised on an effective interest basis.

Finance lease receivables

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

Lease assets are initially recognised at the net investment in the lease and comprise of fixed payments due from customers and guaranteed residual values. Initial direct costs are included in the initial measurement of the net investment in the lease and form part of the effective interest rate calculation.

The Group applies the derecognition and impairment requirements in AASB 9 to the net investment in the lease (see note 24). The Group further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

Receivables comprised of:

A$m	2022	2021 Restated*
Finance lease receivables	215.5	214.6
Other debtors	4.3	11.6
Total receivables	**219.8**	**226.2**

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

Receivables and chattel loans

A$m	2022	2021 Restated*
Gross investment in finance lease receivables before residuals	234.1	246.6
Guaranteed residuals	2.4	3.8
Unguaranteed residuals	16.8	23.7
Gross investment in finance lease receivables	253.3	274.1
Gross investment in chattel loans	1,562.0	793.4
Gross finance lease receivables and chattel loans	1,815.3	1,067.5
Unamortised initial direct transaction costs	11.9	6.6
Unearned future income	(289.7)	(170.6)
Net investment in receivables and chattel loans before expected credit allowance	**1,537.5**	**903.5**
Expected credit allowance	(39.8)	(33.5)
Net investment in receivables and chattel loans	**1,497.7**	**870.0**

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

Customer loans

A$m	2022	2021 Restated*
Gross customer loans	1,862.7	1,951.5
Unearned future income	(74.4)	(86.4)
Net customer loans before credit allowance	**1,788.3**	**1,865.1**
Expected credit allowance	(58.7)	(82.0)
Net investment in customer loans	**1,729.6**	**1,783.1**

** Comparative information has been restated to align the presentation with the current period in respect of the reclassification of Contract Liabilities from Gross customer loans.*

Maturity profile

The following tables set out a maturity profile of finance lease receivables, chattel loans and customer loans before provision for doubtful debts or expected credit allowance:

Finance lease receivables and other debtors

A$m	2022	2021 Restated*
Less than 1 year	101.3	131.6
Between 1 and 2 years	64.4	70.8
Between 2 and 3 years	38.3	31.1
Between 3 and 4 years	21.8	12.0
Between 4 and 5 years	10.2	4.4
More than 5 years	0.5	0.5
Unguaranteed residual value	16.8	23.7
Unearned future income	(29.2)	(39.2)
Net investment in finance lease receivables and other debtors before expected credit allowances	**224.1**	**234.9**

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

Chattel loans

A$m	2022	2021 Restated*
Due within one year	420.1	224.6
Due after one year but no later than five years	1,153.8	575.4
Unearned future income	(260.5)	(131.4)
Net investment in chattel loans before expected credit allowances	**1,313.4**	**668.6**

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

Customer loans

A$m	2022	2021 Restated*
Due within one year	1,301.9	1,450.2
Due after one year but not later than five years	560.4	501.2
Due greater than five years	0.4	0.1
Unearned future income	(74.4)	(86.4)
Net customer loans	**1,788.3**	**1,865.1**

** Comparative information has been restated to align the presentation with the current period in respect of the reclassification of Contract Liabilities from Gross customer loans.*

9. INVENTORIES

ACCOUNTING POLICY

Inventory comprises returned rental equipment prior to end of term and inertia assets from matured customer lease contracts. Inventory is recognised at the lower of costs and net realisable value when legal ownership transfers to the Group and is expected to be realised in the next 12 months.

A$m	2022	2021
Rental equipment	2.1	1.0
Total	**2.1**	**1.0**

10. ASSETS CLASSIFIED AS HELD FOR SALE

ACCOUNTING POLICY

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held for sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use. Such assets, or disposal groups, are measured at the lower of their carrying amount and fair value less costs of sale. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets or deferred tax assets, which continue to be measured in accordance with the Group's other accounting policies. Impairment losses on initial classification as held-for-sale and subsequent gains or losses on remeasurement are recognised in profit and loss.

Once classified as held for sale, intangible assets and property, plant and equipment are no longer amortised or depreciated, and any equity-accounted investee is no longer equity accounted.

		Percentage of shares held	
Entity name	**Country of incorporation**	**2022**	**2021**
Investment in associate entity Thinkex Holdings Pty Limited	Australia	–	30.0%

A$m		2022	2021
Investment in associate classified at held for sale		–	8.5
Dividends received from investment classified as held for sale		–	0.3
Recognised in the Statement of comprehensive income:			
Held for sale investment – earnings in associate		–	(0.5)
Adjustment to initial profit on sale, as a result of reduced shareholding in Thinkex Holdings Pty Limited, from 35% to 30%, closing out dispute in relation to net assets transferred		–	(1.2)
Impairment of investment in associate classified at held for sale		–	(3.8)
Total comprehensive income		**-**	**(5.5)**

11. EQUITY INVESTMENT

ACCOUNTING POLICY

Fair value through other comprehensive income ("FVTOCI")

Financial assets at FVTOCI are comprised of equity securities which are not held for trading, and which the Group has irrevocably elected at initial recognition to recognise in this category. These are strategic investments and the Group considers this classification to be more relevant.

Entity name	Country of incorporation	Percentage of shares held	
		2022	2021
Investment at FVTOCI	Australia	1.35%	1.8%

A$m		2022	2021
Investment at FVTOCI		0.3	1.1
Equity and other investments		**0.3**	**1.1**

The Group held a minority investment in an ASX listed fintech, Douugh Limited, carried at fair value based on quoted market price at 30 June 2022 of $0.3m (30 June 2021: $1.1m).

12. PLANT AND EQUIPMENT, RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

ACCOUNTING POLICY

Plant and equipment

Plant and equipment is stated at historical cost less depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All repairs and maintenance are charged to the Consolidated statement of comprehensive income during the reporting period in which they are incurred.

Depreciation is calculated using the straight-line or diminishing value method to allocate their cost or revalue amounts, net of their residual values, over their estimated useful lives, as follows:

Assets	Method	Depreciation Rate
Computers	Diminishing value	50%
Plant and equipment	Diminishing value	30%
Motor vehicles	Diminishing value	25%
Leasehold improvements	Straight-line	14% - 33%
Furniture and fittings	Diminishing value	15% - 25%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount of the asset disposed. These are included in the Consolidated statement of comprehensive.

Right-of-use assets and lease liabilities

The Group leases property and motor vehicles in the ordinary course of business. Leases are recognised as a right-of-use asset and corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the Statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial cost; and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases have a lease term of 12 months or less. Low-value assets with a value of less than $10,000 comprise IT equipment and small items of office furniture.

The property leases were held by the Group:

Property	Period
121 Harrington Street, Sydney	4 years, 6 months
111 Carlton Gore Road, Auckland	12 years
5 Custom House Plaza, Dublin	10 years
55 Currie Street, Adelaide	7 years

Some property leases contain extension options exercisable by the Group up to one year before the end of the non-cancellable contract period. Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Group and not by the lessors. The Group assesses at the lease commencement date whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

Plant and equipment and right-of-use assets comprise of:

A$m	2022	2021
Plant and equipment – Cost	7.6	16.4
Plant and equipment – Accumulated depreciation	(3.7)	(11.2)
Plant and equipment – Net book amount	**3.9**	**5.2**
Right-of-use assets – Cost	21.8	22.0
Right-of-use assets – Accumulated depreciation	(9.0)	(6.1)
Right-of-use assets – Net book amount	**12.8**	**15.9**
Total net book amount	**16.7**	**21.1**

Movement in plant and equipment and right-of-use assets at net book amount:

2022

A$m	Notes	Plant and equipment	Right-of-use assets	Total
Balance at the beginning of the year		5.2	15.9	21.1
Additions		0.7	–	0.7
Disposals		–	(0.1)	(0.1)
Depreciation	6	(1.3)	(3.0)	(4.3)
Impairment	6	(0.7)	–	(0.7)
Balance at the end of the year		**3.9**	**12.8**	**16.7**

2021

A$m	Notes	Plant and equipment	Right-of-use assets	Total
Balance at the beginning of the year		7.4	12.5	19.9
Additions		0.3	6.5	6.8
Disposals		(0.1)	–	(0.1)
Depreciation	6	(2.4)	(3.1)	(5.5)
Balance at the end of the year		**5.2**	**15.9**	**21.1**

Right of use assets recognised in the Consolidated statement of financial position

2022

A$m	Property	Vehicles	Total
Balance at the beginning of the year	15.7	0.2	15.9
Disposals	–	(0.1)	(0.1)
Depreciation charge for the year	(2.9)	(0.1)	(3.0)
Total	**12.8**	**-**	**12.8**

2021

A$m	Property	Vehicles	Total
Balance at the beginning of the year	12.2	0.3	12.5
Additions to right-of-use assets	6.5	–	6.5
Depreciation charge for the year	(3.0)	(0.1)	(3.1)
Total	**15.7**	**0.2**	**15.9**

Lease liabilities

A$m	2022	2021
Current	2.6	2.5
Non-current	13.4	16.1
Total	**16.0**	**18.6**

Amounts recognised in the Consolidated statement of comprehensive income

A$m	2022	2021
Depreciation	3.0	3.1
Interest expense	1.1	1.0
Total	**4.1**	**4.1**

Amounts recognised in the Consolidated statement of cash flows

A$m	2022	2021
Total cash flow for leases	**(3.7)**	**(5.4)**

13. GOODWILL AND OTHER INTANGIBLE ASSETS

ACCOUNTING POLICY

Goodwill

Goodwill arises on the acquisition of an entity and represents the excess of the consideration paid over the fair value of the identifiable net assets acquired. Goodwill is measured at cost less accumulated impairment losses, and is tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired.

Other intangible assets

a) IT development and software

Costs incurred on software development projects (relating to the design and testing of new or improved software products) are recognised as intangible assets when it is probable that the project will be a success considering its commercial and technical feasibility and its costs can be measured reliably. The expenditure capitalised comprises all directly attributable costs, including direct labour. Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Capitalised development costs are recorded as an intangible asset and amortised using straight line method from the point at which the asset is ready for use over its useful life from 3 to 7 years. Software maintenance costs are expensed as incurred.

Configuration or customisation costs in a Cloud Computing Arrangement are recognised as an intangible asset only if the implementation activities create an intangible asset that the entity controls and the intangible asset meets the recognition criteria. Costs that do not result in the creation of intangible assets are expensed as incurred, unless they are paid to the suppliers of the Software-as-a-Service ("SaaS") arrangement to significantly customise the cloud-based software for the Group, in which case the costs are recorded as a prepayment for the service and amortised over the expected renewable term of the arrangement.

b) Merchant and customer relationships

Merchant and customer relationships acquired as part of a business combination are recognised separately from goodwill. The assets are measured at fair value at the date of acquisition less accumulated amortisation and impairment losses. Amortisation is calculated based on the timing of the projected cash flows of the relationships.

Merchant relationships: from 3 to 9 years (2021: 3 to 27 years)
Customer relationships: from 3 to 9 years (2021: 3 to 15 years)

Impairment of goodwill and intangible assets

Goodwill and intangibles are measured at cost less accumulated amortisation/impairment losses. An impairment loss recognised for goodwill is not reversed in subsequent periods.

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount of an asset is the higher of an asset's fair value less costs of disposal ("FVLCOD") and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows, which are largely independent of the cash inflows from other assets or groups of assets' cash-generating units ("CGUs"). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting period.

Discount rate

The discount rate reflects the market determined, risk adjusted, post-tax discount rate and is adjusted for specific risks relating to the CGUs and the countries in which they operate.

Critical accounting judgements and estimates

The measurement of goodwill is subject to a number of key judgements and estimates. These include:

- the allocation of goodwill to CGUs on initial recognition
- the re-allocation of goodwill in the event of disposal or reorganisation
- the appropriate cash flows, growth rates and discount rates.

Further details about these items are provided below.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually as at 30 June or more frequently when indicators of impairment exist.

After assessing the Latitude offer together with the structural shift from credit cards to debit cards, the decline in market capitalisation of comparable fintech and BNPL companies and the reduction of interest bearing balances caused by COVID-19, management determined that the carrying amount should be reduced to the recoverable amount, being the higher of the fair value less costs of disposal and value in use. As a result, the Group recognised $135.4m goodwill impairment expense in relation to the consumer business. During the second half, we have considered the current profit for the NZ Commercial business, the move to broker originated business similar to Australia and associated execution risks, along with a reduction in market multiples over the past six months, and an impairment charge of $16.7m was recognised.

Similar to the rationale outlined above, after the CGU's goodwill was written off, the remaining impairment expense was allocated on a pro rata basis to the other assets in the CGU, which resulted in an impairment of software of $45.8m. A further impairment of $9.5m was recognised during the year in respect to software assets after having evaluated the strategic priorities of key products and geographies.

In addition, the Group reassessed the useful life of merchant and customer relationships after observing changes in customer behaviour and determined that it is appropriate to lower the assumptions from 27 and 15 years respectively to 9 years. An accelerated amortisation of $12.5m was recognised accordingly.

Reconciliation of carrying amount

2022

A$m	Goodwill	IT development & software	Merchant & customer relationships and other rights	Brand name	Total
Balance at the beginning of the year	**239.2**	**78.2**	**28.7**	**4.0**	**350.1**
Additions	–	22.6	–	–	22.6
Impairment	(152.1)	(55.4)	–	–	(207.5)
Amortisation	–	(17.2)	(15.0)	–	(32.2)
Effect of movements in exchange rates	(2.3)	(0.1)	(0.3)	(0.1)	(2.8)
Balance at the end of year	**84.8**	**28.1**	**13.4**	**3.9**	**130.2**

2021

A$m	Goodwill	IT development & software	Merchant & customer relationships and other rights	Brand name	Total
Balance at the beginning of the year	**239.9**	**66.5**	**31.7**	**4.1**	**342.2**
Additions	–	29.1	–	–	29.1
Amortisation	–	(17.4)	(2.9)	–	(20.3)
Effect of movements in exchange rates	(0.7)	-	(0.1)	(0.1)	(0.9)
Balance at the end of year	**239.2**	**78.2**	**28.7**	**4.0**	**350.1**

Goodwill balance by CGU

A$m	2022	2021
BNPL – **humm** AU	–	30.7
AU Cards	–	18.9
NZ Commercial	–	17.8
NZ Cards	84.8	171.8
Total	**84.8**	**239.2**

During the financial year, the recoverable amounts for BNPL, AU Cards and NZ Commercial have been determined as FVLCOD using the price offered by third parties.

