Harmoney

Appendix 4D

2025 Half Year Report
Under ASX listing rule 4.2A

Company details

Name of entity	Harmoney Corp Limited
NZBN	9429041215272
Reporting period	31 December 2024
Previous period	31 December 2023

Results for announcement to the market

	2024	2023	Change on Previous Period	
	$m	$m	$m	%
Revenue from ordinary activities	64.4	60.3	4.1	6.7%
Profit / (loss) from ordinary activities after tax attributable to members	2.0	(0.6)	2.6	N/A
Net profit / (loss) for the period attributable to members	2.0	(0.6)	2.6	N/A

	2024	2023
Net tangible assets per ordinary share	$ 0.14	$ 0.21

No dividends are proposed, and no dividends were declared or paid for the six months ended 31 December 2024.

There were no changes for controlled entities during the six months ended 31 December 2024.

Additional disclosure requirements and supporting information for the Appendix 4D is contained within the 2025 Half Year Report, which includes the Directors' Report. This Appendix should be read in conjunction with the Half Year Report.

This report is based on the condensed consolidated financial statements for the half-year ended 31 December 2024 which have been reviewed by BDO.

This announcement was approved for release by the Board of Directors of Harmoney Corp Limited.

Harmoney

FY2025 Half Year Report

for the six months ended
31 December 2024

About this report

This report contains the review of operations, Directors' report and the condensed consolidated financial statements for Harmoney Corp Limited for the half-year ended 31 December 2024. The review of operations and Directors' report are not part of the financial statements and contain a summary of the Group's operations over the period.

Non-GAAP measures have been included in this report, as the Group believes that they provide useful information for readers to assist in understanding the Group's financial performance. Non-GAAP financial measures should not be viewed in isolation or considered as substitutes for measures reported in accordance with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS).

All amounts are presented in Australian dollars (AUD) except where indicated, and comparatives relate to the six months ended 31 December 2023 unless otherwise stated.

Contents

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Review of Operations

Financial performance

The table below presents the financial results for the six months ended 31 December 2024 compared to the prior comparative period (pcp). The table includes Cash NPAT which is a non-GAAP financial measure and may not be comparable to information presented by other entities.

	6 months ended 31 Dec 2024 $'000	6 months ended 31 Dec 2023 $'000	Change $'000	Change %
Interest income	64,428	60,323	4,105	7%
Other income	16	70	(54)	(77%)
Total income	**64,444**	**60,393**	**4,051**	**7%**
Interest expense	30,046	26,026	4,020	15%
Incurred credit losses	14,238	15,643	(1,405)	(9%)
Risk adjusted income	**20,160**	**18,724**	**1,436**	**8%**
Customer acquisition expenses	6,199	5,414	785	14%
Net operating income	**13,961**	**13,310**	**651**	**5%**
Personnel expenses	5,361	5,297	64	1%
Customer servicing expenses	2,777	3,208	(431)	(13%)
Technology expenses	2,347	2,670	(323)	(12%)
General and administrative expenses	1,196	1,629	(433)	(27%)
Cash operating expenses	**11,681**	**12,804**	**(1,123)**	**(9%)**
Income tax expense	-	-	-	-
Cash NPAT	**2,280**	**506**	**1,774**	**351%**
Non-cash adjustments				
Movement in expected credit loss provision	767	533	234	44%
Share-based payment expenses	(298)	(114)	(184)	(161%)
Depreciation and amortisation expenses	(741)	(1,522)	781	51%
Statutory profit / (loss) after income tax	**2,008**	**(597)**	**2,605**	**N/A**

For the six months ended 31 December 2024 the Group reported Cash Net Profit After Tax (NPAT), the Group's preferred measure of earnings, of $2.3m (1H24: $0.5m), a 351% increase over pcp, and the sixth consecutive half of Cash NPAT profitability. The Group also reported Statutory NPAT of $2.0m (1H24: -$0.6m).

The loan portfolio grew by 4% over pcp to $782.8m (1H24: $756.3m) while risk adjusted income, being income after funding costs and incurred credit losses, increased by 8% to $20.2m (1H24: $18.7m) with a 7% increase in income and a 9% reduction in incurred credit losses more than offsetting a 15% increase in interest expenses.

Customer acquisition expenses increased by $0.8m on increased marketing activity, while notably, even with 4% loan portfolio growth, cash operating expenses reduced by $1.1m (9%), further demonstrating the ability of Harmoney's Stellare platform to scale as the loan portfolio grows, and underpinning a further improvement in the cost to income ratio, now down to 18% (1H24: 21%).