Fair Value Less Cost of Disposal

The recoverable amount of each CGU to which goodwill is allocated is estimated on a FVLCOD basis, calculated using a market multiple approach.

Under this approach, we determine the estimated fair value of each of our CGUs by applying observable price earnings multiples of appropriate comparator companies to the estimated future maintainable earnings of each CGU. A deduction is then made for estimated costs of disposal. The valuation is considered to be Level 3 in the fair value hierarchy due to unobservable inputs used in the valuation.

Key Assumption	Approach to determine the value (or values) for each key assumption
Future maintainable earnings	Future maintainable earnings for each CGU have been estimated based on the 2022 year financial forecast for each CGU, which incorporates estimates of the impacts of COVID-19, an allocation of the central costs recorded outside of the CGUs to which goodwill is allocated and other relevant adjustments such as long term expected credit losses and planned expenditure exceeding longer term expected credit losses and planned expenditure exceeding longer term maintainable levels with the higher operating expenditure treated as a cone-off adjustment in the valuations. Future maintainable earnings are highly sensitive to changes in assumptions particularly with respect to credit losses and interest rates. A 10% increase or decrease in future maintainable earnings results in a corresponding 10% increase or decrease in the value.
Price/Earnings ("P/E") multiple applied (including control premium)	**Trading multiples:** Management has applied similar P/E multiples to comparator company's multiples to address specific factors relevant to each of the CGUs for impairment testing. A 10% increase or decrease in P/E multiples results in a corresponding 10% increase or decrease in the value. **Control premium:** A control premium has been applied which recognises the increased consideration a potential acquirer would be willing to pay in order to gain sufficient ownership to achieve control over the relevant activities. For each CGU the control premium has been estimated as 30% of the comparator group P/E of the CGU.
Costs of disposal	Costs of disposal have been estimated at 1.5% of the fair value of the CGU which reflects the transaction costs.

Value in use

The recoverable amount is based on a value in use calculation using cash flow projections based on management forecasts, the basis of which have been endorsed by the board. The cash flow projections incorporate a probability weighted assessment of a potential downside scenario to arrive at the most likely outcome. Cash flows for a further two-year period are extrapolated using declining growth rates appropriate for the industries and jurisdictions in which the business resides, which do not exceed the long-term average for the sectors and economies in which the CGUs operate. In the final year, a terminal growth rate is applied in perpetuity. These forecasts use management estimates to determine income, expenses, capital expenditure and cash flows for each CGU.

The key assumptions used in determining value in use at the impairment testing date are:

Assumption	How determined
Forecast revenues and expenses	Forecast revenues and expenses for FY24 and FY25 beyond the financial year forecast period have been extrapolated using declining growth rates such that the long-term terminal growth rates are as follows: • BNPL – 1.0% (2021: 1.7%) • AU Cards – 1.0% (2021: 1.7%) • NZ Commercial – 1.0% (2021: 1.7%) • NZ Cards – 1.0% (2021: 1.7%)
Long-term growth rate	The above long-term growth rate for each of the CGUs does not exceed the long-term average growth rate for the sector/industry in which the CGU operates.
Cost of Equity Capital	The discount rate applied to the cash flows of each CGU is based on the risk free rate for 10-year Commonwealth Government bonds, adjusted for a risk premium to reflect both the increased risk of investing in equities and the risk of the specific Group operating company. In making this adjustment, inputs required are the equity markets risk premium (that is the required increased return required over and above a risk free rate by an investor who is investing in the market as a whole) and the risk adjustment, beta, applied to reflect the risk of the specific Group operating company relative to the market as a whole, giving rise to the CGU-specific Cost of Equity Capital. Geared cash flows are used to calculate recoverable amounts for all CGUs. The pre-tax discount rates used for impairment testing are as follows: • BNPL – 13.5% (2021: 11.8%) • AU Cards – 13.5% (2021: 11.8%) • NZ Commercial – 13.5% (2021: 10.4%) • NZ Cards – 13.5% (2021: 11.1%)

Sensitivity conclusion

The Directors and management have considered and assessed reasonably possible changes for other key assumptions and have not identified any instances that could cause the carrying amounts of all CGUs to exceed their respective recoverable amounts.

14. TRADE AND OTHER PAYABLES

ACCOUNTING POLICY

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method. The amounts are due within the next 12 months.

A$m	2022	2021
Trade and other payables	51.8	56.2
Total payables	**51.8**	**56.2**

15. BORROWINGS

ACCOUNTING POLICY

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the Consolidated statement of comprehensive income over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities, which are not an incremental cost relating to the actual draw-down of the facility, are recognised as prepayments and amortised on a straight-line basis over the term of the facility.

Borrowings are removed from the Consolidated statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in the Consolidated statement of comprehensive income.

Secured loans, which comprise of wholesale and private debt facilities are secured against underlying pools of finance lease receivables and customer loans. The terms of these debt facilities vary depending on the nature of the facility and the type of finance lease receivables and customer loans held in these facilities. These facilities provide for the ultimate repayment of outstanding loans through receipts from customers in respect of the relevant finance lease receivables and customer loans held in these facilities.

Private warehouse debt facilities are typically structured to include a revolving period during which debt can be drawn to fund originations of new chattel mortgages, finance lease receivables and customer loans, ahead of the repayment of outstanding debt. It is typical for these revolving periods to continue to be extended, as required, by agreement between the Group and the relevant funder. Warehouse facilities with aggregate limits of $738.3m (drawn to $434.9m as at 30 June 2022) have revolving periods expiring within 12 months. The debt drawn under these facilities is not contractually due for repayment upon expiry of the revolving period but is subject to repayment over subsequent periods of up to 3 years after the expiry of the revolving period (such period being the amortisation period). During the amortisation period, debt can no longer be drawn and all receipts from customers are directed to repayment of the outstanding debt.

Public debt arrangements are structured to provide for repayment of outstanding loans in line with the repayment of the chattel loan, finance lease receivables and customer loans held in these facilities. In addition, there is one public debt arrangement structured to include a revolving period, which can be extended further.

In the Commercial business, these debt facilities typically have terms of up to 5.5 years with the repayment of outstanding borrowings through receipts from customers. In the Consumer businesses, these debt facilities typically have variable terms, comprising of either term deals or revolving in nature with contractual maturities up to 5.5 years. Interest is charged at wholesale funding costs benchmark interest rate (BBSW or equivalent) plus margin.

A$m	2022	2021
Secured loans	3,025.5	2,406.5
Total borrowings	**3,025.5**	**2,406.5**
Expected maturity profile of secured borrowings:[1]		
Due within one year	800.8	684.0
Due after one year but not later than five years	2,224.7	1,722.5
Total borrowings	**3,025.5**	**2,406.5**

1. Expected maturity profile of secured loans presented based on the expected repayment profile of the underlying finance lease receivables, customer loans and chattel loans or in the case of Australia Cards and New Zealand Cards, taking into consideration the contractual amortisation from soft bullet dates and/or revolving periods.

Assets pledged as security

The loans subject to recourse funding arrangements are secured by payments receivable in respect of the underlying lease and loan receivable contracts.

Financing arrangements

Access was available at balance date to the following lines of credit:

A$m	2022	2021
Total loan facilities available	3,921.3	3,381.2
Loan facilities used at balance date	(3,025.5)	(2,406.5)
Loan facilities unused at balance date	**895.8**	**974.7**

16. PROVISIONS

ACCOUNTING POLICY

Provisions for legal claims, service warranties and make good obligations are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

Employee benefits include:

i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months after the end of the period in which the employees render the related service, are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave is recognised as a provision in the Consolidated statement of financial position. All other short-term employee benefit obligations are presented as payables.

ii) Other long-term employee benefit obligations

The liability for long service leave and annual leave which is not expected to be settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period 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 end of the reporting period on government bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows.

iii) Profit-sharing and bonus plans

The Group recognises a liability and an expense for bonuses that takes into consideration the Group's Cash NPAT and other short-term incentive scorecard hurdles. The Group recognises a provision where contractually obliged to settle the liability or where there is a past practice that has created a constructive obligation for settlement.

A$m	Notes	2022	2021
Annual leave		4.4	4.5
Long service leave		2.1	1.9
Outstanding claims liability		0.2	0.5
Unearned premium liability		–	0.2
Customer remediation		–	1.3
Make good provision		0.4	0.9
Undrawn exposure on customer loans	24	10.1	12.5
Litigation provision	27	15.5	–
Total provisions		**32.7**	**21.8**

$21.3m (30 June 2021: $7.4m) of provisions are due for settlement in the next twelve months, including annual leave liabilities, premium and claim liabilities and make good provisions.

17. CONTRIBUTED EQUITY

ACCOUNTING POLICY

Ordinary shares and subordinated perpetual notes 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.

Where any Group company purchases the Company's equity instruments, for example as the result of a share buy-back or a share-based payment plan, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the owners of **humm**group as treasury shares until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the owners of **humm**group.

a) Share capital

	2022 # Shares	2021 # Shares	2022 A$m	2021 A$m
Ordinary shares – fully paid	494,921,301	495,211,065	454.0	454.0
Subordinated perpetual notes	49,129,075	49,129,075	53.6	53.6
Total share capital	**544,050,376**	**544,340,140**	**507.6**	**507.6**

b) Movement in ordinary share capital and number of shares on issue

	Number of shares	A$m
Balance at 1 July 2020	394,333,872	339.5
Transfer from share-based payment reserve	–	2.1
Issuance of shares	100,877,193	112.4
Balance at 30 June 2021	**495,211,065**	**454.0**
Balance at 1 July 2021	495,211,065	454.0
Treasury shares purchased on-market	(347,097)	(0.3)
Transfer from treasury shares on vesting of deferred STI	57,333	0.1
Transfer from share-based payment reserve	–	0.2
Balance at 30 June 2022	**494,921,301**	**454.0**

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of, and amounts paid on, the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy is entitled to one vote, and upon a poll each share is entitled to one vote. There is no current on-market buy-back of shares, other than shares purchased by the Share Plan Trust to satisfy vested share-based payments.

The Company does not have authorised capital or par value in respect of its issued shares.

c) Movement in treasury shares

Treasury shares are shares in **humm**group that are held by the **humm**group Employee Share Plan Trust for the purposes of issuing shares under the **humm**group Long Term Incentive Plan (see note 22).

	Number of shares	A$m
Balance at 1 July 2020	57,253	0.3
Transfer from treasury shares on vesting of options	-	-
Balance at 30 June 2021	**57,253**	**0.3**
Balance at 1 July 2021	57,253	0.3
Treasury shares purchased on-market	347,097	0.3
Transfer from treasury shares on vesting of deferred STI	(57,333)	(0.1)
Balance at 30 June 2022	**347,017**	**0.5**

d) Subordinated perpetual notes

hummgroup issued unsecured subordinated perpetual notes as part of the consideration for the acquisition of Fisher & Paykel Finance. The face value of the note issued was $49.1m, the A$ equivalent of NZ$55.0m. Interest is payable on the perpetual notes at the sole and absolute discretion of the issuer commencing on 18 March 2018. Prior to 18 March 2021 interest was capitalised as part of the note, and from 18 March 2021 interest payments have been made in cash. Interest payable or capitalised has been accounted for as a dividend in equity. In the unlikely event that no interest is paid or capitalised on the perpetual notes in any given year, the Group may not pay or declare any ordinary dividends to the ordinary shareholders.

The issuer continues to have full discretion as to the payment of interest on the perpetual notes; however, if the Group elects to pay or declare any ordinary dividends to shareholders in the future, interest accrued must be paid to the noteholder in cash.

In limited circumstances upon a change of control, the noteholder may elect to convert the perpetual notes having an aggregate principal amount equal to the face value into 28.5 million ordinary shares. Prior to conversion, the perpetual notes have no right to share in any surplus assets, profits or ordinary dividends and have no voting rights.

e) Performance shares, options and sign-on incentive rights

Information relating to the **humm**group Employee Options and Performance Rights Plan, including details of performance and sign-on incentive rights exercised and lapsed during the financial year and performance and sign-on incentive rights outstanding at the end of the financial year, is set out in note 22.

f) Capital risk management

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can continue to provide returns for shareholders and to maintain an optimal capital structure to facilitate growth in the business. Consistent with others in the industry, the Group monitors capital on the basis of its gearing ratio. In order to maintain or adjust its capital structure, the Group considers the issue of new capital, return of capital to shareholders and its dividend policy as well as its plans for acquisition and disposal of assets.

18. RESERVES AND RETAINED EARNINGS

ACCOUNTING POLICY

Share-based payment reserve

The share-based payment reserve is used to recognise:

- the fair value of options and rights issued to employees but not exercised;
- the fair value of shares issued to employees; and
- other share-based payment transactions.

Foreign currency translation reserve

Foreign currency translation of the foreign controlled entities is taken to the foreign currency translation reserve as described in note 1. The reserve is recognised in profit and loss when the net investment is disposed of.

Cash flow hedge reserve

The hedging reserve is used to record gains or losses on a hedging instrument in a cash flow hedge that are recognised in Other Comprehensive Income as described in note 23. Amounts are reclassified to profit or loss when the associated hedge transaction affects profit or loss.

Equity investment revaluation reserve

The equity investment revaluation reserve is used to record gains or losses on investments carried at FVTOCI. Amounts will be transferred to retained earnings on disposal.

a) Reserves

A$m	2022	2021
Share-based payment reserve	1.6	1.0
Foreign currency translation reserve	(0.1)	6.5
Cash flow hedge reserve	46.3	(13.5)
Equity investment revaluation reserve	(2.2)	(1.4)
	45.6	**(7.4)**

Movements: Share-based payment reserve

A$m	2022	2021
Balance at 1 July	1.0	0.4
Share-based payment expense	0.9	2.7
Transfer to share capital	(0.3)	(2.1)
Balance at 30 June	**1.6**	**1.0**

Movements: Foreign currency translation reserve

A$m	2022	2021
Balance at 1 July	6.5	9.0
Other comprehensive income	(6.6)	(2.5)
Balance at 30 June	**(0.1)**	**6.5**

Movements: Cash flow hedge reserve

A$m	2022	2021
Balance at 1 July	(13.5)	(27.2)
Other comprehensive income[1]	59.8	13.7
Balance at 30 June	**46.3**	**(13.5)**

1. Higher cash flow hedge reserve is due to higher interest rates.

Movements: Equity investments revaluation reserve

A$m	2022	2021
Balance at 1 July	(1.4)	-
Other comprehensive income	(0.8)	(1.4)
Balance at 30 June	**(2.2)**	**(1.4)**

b) Retained earnings

Movements in retained earnings were as follows:

A$m	Notes	2022	2021
Balance at 1 July		258.9	203.1
Net (loss)/profit for the year		(170.3)	60.1
Dividends	19	(14.1)	(4.3)
Balance at 30 June		**74.5**	**258.9**

19. DIVIDENDS

ACCOUNTING POLICY

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the Group, on or before the end of the financial year but not distributed at balance date.

Final dividends accrued or paid

A$m	Parent entity	
	2022	2021
Ordinary shares		
2021 final dividend of nil cents (2020 final dividend of nil cents) per ordinary share franked to 100%	–	–

Interim dividends accrued or paid

A$m	Parent entity	
	2022	2021
Ordinary shares		
2022 interim dividend of 1.7 cents (2021 interim dividend nil cents)	8.4	–
Preference shares		
Unsecured subordinated perpetual notes	5.7	4.3
Total dividends accrued and paid	**14.1**	**4.3**

Final dividends proposed but not recognised at year end

A$m	Parent entity	
	2022	2021
2022: 1.4 cents (2021: Nil cents) per ordinary share franked to 100%	6.9	–

Franked dividends

Franking credits available at 30 June 2022 comprised:

A$m	Consolidated		Parent entity	
	2022	2021	2022	2021
Franking credits available for subsequent financial years based on a tax rate of 30% (2021: 30%)	54.2	50.4	54.2	50.4

The above amounts are calculated from the balance of the franking account as at the end of the reporting period, adjusted for franking credits and debits that will arise from the settlement of liabilities or receivables for income tax and dividends after the end of the year. The consolidated amounts include franking credits that would be available to the parent entity if distributable profits of subsidiaries were paid as dividends.

20. EARNINGS PER SHARE

ACCOUNTING POLICY

Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to equity holders of the Company less preference dividends accrued or paid,
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

a) Earnings per share

Cents	2022	2021
Total basic earnings per share attributable to the ordinary equity shareholders of the Company	(35.2)	12.0
Total diluted earnings per share attributable to the ordinary equity shareholders of the Company	(35.2)	12.0

b) Reconciliation of earnings used in calculating earnings per share

A$m	2022	2021
(Loss)/profit attributable to the ordinary equity shareholders of the Company used in calculating basic and diluted earnings per share		
(Loss)/profit for the year	(170.3)	60.1
Less: preference share dividend (net of tax)	(4.0)	(3.0)
(Loss)/profit after preference share dividend	**(174.3)**	**57.1**

c) Weighted average number of ordinary shares

	2022	2021
Weighted average number of ordinary shares used in calculation of basic earnings per share	494,934,419	475,548,907
Add: potential ordinary shares considered dilutive	–	–
Weighted average number of ordinary shares used in calculating diluted earnings per share	494,934,419	475,548,907

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorisation of these financial statements.

INFORMATION CONCERNING THE CLASSIFICATION OF SECURITIES

Options, performance rights and deferred STI rights

Options and performance rights granted to employees under the Group's LTIP, disclosed in note 22, are considered to be potential ordinary shares. They have not been included in the determination of diluted earnings per share as the required market and non-market hurdles are unlikely to be met based on the Group's performance up to the reporting date. The options and performance rights have also not been included in the determination of earnings per share.

$0.1m deferred STI rights granted to employees under the **humm**group incentive plan were on issue at 30 June 2022 (2021: $Nil).

21. CASH FLOW INFORMATION

ACCOUNTING POLICY

For the purpose of presentation in the Consolidated statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash.

Included in cash at bank was $168.3m (2021: $110.6m) which is held as part of the Group's funding arrangements and is not available to the Group. The restricted cash balances are distributed to various parties at a future date and are not available to the Group for any other purpose.

A$m	**2022**	**2021**
Restricted cash at bank on hand	168.3	110.6
Unrestricted cash at bank and on hand	112.7	107.6
Total cash at bank and on hand	**281.0**	**218.2**

a) Reconciliation of profit after income tax to net cash inflow from operating activities

A$m	**2022**	**2021**
Net (loss)/profit for the year after tax	(170.3)	60.1
Receivables and loan impairment expenses	63.4	58.7
Depreciation and amortisation	37.2	25.8
Impairment of goodwill and other intangible assets	207.5	–
Held for sale investment in associate: earning, impairment and profit on sale adjustment	–	5.5
Share-based payment expense	0.9	2.7
Exchange differences	0.3	–
Other non-cash movements	–	1.6
Net cash inflows from operating activities before changes in operating assets and liabilities	**139.0**	**154.4**
Change in operating assets and liabilities:		
(Increase) in receivables, customer loans and chattel loans	(636.3)	(263.1)
(Increase)/decrease in current tax receivables	(5.4)	1.7
Increase/(decrease) in payables, contract liabilities and provisions	8.9	(3.1)
(Increase)/decrease in inventories	(1.1)	0.9
Decrease in current tax liabilities	(6.4)	(3.3)
(Increase)/decrease in net deferred tax	(19.6)	1.9
Net cash outflows from operating activities	**(520.9)**	**(110.6)**

b) Net debt reconciliation

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented.

A$m	2022	2021
Cash and cash equivalents	281.0	218.2
Borrowings – repayable within 1 year	(829.1)	(684.0)
Borrowings – repayable after 1 year	(2,196.4)	(1,722.5)
Lease liabilities – repayable within 1 year	(2.6)	(3.6)
Lease liabilities – repayable after 1 year	(13.4)	(15.2)
Net debt	**(2,760.5)**	**(2,207.1)**
Cash and liquid investments	281.0	218.2
Gross debt – fixed interest rates	(16.0)	(18.8)
Gross debt – variable interest rates	(3,025.5)	(2,406.5)
Net debt	**(2,760.5)**	**(2,207.1)**

A$m	Cash at bank	Borrowings* and lease liabilities due within 1 year	Borrowings* and lease liabilities due after 1 year	Total
Net debt as at 1 July 2020	**157.5**	**(1,095.9)**	**(1,242.3)**	**(2,180.7)**
Cash flows	61.5	406.7	(499.4)	(31.2)
Foreign exchange adjustments	(0.8)	1.6	4.0	4.8
Net debt as at 30 June 2021	**218.2**	**(687.6)**	**(1,737.7)**	**(2,207.1)**
Cash flows	65.2	(146.7)	(475.1)	(556.6)
Foreign exchange adjustments	(2.4)	1.6	4.0	3.2
Net debt as at 30 June 2022	**281.0**	**(832.7)**	**(2,208.8)**	**(2,760.5)**

* Borrowings are secured by receivables.

22. SHARE-BASED PAYMENTS

ACCOUNTING POLICY

The fair value of share-based compensation arrangements are recognised as employment expenses in the Consolidated statement of comprehensive income with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the relevant party becomes unconditionally entitled to the instruments.

Fair values at grant date are independently determined using a Monte Carlo or Binomial Tree option pricing methodology that takes into account the exercise price, the term of the options or share rights, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the options.

The fair value of the instruments granted is adjusted to reflect market vesting conditions but excludes the impact of any non-market vesting conditions (for example, earnings per share and return on equity targets). Non-market vesting conditions are included in assumptions about the number and value of instruments that are expected to become exercisable. The share-based payment expense recognised each period takes into account the most recent estimate. Upon the exercise of instruments, the balance of the share-based payments reserve relating to those instruments is transferred to share capital and the proceeds received (if any), net of any directly attributable transaction costs, are credited to share capital.

The Group's share-based payment arrangements are considered equity settled plans, as they are fulfilled through the delivery of a fixed number of equity instruments.

LONG-TERM INCENTIVE PLAN

hummgroup's Long Term Incentive Plan ("LTIP") was approved by the founding shareholders on 20 November 2006, and subsequently updated on 4 October 2019. The LTIP is designed to provide relevant employees with an incentive for future performance, with conditions for the vesting and exercise of options and performance rights and under the LTIP encouraging those executives to remain with **humm**group and contribute to the future performance of the Company. Under the plan, participants are granted either an option or right, which only vests if certain performance standards are met.

The Board may determine which persons will be eligible to participate in the LTIP from time to time. Eligible persons may be invited to apply to participate in the LTIP. The Board may in its discretion accept such applications.

For the FY22 grant, the Board determined that Options would be granted to the CEO, KMP and key senior executives and be subject to two performance measures, based on Actual Share Price ("ASP") and Earnings Per Share ("EPS") over a three-year performance period from 1 July 2021 to 30 June 2024. The Board believes it is appropriate as market conditions start to normalise to have an LTIP consisting of two performance measures incorporating a three-year performance period. The key features of the LTIP will be:

- That the strike price will be determined based on a 10-trading day volume weighted average price ("VWAP") up to and including 30 June 2021 with a 20% price premium applied; and
- That the vesting will be subject to testing performance measurement taken at 20-day VWAP post results announcement for year ending 30 June 2024.

Options will be eligible to vest following the end of the three-year performance period (once the Board tests the performance conditions based on audited results), with two thirds vesting immediately and one third subject to a 12 month deferral period with a tenure condition.

The table below shows options, performance rights, sign on incentive and deferred STI rights granted under the different plans:

Consolidated and Parent Entity – 2022

Tranche	Grant date	Expiry date	Exercise price	Balance at start of the period	Granted during the period	Exercised during the period	Forfeited during the period	Balance at end of the period	Vested and exercisable at the end of the period
				Number					
Performance rights									
Tranche 5	27/11/2017	15/03/2022	$0.00	292,595	–	–	(292,595)	–	–
Tranche 6	15/11/2018	15/03/2023	$0.00	528,846	–	–	–	528,846	–
Tranche 6	16/05/2019	15/03/2023	$0.00	340,520	–	–	(266,480)	74,040	–
Share options									
2021 LTIP	19/11/2020	19/11/2025	$1.38	2,000,000	–	–	–	2,000,000	–
	30/11/2020	30/11/2025	$1.38	6,634,047	–	–	(2,130,152)	4,503,895	–
2021 LTIP	21/09/2021	30/09/2024	$1.21	–	6,330,558	–	(857,600)	5,472,958	–
	21/09/2021	30/09/2025	$1.21	–	3,118,036	–	(422,400)	2,695,636	–
	27/01/2022	30/09/2024	$1.21	–	305,739	–	–	305,739	–
	27/01/2022	30/09/2025	$1.21	–	150,588	–	–	150,588	–
Deferred STI									
2021 Deferred STI	04/09/2021	03/09/2022	$0.00	–	94,417	–	–	94,417	–
	04/09/2021	03/09/2023	$0.00	–	309,929	(57,333)	(28,686)	223,910	–
Total				**9,796,008**	**10,309,267**	**(57,333)**	**(3,997,913)**	**16,050,029**	**-**
Weighted average exercise price				$1.22	$1.16	$0.00	$1.09	$1.21	

Consolidated and Parent Entity – 2021

Tranche	Grant date	Expiry date	Exercise price	Balance at start of the period	Granted during the period	Exercised during the period	Forfeited during the period	Balance at end of the period	Vested and exercisable at the end of the period
				Number					
Performance rights									
Tranche 5	27/11/2017	15/03/2022	$0.00	502,612	–	(210,017)	–	292,595	–
Tranche 6	15/11/2018	15/03/2023	$0.00	528,846	–	–	–	528,846	–
Tranche 6	16/05/2019	15/03/2023	$0.00	520,026	–	(179,506)	–	340,520	–
Share options									
Transformational LTIP (TIP) – EPS	18/11/2019	18/11/2025	$2.00	5,171,766	–	(1,469,854)	(3,701,912)	–	–
	06/03/2020	18/11/2025	$2.00	935,363	–	(133,623)	(801,740)	–	–
	23/03/2020	18/11/2025	$2.00	60,002	–	–	(60,002)	–	–
	21/07/2020	18/11/2025	$2.00	–	356,328	–	(356,328)	–	–
TIP – ASP	18/11/2019	18/11/2025	$2.00	6,895,692	–	(1,959,805)	(4,935,887)	–	–
	06/03/2020	18/11/2025	$2.00	1,247,148	–	(178,164)	(1,068,984)	–	–
	23/03/2020	18/11/2025	$2.00	79,998	–	–	(79,998)	–	–
	21/07/2020	18/11/2025	$2.00	–	475,104	–	(475,104)	–	–
TIP – ROE	18/11/2019	18/11/2025	$2.00	5,171,771	–	(1,469,854)	(3,701,917)	–	–
	06/03/2020	18/11/2025	$2.00	935,361	–	(133,623)	(801,738)	–	–
	23/03/2020	18/11/2025	$2.00	60,000	–	–	(60,000)	–	–
	21/07/2020	18/11/2025	$2.00	–	356,328	–	(356,328)	–	–
2021 LTIP	19/11/2020	19/11/2025	$1.38	–	2,000,000	–	–	2,000,000	–
	30/11/2020	30/11/2025	$1.38	–	6,634,047	–	–	6,634,047	–
Total				**22,108,585**	**9,821,807**	**(5,734,446)**	**(16,399,938)**	**9,796,008**	**–**
Weighted average exercise price				$1.86	$1.38	$1.86	$2.00	$1.22	

The weighted average remaining contractual life of performance, deferred STI and sign on incentive rights outstanding at the end of the year was 1.51 years (2021: 1.19 years).

2022 LTIP – SHARE OPTIONS

On 21 September 2021, the Board granted options to the CEO, KMP and key senior executives. The share options will vest according to achievement against ASP share price and EPS hurdles of **humm**group following the FY24 annual results announcement in accordance with the following tranches:

Share Price Hurdle – 50% weighting

The Vesting schedule below sets out the number of Options in the Share Price Hurdle tranche that may Vest:

Share price at the end of the performance period	Vesting schedule
< $1.25	Nil
$1.25	33%
$1.25 to $2.25	Straight line vesting between 33% - 100%
> $2.25	100%

EPS Hurdle – 50% weighting

The Vesting schedule below sets out the number of Options in the EPS Hurdle tranche that may Vest:

EPS CAGR at the end of the performance period	Vesting schedule
< 15%	Nil
15%	33%
15% - 25%	Straight line vesting between 33% - 100%
> 25%	100%

EPS CAGR is calculated based on the compound annual growth in EPS from 30 June 2021 to 30 June 2024.