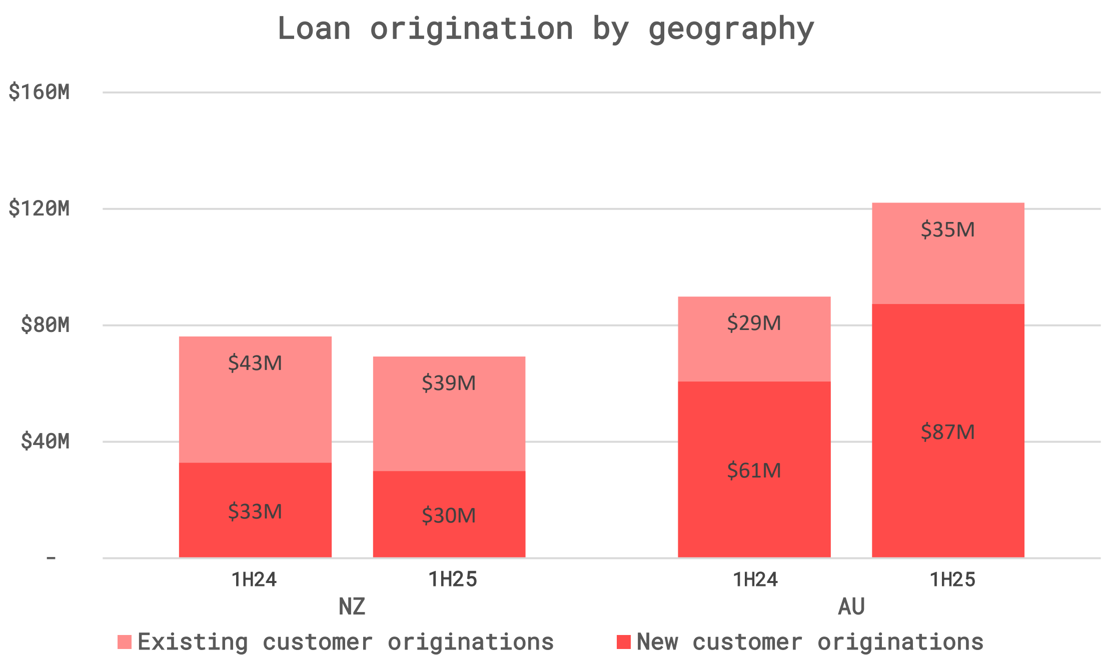
Together the increase in risk adjusted income and reduction in cash operating expenses drove the 351% higher Cash NPAT of $2.3m (1H24: $0.5m).

Regular non-cash adjustments reduced to -$0.3m (1H24: -$1.1m), largely due to a reduction in amortisation expense following the write-off of Harmoney's Stellare® 1.0 platform in June 2024, delivering Statutory NPAT of $2.0m (1H24: -$0.6m).

Loan originations

	6 months ended 31 Dec 2024	6 months ended 31 Dec 2023	Change	Change %
Total originations ($'000)	191,339	165,932	25,407	15%
New customer originations ($'000)	117,179	93,379	23,800	25%
Existing customer originations ($'000)	74,160	72,553	1,607	2%
Number of originations	12,535	10,562	1,973	19%
Average value of new customer originations ($)	17,671	20,256	(2,585)	(13%)
Average value of existing customer incremental originations ($)	12,561	12,190	371	3%

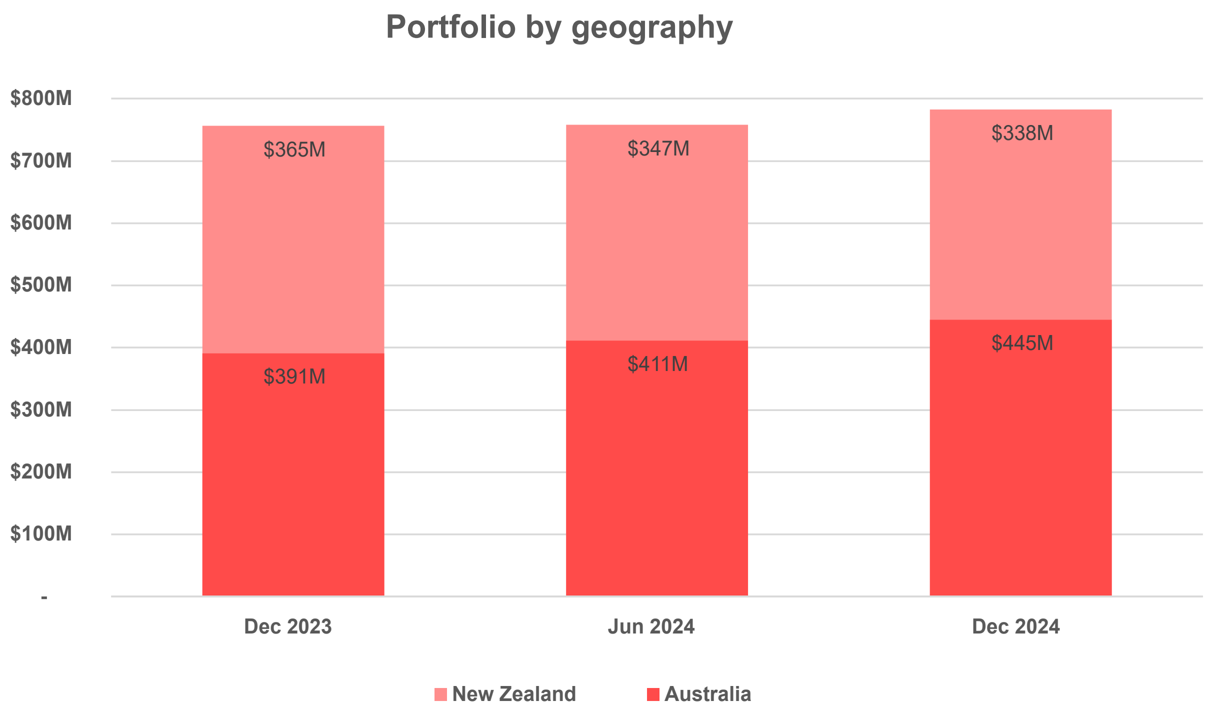
Originations increased by $25.4m (15%) on pcp to $191.3m (1H24: $165.9m), led by a $26.7m increase in Australian new customer originations following the rollout of Harmoney's new Stellare® 2.0 platform in Australia. Stellare® 2.0 is expected to be rolled out in New Zealand during 2H25 and is then expected to drive higher originations in that market. While originations in the New Zealand market were down on pcp, they increased in 2Q25 compared to 1Q25, following an October 2024 platform update prompted by the government's repeal of overly prescriptive affordability regulations.