EPS is determined on a Cash NPAT basis, derived from statutory net profit after tax adjusting for the amortisation of acquired intangibles and material infrequent items.

EPS is calculated as Cash NPAT divided by the weighted average number of shares on issue.

The fair value at grant date (21 September 2021) for the CEO was determined to as $338,300, and the fair value granted to other participants (21 September 2021) was determined as $1,356,887. Fair value was independently determined using a Monte Carlo simulation for market-based hurdles that takes into account the strike price, the term of the performance options, the impact of dilution, the share price at grant date and the expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the performance options.

The model inputs for 2022 LTIP options granted during the year ended 30 June 2022 included:

- Exercise price: $1.21
- Grant date: 21 Sep 2021, 27 Jan 2022
- Expiry date: 21 Sep 2027, 27 Jan 2028
- Share price at grant date: 21 Sep 2021: $0.79, 27 Jan 2022: $0.785
- Expected price volatility* of the Company's shares: 53%
- Expected dividend yield: 0%, 3.5%
- Risk-free interest rate: 0.52%, 0.62%

** The expected volatility was determined by considering the historic volatility of the market price of **humm**group's shares, and the mean reversion tendency of volatilities.*

2021 DEFERRED STI

Under the FY21 deferred STI grant, 33% of the CEO's award was deferred into restricted shares, of which 50% is subject to a one-year deferral and the remaining 50% subject to a two-year deferral. Other executive KMP had 25% of their STI award deferred into restricted shares of which 100% was subject to a two-year deferral.

The Chief Customer Growth Officer and Deputy CEO, Chris Lamers, resigned effective 6 May 2022. Duties and responsibilities associated with this role have transitioned to the CEO. In connection with Mr Lamers' resignation, the Board exercised discretion to accelerate vesting of Mr Lamers' on-foot FY21 STI deferred component of 57,333 **humm**group shares to be released upon cessation of employment. The Board made the decision to accelerate vesting of Mr Lamers' FY21 deferral as part of a termination agreement to recognise Mr Lamers' continued employment for nearly the entire performance period and contributions to **humm**group's financial success throughout the year.

The model inputs for 2021 Deferred STI shares granted during the year ended 30 June 2022 included:

- Exercise price: nil
- Grant date: 4 Sep 2021
- Expiry date: 3 Sep 2022, 3 Sep 2023
- Share price at grant date: $0.945

2021 LTIP – SHARE OPTIONS

The model inputs for 2021 LTIP options granted during the year ended 30 June 2021 included:

- Exercise price: $1.38
- Grant date: 19 Nov 2021, 30 Nov 2021
- Expiry date: 19 Nov 2025 and 30 Nov 2025
- Share price at grant date: 19 Nov 2021: $1.13, 30 Nov 2021: $1.265
- Expected price volatility* of the Company's shares: 53%
- Expected dividend yield: 0%
- Risk-free interest rate: 0.15%

** The expected volatility was determined by considering the historic volatility of the market price of **humm**group's shares, and the mean reversion tendency of volatilities.*

TRANCHE 6 (2019 GRANTS) – PERFORMANCE RIGHTS

For performance rights issued on 16 May 2019 and 15 November 2019, Tranche 6, the fair values at grant date were independently determined using a binomial tree option pricing methodology that takes into account the exercise price the term of the performance rights, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the performance rights.

The model inputs for performance rights granted during the year ended 30 June 2019 included:

- Exercise price: nil
- Grant date: 15 November 2018 and 16 May 2019
- Expiry date: 15 March 2023
- Share price at grant date: $1.51 and $1.95
- Expected price volatility of the Company's shares: 40%
- Expected dividend yield: 4.2%
- Risk-free interest rate: 2.2%

SIGN ON INCENTIVE RIGHTS

In 2022 and 2021 nil ordinary shares in the Company were issued as a result of the exercise of any remuneration performance and sign on incentive rights.

EMPLOYEE SHARE PLAN

The Employee Share (Taxed Upfront) Plan ("ESP") is a general employee share plan pursuant to which grants of shares may be offered to employees of **humm**group on terms and conditions as determined by the Board from time to time. Nil shares were issued under this plan in 2022 and 2021.

The Board is responsible for administering the ESP in accordance with the ESP Rules and the terms and conditions of specific grants of shares to participants in the ESP. The ESP Rules include the following provisions:

Eligibility

The Board may determine which persons will be eligible to be offered the opportunity to participate in the ESP from time to time. The Board may make offers to eligible persons for participation in the ESP.

Terms of offer

The Board has the discretion to determine the specific terms and conditions applying to each offer, provided that the terms of the offer do not vary the disposal restrictions imposed on shares under the ESP Rules under which shares acquired under the ESP cannot be transferred, sold or otherwise disposed of until the earlier of:

- The time when the participant is no longer employed by the Group or by the company that was the employer of the participant as at the time the shares were acquired, or
- The third anniversary of the date on which the shares were acquired, and
- The offer does not include any provisions for forfeiture of shares acquired under the ESP in any circumstances.

Consideration for grant

The Board may determine the price at which the shares will be offered to an employee. Shares may be granted at no cost to the employee or the Board may determine that market value or some other price is appropriate.

Allocation of shares

Shares allocated under the ESP may be existing shares or newly issued shares. Allocated shares must be held in the name of the employee. Any shares that are issued under the ESP will rank equally with those traded on the ASX at the time of issue. A participant under the ESP is entitled to receive distributions/dividends made in respect of, and exercise voting rights attaching to, shares held under the ESP (whether or not the shares are subject to disposal restrictions).

Restrictions on shares

Shares acquired under the ESP will be subject to the disposal restrictions described above. **humm**group will implement such arrangements (including a holding lock) as it determines are necessary to enforce this restriction.

Once the restriction is removed, and subject to **humm**group's Securities Trading Policy, shares acquired under the ESP may be dealt with freely. Details of **humm**group's Securities Trading Policy are contained in the Corporate Governance Statement.

Employee gift offer

There were no employee gift offers in the year ended 30 June 2022 (2021: Nil).

EXPENSES ARISING FROM SHARE-BASED PAYMENT TRANSACTIONS

Total expenses arising from share-based payment transactions recognised during the period as part of employee benefit expense were as follows:

A$	2022	2021
Performance, sign-on incentive and deferred STI rights issued under LTIP	868,871	2,729,164

23. DERIVATIVE AND HEDGE ACCOUNTING

ACCOUNTING POLICY

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

The Group designates all derivatives held as at 30 June 2022 and 30 June 2021 as hedges of a particular risk associated with the cash flows of recognised liabilities and highly probable forecast transactions (cash flow hedges) or hedges of a net investment in a foreign operation (net investment hedges).

At the inception of the hedging transaction, the Group documents the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group has designated separate hedge groups for its interest rate exposures relating to the Commercial and Consumer portfolios. Derivatives have been executed to separately hedge its interest rate exposures in Australia and New Zealand. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items. All interest rate swaps used for hedging were 100% effective in offsetting changes in cash flows of the hedged items as at 30 June 2022.

The fair values of derivative financial instruments used for hedging purposes are disclosed below. Movements in the hedging reserve in shareholders' equity are shown in note 18.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in Other Comprehensive Income and accumulated in reserves in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss within other income or other expense.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for instance when the interest payment that is hedged takes place). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in profit or loss within interest expense.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately reclassified to profit or loss.

Changes in the fair value of any derivative instrument that do not qualify for hedge accounting are recognised immediately in profit or loss and are included in other income or other expenses.

In 2021, Flexirent Capital Pty Ltd (an Australian functional currency entity in the Australian Group) hedged its intercompany loan to the New Zealand foreign operation (denominated in New Zealand dollars) using forward exchange contracts. These were designated in hedge relationships as cash flow hedges of foreign exchange rates. These forward exchange contracts were cancelled in June 2022.

A$m	**2022**	**2021**
Interest rate swaps used for hedging	66.0	(18.9)
Forward exchange contracts[1]	–	0.6
Total	**66.0**	**(18.3)**

1. Forward exchange contracts were cancelled in June 2022.

RISK EXPOSURES AND FAIR VALUE MEASUREMENTS

Information about the Group's exposure to credit risk, foreign exchange and interest rate risk is provided in note 24 and about the methods and assumptions used in determining fair values is provided in note 25. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of derivative financial liabilities mentioned above.

24. FINANCIAL RISK MANAGEMENT

OVERVIEW

The Group's activities expose it to a variety of financial risks, being credit risk, liquidity risk and market risk (including foreign exchange risk and interest rate risk).

The Board is responsible for approving **humm**group's Risk Management Framework and strategy and determining the risk appetite within this. The Board is also responsible for monitoring the effectiveness of risk management within the framework.

The Board has delegated responsibility for financial and operational risk management to the Risk and Compliance Committee which assigns responsibility to the following Committees to oversee the management of financial risk.

Australia Consumer Credit Committee, New Zealand Credit Committee and Group Commercial Credit Committee – responsible for overseeing credit risk; and Asset and Liability Committee (ALCO) – responsible for managing liquidity and market risk.

hummgroup uses policies, risk limits and stress testing as a mechanism of managing risks within appetite. Monthly reporting of risk exposure against designated limits is reported to the designated credit committees and ALCO. Risk exposures outside of appetite are reported to the Risk and Compliance Committee and the Board.

a) Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its financial liabilities, including payments to customers, suppliers and other third parties, as required. The Risk and Compliance Committee oversees liquidity risk and delegates day to day responsibility to Group Treasury, under the responsibility of the Chief Financial Officer. Group Treasury ensures the Group has continuous access to funds in accordance with policies established and monitored by the Board.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities at all times and ensuring the availability of funding through an adequate amount of committed credit facilities. Surplus funds are only invested with highly rated banks in the countries in which the Group operates.

hummgroup's liquidity risk management is executed under its risk management policy which is designed to ensure that the Group maintains sufficient liquidity to meet its obligations as they fall due and ensure that cash liquidity is maintained and managed to prevent disruption to business activities. **humm**group's liquidity risk appetite is designed to ensure that the Group is able to meet all of its liquidity obligations during a period of liquidity stress over a twelve-month period and under a range of operating circumstances.

b) Funding risk

hummgroup develops a funding strategy for the Group on an annual basis and monitors progress against the strategy on an ongoing basis. The funding strategy aims to maintain a diversity of current and projected funding sources, ensure ongoing compliance with all risk management policy requirements and support forecast asset growth. The funding strategy is reviewed by ALCO, endorsed by the Risk and Compliance Committee and approved by the Board.

Undrawn credit lines

To mitigate against liquidity risk, the Group maintains cash reserves and committed undrawn credit facilities to meet anticipated funding requirements for new business and unexpected commitments. In addition, the Group can redraw against its committed credit limits if the principal outstanding is reduced including, in the case of recourse funding arrangements, through receipt of contractual amortisation payments. Details of unused available loan facilities are set out in note 15. Amounts due to funders are repaid directly through repayments received from the Group's customers.

Capital markets issuance

For the current year, the Group continued to access debt capital markets frequently and raised funding of $617.1m (2021: $911.8m) through the Australian asset-backed securitisation program and NZ$240m (2021: NZ$89.5m) through the New Zealand asset-backed securitisation program.

Loan covenants

The Group had no corporate debt outstanding at 30 June 2022 (2021: nil) and has complied with all corporate debt covenants throughout the reporting period.

Contractual maturity of financial liabilities on an undiscounted basis

The table below shows cash flows associated with financial liabilities including derivative financial liabilities within relevant maturity groupings based on the earliest date in which the Group may be required to pay.

Borrowings, which relate to corporate debt and wholesale debt facilities, have been presented based on the contractual obligations under the structures and expected repayment profile of finance lease receivables and customer loans.

The balances in the table will not agree to amounts presented in the Consolidated statement of financial position as amounts incorporate net cash flows on an undiscounted basis and include both principal and associated future interest payments.

It should be noted this is not how the Group manages its liquidity risk, which is detailed above.

A$m	Less than 1 year	1 to 2 years	2 to 5 years	5 years+	Total
At 30 June 2022					
Non-derivative financial liabilities					
Trade and other payables	51.9	–	–	–	51.9
Contract liabilities	11.5	–	–	–	11.5
Lease liabilities	3.5	3.7	8.6	3.3	19.1
Borrowings	885.9	1,043.5	1,280.4	4.7	3,214.5
Total undiscounted financial liabilities	**949.3**	**1,047.2**	**1,289.0**	**8.0**	**3,290.5**
At 30 June 2021					
Non-derivative financial liabilities					
Trade and other payables	56.2	–	–	–	56.2
Contract liabilities	7.8	–	–	–	7.8
Lease liabilities	3.4	3.6	10.8	5.1	22.9
Borrowings	725.9	946.0	824.0	5.6	2,501.5
Derivative financial instruments					
Interest rate swaps	7.6	6.1	4.4	0.2	18.3
Total undiscounted financial liabilities	**800.9**	**955.7**	**839.2**	**10.9**	**2,606.7**

c) Credit risk

Credit risk management

Credit risk is the risk that a contracting party will not complete its obligations under a financial instrument and, as a result, cause the Group to incur a financial loss. The Group has exposure to credit risk on all financial assets included in its Consolidated statement of financial position.

To manage credit risk, the Group has developed a comprehensive credit assessment process. Receivables, Customer loans and Chattel loans consist of lease and loan contracts provided to consumer and commercial customers. Credit underwriting typically includes the use of either an application scorecard and credit bureau report or a detailed internal risk profile review for each application, including a review of the customer against a comprehensive credit database. Internal credit review and verification processes are also used depending on the applicant.

A primary measure of delinquency used by the Group is the proportion of contracts with an outstanding payment that is 30, 60, 90+ days past due. The total principal owing on the contract is defined as the past due amount.

Counterparty risk is where the Group incurs credit exposures to banks as a consequence of hedging of interest rate risks. Credit limits for counterparties are based on external ratings and the Group manages and controls its credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and by monitoring exposures in relation to such limits. Determination of the fair value of the derivatives includes credit valuation adjustment ("CVA") to reflect the credit worthiness of the counterparty.

ACCOUNTING POLICY

The impairment requirements of AASB 9: Financial Instruments apply to the Group's finance lease receivables, chattel and customer loans measured at amortised cost. The model applies to on balance sheet financial assets, as well as off-balance sheet items such as undrawn loan commitments and undrawn committed credit facilities for the Group's revolving products. The carrying amount of the consolidated entity's financial assets represents the maximum credit exposure.

Model inputs

The Group has developed credit models at a product or sub-product level based on shared risk characteristics using a collectively assessed approach. Individually assessed provisions are considered for larger single name exposures.

The key model inputs used in measuring the ECL include:

- **Exposure at Default (EAD):** represents the estimated exposure in the event of a default. The EAD is estimated taking into consideration drawn position at reporting date, expected repayments and future drawdowns of unutilised commitments up to when the exposure is expected to default.
- **Probability of Default (PD):** The development of PDs for retail exposures is developed at a product or sub-product level considering shared credit risk characteristics. In calculating the PD, 3 to 5 years of historical delinquency transition matrices are used to develop a point in time PD estimate. For commercial exposures external customer scorecard data is applied to derive PDs.
- **Loss Given Default (LGD):** The LGD is the magnitude of the expected credit loss in a default event. The LGD is estimated using 3 years of historical recovery and 3 to 5 years of cure rate experience.

Three-stage approach

Under the ECL model, the Group applies a three-stage approach to measuring the ECL based on credit migration between the stages. ECL is modelled collectively for portfolios of similar exposures (products or sub-products). It is measured as the product of the PD, the LGD and the EAD and includes forward-looking or macroeconomic information. The calculation of ECL requires judgement, and the choice of inputs, estimates and assumptions used involves uncertainty at the time that they are made. Outcomes within the next financial period that are different from management's assumptions and estimates could result in changes to the timing and amount of ECL to be recognised.

- **Stage 1: 12-month ECL – No significantly increased credit risk**
  Financial instruments that have not had a significant increase in credit risk ("SICR") since initial recognition require, at initial recognition, a provision for ECL associated with the PD events occurring within the next 12 months ("12-month ECL"). For those financial assets with a remaining maturity of less than 12 months, a PD is used that corresponds to the remaining maturity.
- **Stage 2: Lifetime ECL – Significantly increased credit risk**
  In the event of a SICR since initial recognition, a provision is required for the lifetime ECL representing losses over the life of the financial instrument ("lifetime ECL"). Lifetime ECL references exposures that are at least 30 days past due. For revolving facilities, the Group exercises judgement based on the behavioural maturity, rather than contractual characteristics of the facility type.
- **Stage 3: Lifetime ECL – Defaulted**
  Financial instruments that move into Stage 3 once credit impaired and will require a lifetime provision. This stage references exposures that are at least 90 days past due. Significant increase in credit risk.

Macroeconomic scenarios

The assessment of credit risk, and the estimation of ECL, will be unbiased and probability weighted, and incorporate all available information relevant to the assessment, including information about past events, current conditions and reasonable and supportable information about future events and economic conditions at the report date. The Group has established a process whereby forward-looking macroeconomic scenarios and probability weightings are developed for ECL calculation purposes. The final probability weighted ECL amount will be calculated from a Central Estimate, Best Case and a Worst Case scenario.

Method of determining SICR

A financial asset moves from Stage 1 to Stage 2 when there is a SICR since initial recognition.

The Group applies a combination of quantitative and qualitative factors to assess whether a SICR has occurred. These include:

- Forbearance status; including requests for repayment relief coupled with risk indicators in bureau data and relevant application attributes such as employment type, employment tenure and disposable income that indicate higher risk of default;
- Watch list status: loans on the watch list are individually assessed for Stage 2 classification; and
- More than 30 days past due backstop for Stage 1 to Stage 2 transfers.

SICR, which requires judgement, is used to determine whether an exposure's credit risk has increased significantly and requires higher PD factors.

Definition of default

Default is generally defined as the point when the borrower is unlikely to pay its credit obligations in full or the borrower is more than 90 days past due.

Modification of financial assets

The Group sometimes modifies the terms of leases or customer loans provided to customers due to commercial renegotiations with a view to maximising recovery.

Such restructuring activities include extended payment term arrangements, payment holidays, and payment forgiveness and are based on indicators or criteria which, in the judgement of management, indicate the payments will most likely continue. The policies are kept under continuous review.

Write-off policy

The Group writes off financial assets in whole or in part when it has exhausted all practical recovery efforts and/or the assessed cost of further recovery action is considered prohibitive or uneconomical. The Group has a pre-defined work-out strategy for late stage arrears including insourced collection activities, outsourced collection activities and debt sales.

Indicators that there is no reasonable expectation of recovery include:

i) ceasing enforcement activity due to, for example, bankruptcy, fraud, compliance issues, debt being uneconomical to pursue; and

ii) realisation of the security to recover remaining outstanding amounts beyond which amounts are deemed unrecoverable; and

iii) sale of debt to external parties beyond earlier work-out strategies.

Products are written off at pre-defined points of late stage arrears, except where further investigation is underway or opportunities for recovery still exist. These are:

- Revolving cards products – 180 days in arrears
- BNPL products – 120 days in arrears
- Leasing products – 120 days in arrears

Forward-Looking Information ("FLI")

FLI is incorporated in calculating ECL for both consumer business and commercial business.

a) Consumer business

The Group has identified a number of key indicators that are considered in modelling the ECL, the most significant of which is unemployment rate. The predicted relationships between these key indicators and the key model inputs in measuring the ECL have been developed by analysing historical data as part of the model build, calibration and validation process. These indicators are assessed at least semi-annually with input from Group Treasury who recommend scenarios and the probability weighted assessment of these. Three possible scenarios are applied in FLI, Central estimate, Best Case, Worst Case. The forward-looking inputs and model scenarios are applied either to the product specific PD factors or incorporated in a market specific macro overlay provision. Final determination of FLI is based on a combination of publicly available data (range of market economists and official data sources) and internal forecasts/judgements. The Group's ALCO provides ultimate approval for FLI inputs and the Group Credit Risk Committees approve all provision overlays.

ECL measurement uncertainties

hummgroup has followed a consistent approach to FLI to previous years, incorporating Central estimate, Best Case and Worst Case scenarios using external consensus on forecast economic metrics assembled from key sources to arrive at the macro-economic overlay. There is a shift in the Central estimate in probability weighted base scenario to 60% (2021:50%), best case scenario to 10% (2021:10%) and worst case scenario to 30% (2021:40%). As for scalar factors, it has remained unchanged from 30 June 2021.

The impacts of COVID-19 disruptions have reduced during the second half of FY22 with high vaccination rates and high levels of immunity to the virus. Retail outlets, hospitality and aviation are starting to return to business as usual trading and the risks of future disruptions from COVID-19 have reduced. However, the Australian and NZ economies will continue to face headwinds such as high inflation, higher interest rates and challenges with supply chain.

The key assumptions applied for Australia and New Zealand macro-economic overlay are set out below:

Scenario	Weighting	Expectation
Central Estimate A 100% weighting to this scenario would result in a decrease to total ECL provision on balance sheet at the reporting date of ~$1.6m	60% probability (50% probability in 2021)	The base case scenario uses forecasts from five reputable economists and reflects an up-to-date macroeconomic view. Forecasts consider both the economic and societal impacts of COVID-19, high inflation and low unemployment. Monetary policies continue to tighten in both Australia and NZ to counter the impacts of higher inflation. The base case scenario assumes higher interest rates and higher unemployment **Australia:** The current benign unemployment rate of 3.5% to increase slightly to 3.6% by December 2023. **New Zealand:** The current benign unemployment rate of 3.2% to increase to 3.6% by December 2023.
Best Case A 100% weighting to this scenario would result in a decrease total ECL provision on balance sheet at the reporting date of ~$6.6m	10% probability (10% probability in 2021)	The scenario assumes no further negative impacts from COVID-19, and limited negative impacts from high inflation and higher interest rates.
Worst Case A 100% weighting to this scenario would in an increase total ECL provision on balance sheet at the reporting date of ~$5.0m	30% probability (40% probability in 2021)	The downside scenario is a more severe scenario with expected credit losses higher than those under the current base case scenario. The more severe loss outcome for the downside is generated under a scenario in which the combination of higher interest rates and an increase in the unemployment rate simultaneously impact expected credit losses across all portfolios from the reporting date. Worst case sees unemployment at 3.9% for AU and 3.8% for New Zealand in December 2023. The assumptions in this scenario and relativities to the base case scenario will be monitored having regard to the emerging economic conditions and updated where necessary.

b) Commercial business

The Group incorporated both market specific macro-overlay provision, historical loss rate, and the coverage rate to predict the forward-looking information. Furthermore, the Group updated its baseline provision model in the year to reference external customer level origination PD data, replacing long run historical PD experience. This is deemed to be a better fit for the commercial exposures on balance sheet as the business mix has changed in recent years. Consistent with prior year, the Group individually reviews the ECL for Commercial customers showing signs of stress with exposure over $75,000 and determines a watch list overlay provision required. The Group also considers any high-risk specific portfolio exposures and recognises ECL provision overlays based on expected outcomes over the remaining loan term.

As part of the work out strategy for impaired finance lease receivables, **humm**group has a right to recover the leased asset. For chattel mortgages **humm**group has access to the collateral equipment being financed. In certain circumstances, guarantees are also provided by Directors and Related parties to the financial arrangement.

Given the portfolio contains a large number of small accounts, it is not practical to assess the value of the collateral.

Drivers of loan impairment charge

The table below disaggregates Receivables and Customer loan impairment expense, disclosed in the Consolidated statement of comprehensive income, including both ECL provision movements and net write-offs (gross bad debt less recoveries):

A$m	2022	2021
Net loss[1]	**82.0**	**88.9**
Macro and watchlist overlay	(3.8)	(18.9)
Hardship overlay charge	(4.2)	(1.5)
Model overlays	(2.1)	(1.5)
Baseline provision movement	(8.5)	(8.3)
ECL provision movement	**(18.6)**	**(30.2)**
Credit impairment charge	**63.4**	**58.7**

1. Net loss comprises of gross writes offs less bad debt recoveries.

ECL PROVISION AT BALANCE DATE

Expected Credit Losses

The table below presents the gross exposure and related ECL allowance for each class of asset and off-balance sheet item subject to impairment requirements of AASB 9:

	As at 30 June 2022			As at 1 July 2021 (Restated)*		
A$m	Gross	ECL allowance	Net	Gross	ECL allowance	Net
Finance lease receivables	219.8	(4.3)	215.5	223.3	(8.7)	214.6
Customer loans	1,788.3	(58.7)	1,729.6	1,865.1	(82.0)	1,783.1
Chattel loans	1,313.4	(35.5)	1,277.9	668.6	(24.8)	643.8
Total receivables excluding other debtors	**3,321.5**	**(98.5)**	**3,223.0**	**2,757.0**	**(115.5)**	**2,641.5**
Undrawn exposure on customer loans	–	(10.1)	(10.1)	–	(12.5)	(12.5)
Total	**3,321.5**	**(108.6)**	**3,212.9**	**2,757.0**	**(128.0)**	**2,629.0**

** Comparative information has been restated to align the presentation with the current period in respect of the reclassification from Receivables to Chattel Loans and reclassification of Contract Liabilities from Gross customer loans.*

Receivables, customer loans and chattel loans

The majority of the Group's lease and loan receivable balances are high volume low value lease and loan receivables advanced to individual customers and small businesses. In the vast majority of cases no externally assessed credit rating is available for these counterparties. The ECL allowance as a percentage of gross carrying amount was determined as follows:

30 June 2022

A$m	Stage 1	Stage 2	Stage 3	Total
Finance lease receivables				
Expected loss rate	1%	32%	66%	2%
Gross carrying amount	250.0	1.8	1.5	253.3
Loss allowance	**2.7**	**0.6**	**1.0**	**4.3**
Customer loans				
Expected loss rate	2%	34%	73%	4%
Gross carrying amount	1,790.9	49.7	22.1	1,862.7
Loss allowance	**35.5**	**17.0**	**16.2**	**68.8**
Chattel loans				
Expected loss rate	2%	36%	100%	2%
Gross carrying amount	1,549.4	9.9	2.7	1,562.0
Loss allowance	**29.2**	**3.6**	**2.7**	**35.5**

30 June 2021 (Restated)*

A$m	Stage 1	Stage 2	Stage 3	Total
Finance lease receivables				
Expected loss rate	1%	22%	70%	3%
Gross carrying amount	265.6	1.8	6.7	274.1
Loss allowance	**3.5**	**0.4**	**4.7**	**8.6**
Customer loans				
Expected loss rate	2%	44%	78%	5%
Gross carrying amount	1,864.9	57.6	29.0	1,951.5
Loss allowance	**46.7**	**25.2**	**22.6**	**94.5**
Chattel loans				
Expected loss rate	2%	23%	84%	3%
Gross carrying amount	779.5	8.4	5.5	793.4
Loss allowance	**18.5**	**1.9**	**4.6**	**25.0**

* *Comparative information has been restated to align the presentation with the current period in respect of the reclassification from Receivables to Chattel Loans and reclassification of Contract Liabilities from Gross customer loans.*

The following table explains the movement in gross carrying amount between the beginning and the end of the reporting period:

30 June 2022

A$m	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Gross carrying amounts as at 1 July 2021	**2,910.0**	**67.8**	**41.2**	**3,019.0**
Movements with P&L impact				
Net transfers to/(from):				
Stage 1	(48.8)	32.0	16.8	–
Stage 2	15.3	(13.3)	(2.0)	–
Stage 3	6.1	1.1	(7.2)	–
Net of new financial assets and repayments during the year	770.7	(0.5)	3.2	773.4
FX movements	20.1	0.5	0.3	20.9
Write-offs	(83.1)	(26.2)	(26.0)	(135.3)
Gross carrying amount as at 30 June 2022	**3,590.3**	**61.4**	**26.3**	**3,678.0**

30 June 2021 (Restated)*

A$m	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Gross carrying amounts as at 1 July 2020	**2,617.5**	**89.3**	**55.8**	**2,762.6**
Movements with P&L impact				
Net transfers to/(from):				
Stage 1	(79.9)	61.3	18.6	–
Stage 2	28.7	(34.0)	5.3	–
Stage 3	9.5	3.1	(12.6)	–
Net of new financial assets and repayments during the year	390.0	(20.5)	5.9	375.4
FX movements	2.7	0.1	0.1	2.9
Write-offs	(58.5)	(31.5)	(31.9)	(121.9)
Gross carrying amount as at 30 June 2021	**2,910.0**	**67.8**	**41.2**	**3,019.0**

** Comparative information has been restated to align the presentation with the current period in respect of the reclassification from Receivables to Chattel Loans and reclassification of Contract Liabilities from Gross customer loans.*

The following table explains the changes in loss allowance between the beginning and the end of the reporting period:

30 June 2022

A$m	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Loss allowance as at 1 July 2021	**68.7**	**27.5**	**31.8**	**128.0**
Movements with P&L impact				
Net transfers to/(from):				
Stage 1	(1.3)	11.7	13.2	23.6
Stage 2	0.4	(6.0)	3.0	(2.6)
Stage 3	0.2	0.4	(5.5)	(4.9)
New financial assets originated or purchased	25.0	6.5	3.3	34.8
Changes in PDs/LGDs/EADs	(2.2)	(6.0)	0.5	(7.7)
Macro, watchlist and hardship overlays	(5.7)	(1.1)	(2.1)	(8.9)
FX movements	(0.7)	(0.2)	(0.3)	(1.2)
Write-offs	(16.9)	(11.6)	(24.0)	(52.5)
Loss allowance as at 30 June 2022	**67.5**	**21.2**	**19.9**	**108.6**

30 June 2021

A$m	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Loss allowance as at 1 July 2020	**79.7**	**38.4**	**39.8**	**157.9**
Movements with P&L impact				
Net transfers to/(from):				
Stage 1	(1.6)	13.7	12.7	24.8
Stage 2	0.9	(13.2)	4.0	(8.3)
Stage 3	0.3	1.1	(8.4)	(7.0)
New financial assets originated or purchased	28.6	7.0	2.2	37.8
Changes in PDs/LGDs/EADs	(15.8)	10.6	3.9	(1.3)
Macro, watchlist and hardship overlays	(5.5)	(14.9)	-	(20.4)
FX movements	(0.1)	-	-	(0.1)
Write-offs	(17.8)	(15.2)	(22.4)	(55.4)
Loss allowance as at 30 June 2021	**68.7**	**27.5**	**31.8**	**128.0**

d) Market risk

Market risk is the risk of an adverse impact on Group earnings resulting from changes in market factors, such as interest rates and foreign exchange rates.