Portfolio

	6 months ended 31 Dec 2024	6 months ended 31 Dec 2023	Change	Change %
Loan book (period end) ($'000)	782,819	756,329	26,490	4%
Loan book (average) ($'000) - Group	767,993	748,939	19,054	3%
Loan book (average) ($'000) - Australia	426,549	384,174	42,375	11%
Loan book (average) ($'000) - New Zealand	341,443	364,765	(23,322)	(6%)

The loan portfolio ended 1H25 at $782.8m (1H24: $756.3m), up $26.5m (4%) on pcp, with the Australian average portfolio up 11%, partially offset by a 6% lower New Zealand average portfolio. Consequently the Australian portfolio has now grown to 57% of the total portfolio (1H24: 52%).



Risk adjusted income

	6 months ended 31 Dec 2024	6 months ended 31 Dec 2023	Change	Change %
Average interest rate (%)	16.8%	16.1%	70bps	N/A
Funding debt (period end) ($'000)	775,263	737,276	37,987	5%
Funding debt (average) ($'000)	742,255	721,846	20,409	3%
Average funding rate (%)	8.1%	7.2%	90bps	N/A
Net interest income (%)	9.0%	9.2%	(20bps)	N/A
Incurred credit loss ($'000)	14,238	15,643	(1,405)	(9%)
Incurred credit loss to average gross loans (%)	3.7%	4.2%	(50bps)	N/A
Risk adjusted income (%)	5.3%	5.0%	30bps	N/A

Risk Adjusted Income (RAI) is calculated by deducting incurred credit losses from Net Interest Income (NII), which is income less funding costs. Both RAI and NII are expressed in the table above as a percentage of the average loan book.

RAI has increased by 30bps to 5.3% (1H24: 5.0%) with a 20bps lower NII more than offset by a 50bps improvement in loss performance, driven by a better performing current Australian scorecard.

Interest income grew by 7% to $64.4m (1H24: $60.3m) with a 3% increase in the average loan book and 70bps increase in the average portfolio interest rate. The average portfolio interest rate is expected to increase further as loans originated during the low interest rate cycle continue to pay down.

Interest expense increased 15% to $30.0m (1H24: $26.0m) on the combined impact of a market driven higher average funding rate of 8.1% (1H24: 7.2%), plus $20.4m increase in average funding debt from both loan book growth and improved funding leverage.

NII has remained stable at $34.4m (1H24: $34.4m). NII as a percentage of average loan book decreased 20bps to 9.0% (1H24: 9.2%) due to the average funding rate increasing at a faster pace than the impact of new lending rates on the average loan portfolio interest rate. The new lending (front book) NII has exceeded 10% through 1H25, which is expected to maintain the portfolio NII within target range of 9-10%.

Incurred credit losses, representing loans written off during the period, decreased $1.4m to $14.2m (1H24: $15.6m). Incurred credit loss to average gross loans percentage decreased to 3.7% (1H24: 4.2%), within Harmoney's target range of 3-4% for the second consecutive half year, illustrating the improvements in Harmoney's latest scorecard and the resilience of Harmoney's portfolio demographics. Group 90+ day arrears remain low at 64bps (1H24: 65bps).