The Group uses interest rate swaps to hedge interest rate exposures from borrowings. Derivatives are exclusively used for hedging purposes and in no circumstances are used as trading or other speculative instruments. The Group uses forward exchange contracts to hedge foreign exchange exposure from intercompany borrowings in non-functional currencies.

Market risk management is overseen by the Risk and Compliance Committee, with day-to-day responsibility assigned to Group Treasury, under the management of the Chief Financial Officer.

i) Interest rate risk

Interest rate risk results principally from the repricing risk or differences in the repricing characteristics of the Group's receivable portfolio and borrowings.

The Group's lease receivables, chattels and customer loans consist of:

- fixed rate consumer and commercial instalment lease contracts. The interest rate is fixed for the life of the contract. Lease contracts are typically originated with maturities ranging between one and five years and generally require the customer to make equal monthly payments over the life of the contract. The majority of right are funded within two weeks of being settled with the rental stream discounted at a fixed rate of interest to determine the borrowing amount.
- an interest free consumer loan portfolio where the payments are fixed for the term of the loan; and/or
- revolving credit card portfolios where the payments may vary for the term of the loan.

Borrowings to fund the receivables are predominately variable rate borrowings where the rates are reset regularly to current market rates. Interest rate risk is managed on these borrowings by entering into interest rate swaps, whereby the Group pays a fixed rate and receives a floating rate.

The contracts require settlement of net interest receivable or payable monthly. The settlement dates coincide with the dates on which interest is payable on the underlying debt. The gain or loss from remeasuring the hedging instruments at fair value is recognised in other comprehensive income and deferred in equity in the hedging reserve, to the extent that the hedge is effective. It is reclassified into the Consolidated statement of comprehensive income if the hedging relationship ceases. In the year ended 30 June 2022, nil amounts were reclassified into profit or loss (2021: $Nil) and included in interest expenses. There was no material hedge ineffectiveness in the current or prior year.

At the end of the reporting period, the Group had the following variable rate borrowings outstanding:

A$m	Weighted average interest rate %	2022	Weighted average interest rate %	2021
Floating rate borrowings	1.36	3,025.1	1.93	2,404.7
Interest rate swaps (notional principal amount)	1.25	(2,338.5)	1.03	(1,389.0)
Unhedged variable borrowings		**686.6**		**1,015.7**

Interest rate risk sensitivity analysis

The analysis demonstrates the impact of 200 basis point change in interest rates, with all other variables held constant. A sensitivity level of +/-200 basis point change is determined considering the range of interest rates applicable to the following variable rate financial assets and financial liabilities in the Group:

A$m	2022	2021
Credit card customer loans	599.9	636.0
Cash and cash equivalents	281.0	218.2
Floating rate borrowings	3,025.1	2,404.7
Interest rate swaps (notional principal amount)	(2,338.5)	(1,389.0)

Based on the variable rate financial assets and financial liabilities held at 30 June 2022, if interest rates had changed by, +/- 200 basis points from the year-end rates with all other variables held constant, the impact on the Group's after-tax profits and equity on above exposures would have been $2.7m higher/$2.7m lower (2021: $2.3m lower /$2.3m higher).

Cash flow hedges

The Group hedged 77% (2021:58%) of the variability in future cash flows attributable to the interest rate risk on floating rate borrowings using interest rate swaps. There were no forecast transactions for which cash flow hedge accounting had to be ceased as a result of the forecast transaction no longer being expected to occur in the current or prior period.

ii) Foreign exchange risk

Foreign exchange risk results from an impact on the Group's profit after tax and equity from movements in foreign exchange rates.

Changes in value would occur in respect of translating the Group's capital invested in overseas operations into Australian dollars at the reporting date (translation risk).

Currently the Group's only material exposure to this risk arises from its investment in its New Zealand and Ireland businesses. The foreign exchange gain or loss on translation of the investment in foreign subsidiaries to Australian dollars at the end of the reporting period is recognised in other comprehensive income and accumulated in the foreign currency translation reserve, in shareholders' equity. The Group had small investments in newly established foreign operations being the UK and Canada at 30 June 2022.

In preparation for the sale of the Humm Consumer Finance business to Latitude, the Group exited the foreign currency hedge associated with the investment in its New Zealand business (2021: $30.0m). Given the termination of the sale, the Group will reassess the foreign currency exposure and re-establish the hedges as appropriate in the future.

25. FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Fair value reflects the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Quoted prices or rates are used to determine fair value where an active market exists. If the market for a financial instrument is not active, fair values are estimated using present value or other valuation techniques, using inputs based on market conditions prevailing on the measurement date. There were no transfers between levels for recurring fair value measurements during the year.

Fair value hierarchy

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

- **Level 1:** quoted prices (unadjusted) in active markets for identical assets or liabilities.
- **Level 2:** inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- **Level 3:** inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

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

2022

A$m	Notes	Carrying amount	Fair value	Level of Fair value hierarchy
Financial assets				
Receivables	8	219.8	217.8	**3**
Customer loans	8	1,729.6	1,729.6	**3**
Chattel loans	8	1,277.9	1,266.2	**3**
Financial liabilities				
Contract liabilities		11.5	11.5	**3**
Borrowings[1]				
Floating interest rate[1]		3,025.1	3,009.2	**2**
Fixed interest rate		0.4	0.4	**2**
Total borrowings	15	**3,025.5**	**3,009.6**	
Derivative financial instruments	23	**66.0**	**66.0**	

1. Refer to note 24 for further information on how the Group manages its interest rate risk.

2021 (Restated)*

A$m	Notes	Carrying amount	Fair value	Level of Fair value hierarchy
Financial assets				
Receivables	8	226.2	226.2	3
Customer loans	8	1,783.1	1,783.1	3
Chattel loans	8	643.8	643.8	3
Financial liabilities				
Contract liabilities		7.8	7.8	3
Borrowings[1]				
Floating interest rate[1]		2,404.7	2,404.7	2
Fixed interest rate		1.8	1.7	2
Total borrowings	15	**2,406.5**	**2,406.4**	
Derivative financial instruments	23	**18.3**	**18.3**	

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

1. Refer to note 24 for further information on how the Group manages its interest rate risk.

Valuation technique

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

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

26. COMMITMENTS

Commitments for property, plant and equipment

hummgroup has a call centre service agreement, where the Group will receive call centre services. At 30 June 2022, the contract had a remaining term of six months (1 January 2023) with minimum spend conditions.

Additionally, in the normal course of the business at 30 June 2022 the Group has approved customer loans which have not been drawn at year end. Committed amounts are typically drawn within a short period of the loan being approved. Gross undrawn exposure on customer loans as at 30 June 2022 is $1,485.4m (2021: $1,701.2m). Refer note 16 for provision for undrawn exposure on customer loans.

The Group has various lease contracts as disclosed in note 12. The future lease payments for these non-cancellable lease contracts are $2.6m within one year and $13.4m within five years.

27. CONTINGENT LIABILITIES

Commander

On 10 January 2020 Flexirent Capital Pty Limited commenced action before the Supreme Court of NSW against M2 Commander Pty Limited ("Commander") in relation to historical alleged breaches by Commander under a commercial program agreement entered between the parties on 17 September 2010. Under the terms of the program agreement, Commander and its dealers were able to request that Flexirent purchase certain office equipment and lease it to third parties. A defence and counterclaim was filed by Commander on 28 June 2021.

In May 2022, Flexirent and Commander agreed to settle the proceeding and cross claims without admission of liability by either party. The terms of the settlement remain confidential.

Forum Finance

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

During the current financial year, the Group set aside a provision of $15.5m towards the exposure.

On 19 July 2022, a statement of claim was filed against Flexirent Capital Pty Ltd by SMBC Leasing & Finance Inc. in the Federal Court of Australia. The claimant alleged that Flexirent breached the warranty and indemnity clauses contained in the Master Receivables and Acquisition Servicing Agreement, misleading and deceptive conduct, as well as negligent misrepresentation. Court hearing date is not yet known. The potential outcome and total costs associated with this matter remain uncertain.

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

28. INSURANCE

The Group conducts insurance business through its controlled entity in New Zealand, Consumer Insurance Services Limited ("CISL"). CISL's primary insurance activities are the development, underwriting and management of non-life insurance products under *The Insurance (Prudential Supervision) Act 2010*. The non-life insurance products are in respect of Payment Protection. The solvency capital of CISL at 30 June 2022 of NZ$3.9m (A$3.6m) (2021: NZ$4.3m (A$4.0m)) is greater than the minimum required solvency capital of NZ$3.0m (A$2.8m) (2021: NZ$3.0m (A$2.8m)). The insurance business of CISL comprises less than one percent of the total assets of the Group. No new products have been sold or renewed since June 2019, and billing of insurance products has ceased from 1 June 2022.

29. INVESTMENTS IN SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities and results of the following controlled entities in accordance with the accounting policy described in note 1:

Entity name	Footnote	Country of incorporation	Percentage of shares/units	
			2022	2021
flexicommercial Pty Ltd	2	Australia	100%	100%
FlexiGroup Management Pty Limited		Australia	100%	100%
FlexiGroup SubCo Pty Limited	2	Australia	100%	100%
Flexirent Capital Pty Ltd	2	Australia	100%	100%
Flexirent Horizon SPV Pty Ltd		Australia	100%	100%
FlexiRent SPV Number 2 Pty Ltd		Australia	100%	100%
FlexiRent SPV Number 4 Pty Ltd	5	Australia	100%	100%
FlexiRent SPV Number 7 Pty Ltd	5	Australia	100%	100%
FlexiRent SPV Number 8 Pty Ltd	5	Australia	100%	100%
humm BNPL Pty Ltd	2	Australia	100%	100%
humm cards Pty Ltd	2	Australia	100%	100%
humm global Pty Limited	2	Australia	100%	100%
humm pro Pty Ltd	2	Australia	100%	100%
Humm SPV Pty Ltd	1	Australia	100%	–
Once Credit Pty Limited	2	Australia	100%	100%
OxiPay Pty Ltd		Australia	100%	100%
RentSmart Finance Limited	3,4	Australia	100%	100%
RentSmart Pty Ltd	3,4	Australia	100%	100%
RentSmart Servicing Pty Ltd	3,4	Australia	100%	100%
SmartCheck Pty Ltd	3,4	Australia	100%	100%
Flexi ABS Trust 2010-2		Australia	100%	100%
Flexi ABS Trust 2018-1	6	Australia	–	100%
Flexi ABS Trust 2019-1	6	Australia	–	100%
Flexi ABS Trust 2019-2		Australia	100%	100%
Flexi ABS Trust 2020-1		Australia	100%	100%
Flexi ABS Warehouse Trust No.2		Australia	100%	100%
Flexi ABS Warehouse Trust No.3		Australia	100%	100%
Flexicommercial ABS Trust 2021-1	1	Australia	100%	–
Flexicommercial ABS Trust 2021-2	1	Australia	100%	–
Flexicommercial ABS Warehouse Trust No.4	1	Australia	100%	–
Flexicommercial ABS Warehouse Trust No.5	1	Australia	100%	–
FlexiGroup Employee Share Plan Trust		Australia	100%	100%
Humm Group Limited Employee Share Trust	1	Australia	100%	–
Helix Trust		Australia	100%	100%
Humm ABS Trust 2021-1		Australia	100%	100%
Humm ABS Trust 2022-1	1	Australia	100%	–
Lombard Warehouse Trust No 1	5	Australia	100%	100%
Humm Group Limited		Canada	100%	100%

Entity name	Footnote	Country of incorporation	Percentage of shares/units	
			2022	2021
Flexi Orlaigh SPV DAC	7	Ireland	–	–
FlexiFi Europe Holdings Limited		Ireland	100%	100%
FlexiFi Europe Limited		Ireland	100%	100%
FlexiFi Europe Services Limited		Ireland	100%	100%
Flexirent Ireland Limited		Ireland	100%	100%
Humm Group Limited		United Kingdom	100%	100%
bundll (NZ) limited (established 6 July 2021)	5	New Zealand	100%	100%
Columbus Financial Services Limited		New Zealand	100%	100%
Consumer Finance Limited		New Zealand	100%	100%
Consumer Insurance Services Limited		New Zealand	100%	100%
Flexi Finance Limited		New Zealand	100%	100%
Flexi Financial Services Limited		New Zealand	100%	100%
flexicommercial Limited		New Zealand	100%	100%
FlexiGroup (New Zealand) Limited		New Zealand	100%	100%
FlexiGroup NZ SPV1 Limited		New Zealand	100%	100%
FlexiGroup NZ SPV2 Limited		New Zealand	100%	100%
FlexiGroup NZ SPV3 Limited	5	New Zealand	100%	100%
humm (NZ) limited		New Zealand	100%	100%
Hummpro limited		New Zealand	100%	100%
Retail Financial Services Limited		New Zealand	100%	100%
TRL Leasing Limited	8	New Zealand	-	100%
Columbus Trust		New Zealand	100%	100%
Q Card Trust		New Zealand	100%	100%
RFS Trust 2016-1	5	New Zealand	100%	100%
Humm Group Limited		United Kingdom	100%	100%

1. Created during the year ended 30 June 2022.
2. These controlled entities have entered into a deed of cross guarantee with the Company pursuant to ASIC Class order 98/1418 dated 13 August 1998. These controlled entities and the Company form a closed group (closed group is defined as a group of entities comprising a holding entity and its related wholly owned entities). Relief was granted to these controlled entities from the Corporations Act requirements for preparation, audit and publication of an annual financial report.
3. These controlled entities were removed from the closed group during the year.
4. Application for voluntary deregistration was lodged with ASIC during the year.
5. These entities are currently inactive, with management planning to wind them up in the next 12 months.
6. Closed or terminated during the year.
7. **humm**group consolidates the entity by nature of its interest in the risks and rewards of the entity.
8. TRL Leasing Limited and flexicommercial Limited amalgamated to become flexicommercial Limited under Part XIII of the *Companies Act 1993* effective on 13 August 2021.

30. KEY MANAGEMENT PERSONNEL DISCLOSURES

a) Directors

The following persons were Directors of **humm**group during the financial year:

Andrew Abercrombie[1]	Non-Executive Director (ceased as Chairperson 20 December 2021; re-appointed as Chairperson 30 June 2022)
Christine Christian[2]	Non-Executive Director and Chairperson (appointed Chair 20 December 2021; ceased as Chair and Director 30 June 2022)
Rajeev Dhawan[3]	Non-Executive Director (ceased as Director 30 June 2022)
Carole Campbell[3]	Non-Executive Director (ceased as Director 30 June 2022)
John Wylie[4]	Non-Executive Director (ceased as Director 22 June 2022)
Alistair Muir[4]	Non-Executive Director (ceased as Director 22 June 2022)
Teresa Fleming	Non-Executive Director (appointed as Director 30 June 2022)
Stuart Grimshaw	Non-Executive Director (appointed as Director 30 June 2022)

1. Andrew Abercrombie served as Chair of the Company Board until 20 December 2021 but continued as a Non-Executive Director. Effective 30 June 2022, Mr Abercrombie was re-appointed as Chair following the resignation of Christine Christian.
2. Christine Christian resigned from the Company Board effective 30 June 2022.
3. Rajeev Dhawan and Carole Campbell served on the Company Board for the duration of the financial year and retired from the Board effective 30 June 2022.
4. John Wylie and Alistair Muir served on the Company Board for most of the duration of the financial year and resigned from the Company Board effective 22 June 2022.

b) Other Key Management Personnel

KMP in the current year

The following persons also had authority and responsibility for planning, directing and controlling the activities of the Group during the financial year:

Rebecca James	Group Chief Executive Officer
Chris Lamers	Deputy Group Chief Executive Officer and Chief Executive Officer – New Zealand (ceased 6 May 2022)
Adrian Fisk	Group Chief Financial Officer (appointed 19 July 2021)
Jason Murray	Group Chief Financial Officer (ceased 18 July 2021)

c) Key Management Personnel compensation

A$	2022	2021
Short-term employee benefits	3,789,072	3,737,752
Termination payments	144,576	214,153
Post-employment benefits	177,863	173,527
Long service leave	3,549	30,380
Share-based payments	211,089	127,691
Total	**4,326,149**	**4,283,503**

d) Other transactions with related parties

Rental of Melbourne premises

Flexirent Capital Pty Limited has rented premises in Melbourne owned by entities associated with Mr Andrew Abercrombie. The rental arrangements for these premises are based on market terms. A three months' notice of termination of the lease was provided on 6 July 2021 resulting in the lease terminating on 6 October 2021.

A$	2022	2021
Rental expense for premises[1]	–	237,776

1. Notice of termination of lease was provided by Flexirent Capital Pty Limited on 6 July 2021, effective 6 October 2021. This was accrued for in the 30 June 2021 result.

Other investments carried at FVTOCI

Mr Andrew Abercrombie and Mr Alistair Muir[1], Directors of humm group limited, held minority interests in Douugh Limited, an ASX listed fintech, which humm group limited also held a minority interest in. Refer to note 11.

1. Mr Muir ceased as director of humm group limited on 22 June 2022.

Director shareholdings in **humm**group

John Wylie, Director of **humm**group appointed 21 March 2019 and ceased 22 June 2022, is Chairman of Tanarra Capital Pty Limited, and controlled 27,321,525, 5.5% interest in **humm**group's total shares on issue.

The number of shares in the Company held (or controlled) during the financial year by each Director and Executive KMP of the Company, including their personally related parties are set out below.

2022	Balance at start of year	Received during the year on the exercise of rights	Other changes during the year	Balance at end of year or at date of resignation
Non-Executive Directors				
Christine Christian[1] (ceased 30 June 2022)	195,000	–	–	195,000
Andrew Abercrombie[6] (Chairperson)	99,435,115	–	15,422,885	114,858,000
Rajeev Dhawan[1] (ceased 30 June 2022)	369,371	–	–	369,371
Carole Campbell[1] (ceased 30 June 2022)	107,187	–	–	107,187
John Wylie[2] (ceased 22 June 2022)	27,321,525	–	–	27,321,525
Alistair Muir[2] (ceased 22 June 2022)	29,644	–	–	29,644
Teresa Fleming (appointed 30 June 2022)	–	–	–	–
Stuart Grimshaw (appointed 30 June 2022)	–	–	–	–
Other Key Management Personnel				
Rebecca James	40,000	–	–	40,000
Chris Lamers[3] (ceased 06 May 2022	–	57,333	–	57,333
Adrian Fisk[4] (appointed 19 July 2021)	–	–	100,000	100,000
Jason Murray[5] (ceased 18 July 2021)	83,328	–	(83,328)	–

1. Closing balance is at 30 June 2022.
2. Closing balance is at 22 June 2022.
3. Closing balance is at 6 May 2022.
4. Opening balance is from the date Adrian Fisk became KMP.
5. Closing balance is at 3 September 2021.
6. Andrew Abercrombie served as Chair of the Company Board until 20 December 2021 but continued as a Non-Executive Director. Effective 30 June 2022, Mr Abercrombie was re-appointed as Chair following the resignation of Christine Christian.

31. RELATED PARTY TRANSACTIONS

a) Parent entity

The parent entity of the Group is humm group limited.

b) Subsidiaries and associate

Interests in Group entities are set out in note 29.

c) Transactions with related parties

Refer note 30(d) for disclosure of transactions with related parties.

32. REMUNERATION OF AUDITORS

On 31 December 2021, the Company appointed Ernst & Young ("EY") as the auditors for the group to replace PricewaterhouseCoopers ("PwC") who were employed in prior year. The following fees were paid or payable for services provided by the auditor of the parent entity and its related parties.

a) Audit and assurance services

A$	2022	2021
Audit services		
Audit and review of financial statements:		
EY Australian firm	1,390,750	–
PwC Australian firm	–	1,270,680
Related practices of EY Australian firm	197,000	–
Related practices of PwC Australian firm	–	198,741
Other statutory assurance services	–	152,000
Total remuneration for audit and assurance services	**1,587,750**	**1,621,421**

b) Non-audit services

A$	2022	2021
Taxation services		
Tax compliance and advice on transactions		
EY Australian firm	7,000	–
PwC Australian firm	–	72,400
Related practices of EY Australian firm	2,730	–
Related practices of PwC Australian firm	–	80,256
Other services before 31/12/2021[1]		
Due Diligence service		
EY Australian firm:	862,803	–
Related practices of EY Australian firm	–	–
Other service		
EY Australian firm:	61,000	–
Related practices of EY Australian firm	236,005	–
Other services after 31/12/2021[1]		
Due Diligence service		
EY Australian firm:	1,026,332	–
Related practices of EY Australian firm	–	–
Total remuneration for non-audit services	**2,195,870**	**152,656**
Total remuneration for audit and assurance services, and non-audit services	**3,783,620**	**1,774,077**

1. EY was appointed as auditor for the Company on 31 December 2021.

It is the Group's policy to employ EY on assignments additional to its statutory audit duties where EY's expertise and experience with the Group are important. These assignments are principally regulatory audits, procedures performed as part of completing funding agreements, tax advice and due diligence reporting on acquisitions, or where EY is awarded assignments on a competitive basis. During 2022, the Company engaged EY to provide advice on the sale of HCF business, which is stated under "Due Diligence service".

33. CLOSED GROUP

The table below presents the consolidated pro forma Income Statement and Consolidated statement of financial position for the Company and controlled entities, which are party to the deed of cross guarantee (referred to as a closed group). For further information, refer note 29, footnote 2. The effects of transactions between entities to the deed are eliminated in full in the Consolidated Income Statement and Consolidated statement of financial position.

a) Statement of comprehensive income

A$m	**2022**	**2021**
Interest income	8.5	12.6
Fee and other income	92.2	78.0
Dividend income	63.8	42.4
Gross income	**164.5**	**133.0**
Interest expense	–	(1.9)
Cost of origination	(14.0)	(16.5)
Net operating income	**150.5**	**114.6**
Credit impairment charge	(12.1)	(6.5)
Employment expenses	(62.1)	(55.7)
Operating and other expenses	(81.1)	(55.8)
Depreciation and amortisation	(13.2)	(13.7)
Impairment of goodwill and other intangible assets	(92.5)	–
Loss before income tax	**(110.5)**	**(17.1)**
Income tax benefit	46.0	17.9
(Loss)/profit for the year	**(64.5)**	**0.8**
Other comprehensive income		
Items that may be reclassified to profit or loss		
Changes in the fair value of cash flow hedges, net of tax	–	–
Items that will not be reclassified to profit and loss		
Changes in fair value of investment carried at fair value through other comprehensive income, net of tax	–	(1.4)
Other comprehensive loss for the year, net of tax	**-**	(1.4)
Total comprehensive loss for the year	**(64.5)**	**(0.6)**

b) Statement of financial position

A$m	2022	2021
Assets		
Cash and cash equivalents	65.3	68.4
Receivables and customer loans	60.4	91.7
Inventories	–	0.2
Current tax receivable	11.0	12.4
Equity investment	0.3	9.6
Plant and equipment	8.1	10.7
Goodwill	–	49.6
Other intangible assets	13.6	51.4
Deferred tax asset	37.1	5.5
Other financial assets	287.9	218.5
Total assets	**483.7**	**518.0**
Liabilities		
Payables	44.8	18.5
Provisions	21.0	6.2
Total liabilities	**65.8**	**24.7**
Net assets	**417.9**	**493.3**
Equity		
Contributed equity	503.5	503.5
Reserves	(0.7)	(0.6)
Accumulated losses	(84.9)	(9.6)
Total equity	**417.9**	**493.3**

34. PARENT ENTITY FINANCIAL INFORMATION

a) Summary financial information

The parent entity financial information is presented as follows:

A$m	2022	2021
Balance sheet		
Non-current assets	511.3	760.7
Total assets	**511.3**	**760.7**
Current liabilities	1.7	1.6
Total liabilities	**1.7**	**1.6**
Net assets	**509.4**	**759.1**
Issued share capital	913.6	913.6
Share-based payment reserve	1.8	5.1
Hedge reserve of net investment	–	(2.1)
Accumulated losses	(406.0)	(157.5)
Shareholders' equity	**509.4**	**759.1**
(Loss)/profit for the year	(234.3)	64.1
Exchange differences on hedged net investment	–	(0.1)
Total comprehensive income	**(234.3)**	**64.0**

b) Guarantees entered into by the parent entity

Pursuant to Australian Securities and Investments Commission Class Order 98/1418 dated 13 August 1998, relief was granted to certain controlled entities (note 29, footnote 2) from the Corporations Act requirements for preparation, audit and publication of annual financial reports. It is a condition of the Class Order that the Company and each of the controlled entities are party to a deed of cross guarantee. The effect of the deed is that the Company guarantees to each creditor payment in full of any debt in the event of winding up of any of the controlled entities under certain provisions of the Corporations Act.

No liability was recognised by the parent entity or the consolidated entity in relation to the above guarantee as the fair value of the guarantee is immaterial.

c) Contingent liabilities and contractual commitments of the parent entity

Other than as head entity of the tax consolidated group, disclosed in note 7, the parent entity has no contingent liabilities or contractual commitments as at 30 June 2022 (2021: $Nil).

d) Dividend income

The parent entity did not receive any dividends from subsidiaries in the current year (2021:$Nil).

e) Impairment of Investments in subsidiaries

The net assets of the parent entity were assessed against the recoverable amount of the consolidated Group's net assets and impairment of $254.1m was recognised in the year (2021: reversal of impairment of $58.4m).

35. SECURITISATION AND SPECIAL PURPOSE VEHICLES

The Group sells receivables and customer loans to securitisation vehicles through its asset-backed securitisation programs and other special purpose vehicles. The securitisation and special purpose vehicles are consolidated as set out in note 29 as the Group is exposed or has rights to variable returns and has the ability to affect its returns through its power over the securitisation and special purpose vehicles. The Group may serve as a sponsor, servicer, manager, liquidity provider, purchaser of notes and/or purchaser of residual interest and capital units with respect to these securitisations and special purpose vehicles.

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

A$m	2022	2021 Restated*
Receivables	212.9	116.7
Chattel loans	1,237.9	678.7
Customer loans	1,687.5	1,724.0
Cash held by securitisation vehicles	168.3	110.6
Total	**3,306.6**	**2,630.0**
Borrowings related to receivables and customer loans	3,025.5	2,406.5

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

36. EVENTS OCCURRING AFTER THE REPORTING PERIOD

Dividend

Dividends are determined after period-end and contained within the announcement of the results for the period. Final dividends are determined in August and paid in September/October. Dividends determined are not recorded as a liability at the end of the period to which they relate. Subsequent to the year, on 25 August 2022, the Group determined a final ordinary dividend of 1.4 cents per share totalling $6.9m, which will be paid on 7 October 2022.

Forum Finance

On 19 July 2022, a statement of claim was filed against Flexirent Capital Pty Ltd by SMBC Leasing & Finance Inc. in the Federal Court of Australia. The claimant alleged that Flexirent breached the warranty and indemnity clauses contained in the Master Receivables and Acquisition Servicing Agreement, misleading and deceptive conduct, as well as negligent misrepresentation. Court hearing date is not yet known. The potential outcome and total costs associated with this matter remain uncertain.

S258F share capital reduction

On 25 August 2022, the Company undertook a share capital reduction in accordance with S258F of the Corporations Act by reducing its paid-up ordinary share capital balance by $406.0m with an equal reduction of the accumulated losses balance. The balance of accumulated losses at 30 June 2022 included capital that has been lost (i.e. shareholder equity not represented by available assets). There is no impact on shareholders from the capital reduction as no shares have been cancelled or rights varied. Similarly, creditors are not affected as there has been no change in available assets. There is also no impact on the availability of the Company's tax losses from this capital reduction.

Air New Zealand partnership

As announced on 5 September 2022, the Group and Air New Zealand decided not to proceed with the contemplated strategic partnership following unsuccessful negotiation of commercial terms. Air New Zealand agreed to comply with its binding obligations under the term sheet including the partial reimbursement of the development costs. The Group has accounted for this as a non-adjusting subsequent event and estimates that approximately $2.0m of software assets will be impaired as the result of the termination.

No other matters

As at the date of this report the Directors are not aware of any matter or circumstance that has arisen since 30 June 2022 that has significantly affected, or may significantly affect:

- the Group's operations in future financial years, or
- the results of those operations in future financial years, or
- the Group's state of affairs in future financial years.

INDEPENDENT AUDITOR'S REPORT

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

Report on the audit of the financial report

Opinion

We have audited the financial report of humm group limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2022, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

a. Giving a true and fair view of the consolidated financial position of the Group as at 30 June 2022 and of its consolidated financial performance for the year ended on that date; and

b. Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

Building a better working world

Provision for expected credit losses

Why significant	How our audit addressed the key audit matter
As described in Note 8 Receivables, Customer Loans and Chattel Loans and Note 24 Financial Risk Management, the expected credit loss is determined in accordance with Australian Accounting Standard - AASB 9 Financial Instruments (AASB 9). This was a key audit matter due to the value of the provision, and the degree of judgment and estimation uncertainty associated with the provision calculation. Key areas of judgment included: ▶ the application of the impairment requirements of AASB 9 within the Group's expected credit loss methodology; ▶ the identification of exposures with a significant deterioration in credit quality; ▶ assumptions used in the expected credit loss model for exposures assessed on a collective basis; ▶ the incorporation of forward-looking information to reflect current and anticipated future external factors, including judgments related to the impact of macroeconomic factors, both in the multiple economic scenarios and the probability weighting determined for each of these scenarios; ▶ judgment applied in post-model overlays reflecting forward-looking inputs and scenarios which are not otherwise reflected in product specific probability of default factors.	We assessed the alignment of the Group's expected credit loss model and its underlying methodology against the requirements of AASB 9. We assessed the following for exposures evaluated on a collective basis and overlays: ▶ significant modelling and macroeconomic assumptions, including those relating to a significant increase in credit risk, the reasonableness of forward-looking information and scenarios; and ▶ the basis for, and data used to determine overlays. We considered the impact of current macroeconomic developments. We involved our actuarial specialists to test the mathematical accuracy of the model and to consider key assumptions. We assessed the effectiveness of relevant controls relating to the capture of data, including loan origination and transactional data. We considered the adequacy and appropriateness of the disclosures related to credit impairment within the financial report.

Impairment assessment of goodwill and other intangible assets

Why significant	How our audit addressed the key audit matter
The Group has recognised goodwill of $84.8m relating to the NZ Cards Cash Generating Unit ("CGU") and software of $28.1m as an intangible asset as at 30 June 2022. As detailed in Note 13 Goodwill and Other Intangibles, the Group performs an annual impairment assessment for goodwill, intangible assets with an indefinite useful life and intangible assets not yet available for use, or more frequently if there is an indication that goodwill or other intangible assets may be impaired. The recoverable amount for the BNPL CGU, AU Cards CGU and NZ Cards CGU was determined at 31 December 2021 based on the fair value less costs of disposal basis following the Latitude offer to purchase humm Consumer Finance. The recoverable amount for the NZ Commercial CGU was determined at 30 June 2022 based on the fair value less costs of disposal basis. The Group determined that an impairment in goodwill in respect of the NZ Cards CGU ($85.8m), AU Cards CGU ($18.9m), BNPL CGU ($30.7m) and NZ Commercial CGU ($16.7m) was required during the financial year. After the CGU's goodwill was written off, the remaining impairment expense was allocated on a pro rata basis to the other assets in the CGU. The Group determined that impairment of software intangibles of $42.8m relating to the BNPL CGU and $12.6m relating to the AU Cards CGU was required during the financial year. The impairment assessment of goodwill and other intangible assets was a key audit matter due to the degree of estimation uncertainty associated with the assumptions applied in the impairment assessment.	We assessed whether the value in use methodology used by the Group in determining the recoverable amounts as at 30 June 2022 in the impairment assessment of goodwill and other intangible assets was in accordance with the requirements of Australian Accounting Standards. We involved our valuation specialists to test the methodology and to consider the appropriateness of and sensitivity of the valuation to key assumptions. We compared the forecast cash flows used in the impairment model for the NZ Cards CGU to the most recent results and expectations and assessed the mathematical accuracy of valuation models. We considered market capitalisation of the business and recent trading history relative to net assets and benchmarked the implied valuations to comparable company valuation multiples. We considered the disclosures within the Financial Report related to the impairment assessment of goodwill and other intangible assets.

Building a better working world

Information Technology (IT) systems and IT controls

Why significant	How our audit addressed the key audit matter
A significant part of the Group's financial reporting process is primarily reliant on IT systems with automated processes and controls relating to the capture, storage, processing and extraction of information. A fundamental component of these IT controls is ensuring that risks relating to inappropriate user access management, unauthorised program changes and IT operating protocols are addressed.	We focused our procedures on those IT systems that are significant to the Group's financial reporting process. We involved our IT specialists, as audit procedures over IT systems and controls require specific expertise. We assessed the design and tested the operating effectiveness of the Group's IT controls, including those related to user access, change management and data integrity. We also assessed the design and tested the operating effectiveness of IT application level controls such as automated calculations of interest and processing of information. Where we identified design and/or operating deficiencies in the IT control environment, our procedures included the following: ▶ we assessed the integrity and reliability of the systems and data related to financial reporting; and ▶ where automated procedures were supported by systems with identified deficiencies, we assessed alternative controls that were not reliant on the IT control environment.

Information other than the financial report and auditor's report thereon

The directors are responsible for the other information. The other information comprises the information included in the Company's 2022 annual report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial report

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

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating 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 financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is 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 the Australian Auditing Standards 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 this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf. This description forms part of our auditor's report.

Report on the audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 24 to 49 of the directors' report for the year ended 30 June 2022.

In our opinion, the Remuneration Report of humm group limited for the year ended 30 June 2022, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Ernst & Young

Ernst & Young

Kieren Cummings
Partner
Sydney

26 September 2022

DIRECTORS' DECLARATION

In the Directors' opinion:

a. The financial statements and notes set out on pages 70-146 are in accordance with the Corporations Act, including:
   (i) complying with the Accounting Standards, the Corporations Regulations 2001, and other mandatory professional reporting requirements; and
   (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2022 and of its performance for the financial year ended on that date; and
b. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due and payable; and
c. At the date of this declaration, there are reasonable grounds to believe that the members of the closed group identified in note 29 will be able to meet any obligations or liabilities which they are, or may become, subject to by virtue of the deed of cross guarantee referred to in note 34.

Note 1 confirms that the financial statements also comply with the International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declaration by the Chief Executive Officer and Chief Financial Officer as required by s295A of the Corporations Act.

This declaration is made in accordance with a resolution of the Directors.

Andrew Abercrombie
Chairman
Sydney

26 September 2022

SHAREHOLDER INFORMATION

The shareholder information set out below was applicable as at 31 August 2022.

A. DISTRIBUTION OF EQUITY SECURITIES

Range	Number of holders	Number of shares	% of issued shares
1 to 1,000	4,650	2,767,065	0.56
1,001 to 5,000	5,572	14,956,062	3.02
5,001 to 10,000	2,113	16,438,932	3.32
10,001 to 100,000	2,775	80,580,977	16.27
100,001 and over	344	380,525,282	76.83
Total	**15,454**	**495,268,318**	**100.0**

There were 3,727 holders of less than a marketable parcel of ordinary shares based on closing market price on 31 August 2022 of $0.535.

B. EQUITY SECURITY HOLDERS

The names of the 20 largest holders of quoted equity securities are listed below:

	Ordinary shares	
Range	**Number of shares**	**% of issued shares**
The Abercrombie Group Pty Ltd	74,112,314	14.96
Tefig Pty Ltd	40,745,686	8.23
J P Morgan Nominees Australia Pty Limited	27,291,430	5.51
HSBC Custody Nominees (Australia) Limited	27,243,519	5.50
Citicorp Nominees Pty Limited	24,031,770	4.85
Resimac Limited	15,800,000	3.19
National Nominees Limited	15,732,215	3.18
Sandhurst Trustees Ltd	11,266,250	2.27
Tamorer Pty Limited	10,986,790	2.22
HSBC Custody Nominees (Australia) Limited	8,202,851	1.66
BNP Paribas Noms Pty Ltd	6,715,766	1.36
Thorn Group Limited	5,619,645	1.13
Brazil Farming Pty Ltd	4,460,281	0.90
Diamond Lilly Pty Ltd	4,281,307	0.86
Behan Superannuation Pty Ltd	3,400,000	0.69
BNP Paribas Nominees Pty Ltd	3,106,110	0.63
Mr Christopher John Francis	1,718,767	0.35
Southern Steel Investments Pty Limited	1,514,372	0.31
Cameron Richard Pty Ltd	1,442,000	0.29
Moat Investments Pty Ltd	1,425,000	0.29
Total	**289,096,073**	**58.37**

Unquoted Equity Securities

As at the date of this report, there were 16,050,029 unissued ordinary shares of humm group limited held by 105 holders subject to performance rights and options. These unissued ordinary shares are the subject of options, performance and deferred STI rights with expiry dates between 1 September 2022 and 30 September 2025. No performance and sign-on incentive shareholder has any right under the performance shares to participate in any other share issues of the Company or any other entity. Details of the options and rights related to the unissued ordinary shares are included in note 24 of the Financial Statements.

The Company has no other unquoted equity securities.

LTIP Options

The table below provides details of LTIP options issued in FY22 over ordinary shares in the Company provided as remuneration to the five most highly remunerated officers of **humm**group.

When exercisable and the exercise price is paid, a performance option is convertible into one ordinary share of **humm**group. Further information on the performance options is set out in note 24 to the financial statements.

Name	Position	Number of incentive rights granted[1]	Fair value of incentive options granted during the year ($)[2]
Rebecca James	Group Chief Executive Officer	2,000,000	338,300
Chris Lamers[3]	Chief Customer Growth Officer & Deputy Group CEO	1,200,000	202,980
Adrian Fisk	Chief Financial Officer	950,000	160,692
Natalie Nicholson[4]	Chief People & Corporate Affairs Officer	714,681	120,888
Robert Wright[4]	Group Executive Commercial Australia & New Zealand	714,681	120,888

1. Annual allocation.
2. This is based on the fair value of the shares on the date of grant. If the Options do not vest the value to the executive KMPs is $nil.
3. Resigned 6 May 2022.
4. Not Executive KMP.

The assessed fair value of performance options granted on 21 September 2021 for the CEO and the other executive KMP is determined based on a Monte Carlo simulation on the grant date and the amount allocated to FY22 is included in the remuneration table in section 10.2 of this remuneration report in accordance with AASB accounting standards.

For performance options issued in FY22, the fair values at grant date take into account market-based performance hurdles, the strike price, the term of the performance options, the impact of dilution, the share price at grant date and the expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the performance options. Further information on the incentive options is set out in note 24 to the financial statements.

C. SUBSTANTIAL HOLDERS

Substantial holders in the Company are set out below:

	Number held	Percentage %	Date of notice
The Abercrombie Group Pty Ltd	74,112,314	14.96%	16 June 2022
Tefig Pty Ltd	40,745,686	8.23%	16 June 2022
Tanarra Capital Australia Pty Ltd	26,826,525	5.78%	3 September 2020

Note: As disclosed in substantial holding notices provided in the Company.

D. VOTING RIGHTS

The voting rights attaching to equity securities are set out below:

a. Ordinary shares

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

b. Options, performance rights and subordinated perpetual notes

No voting rights.

CORPORATE DIRECTORY

> BOARD OF DIRECTORS

Andrew Abercrombie (Chair)

Teresa Fleming
(from 30 June 2022)

Stuart Grimshaw
(from 30 June 2022)

Christine Christian AO
(resigned 30 June 2022)

Rajeev Dhawan
(resigned 30 June 2022)

Carole Campbell
(resigned 30 June 2022)

John Wylie AC
(resigned 22 June 2022)

Alistar Muir
(resigned 22 June 2022)

> COMPANY SECRETARIES

Christina Seppelt
(from 27 May 2022)

Isobel Rogerson
(resigned 23 August 2022)

Belinda Hannover
(resigned 27 May 2022)

> NOTICE OF ANNUAL GENERAL MEETING

The Annual General Meeting of humm group limited will be held on Thursday 17 November 2022 at 10:00am (AEDT). Further details will be provided in the Notice of Meeting, scheduled for release on, or before 19 October 2022.

> PRINCIPAL REGISTERED OFFICE

humm group limited

Level 1
121 Harrington Street
The Rocks
Sydney NSW 2000
Australia

> SHARE REGISTRY

Link Market Services Limited

Level 12
680 George Street
Sydney NSW 2000
Australia

> AUDITOR

Ernst & Young

200 George Street
Sydney NSW 2000
Australia

> AUSTRALIAN SECURITIES EXCHANGE LISTING

humm group limited shares are listed on the Australian Securities Exchange under the code **HUM**

> WEBSITE

shophumm.com

humm group

shophumm.com