Credit provisioning

	6 months ended 31 Dec 2024	6 months ended 31 Dec 2023	Change	Change %
Movement in expected credit loss provision ($'000)	(767)	(533)	(234)	44%
Provision rate (%)	4.5%	4.8%	(30bps)	N/A

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

Harmoney's ECL provision reduced by $0.8m during the half to $35.8m (30 June 2024: $36.6m), with a 30bps reduction in the overall provision rate from 4.8% at 30 June 2024 to 4.5% offsetting additional provisioning driven by loan portfolio growth. The reduction in the provision rate is driven by a reduction in the forward looking economic multipliers applied when estimating the provision, following improvements in economic outlook for both countries over the past six months.

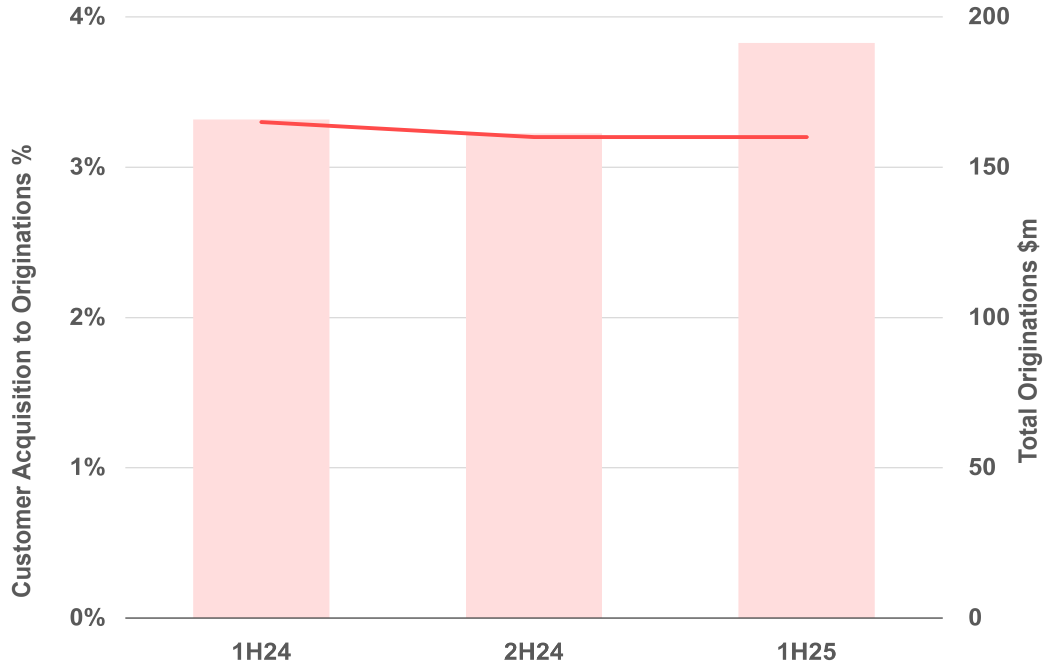
Customer acquisition metrics

	6 months ended 31 Dec 2024	6 months ended 31 Dec 2023	Change	Change %
Customer acquisition expenses to origination ratio	3.2%	3.3%	(10bps)	N/A
Customer acquisition expenses to income ratio	9.6%	9.0%	60bps	N/A

The customer acquisition expense to origination ratio has improved 10bps from 3.3% to 3.2% even as originations grew by 15% on the pcp, demonstrating improvements resulting from the roll out of Stellare® 2.0 in the Australian market. With the success of Stellare® 2.0 customer acquisition expenses were increased in the half, increasing the customer acquisition expense to income ratio by 60bps as there is a lag between the origination expenditure, which is recognised when incurred, and the interest income from the resulting originations, which is recognised over the life of the loan.

Harmoney's preferred marketing efficiency metric is the cost to acquisition ratio, which is shown in the chart below, as it eliminates this lag effect. That this ratio has continued to trend down in a period of strong origination growth shows Harmoney's ability to originate new business without proportional increases in acquisition costs, which is largely due to the superior performance of the Stellare® 2.0 platform.

Customer acquisition expenses to originations ratio



Cost to income metrics

	6 months ended 31 Dec 2024	6 months ended 31 Dec 2023	Change	Change %
Cost to income ratio[1]	18.1%	21.2%	(310bps)	N/A

Harmoney achieved a cost to income ratio of 18.1% for 1H25, a 310bps improvement on pcp (1H24: 21.2%). This ratio includes all cash operating expenses below net operating income (personnel, customer servicing, technology and administrative expenses). Non-cash items, share-based payments and depreciation and amortisation expenses, are excluded.

The decrease reflects Harmoney's ability to increase revenue while maintaining or lowering operational costs. Efficiency gains generated cash operating expense savings of $1.1m (9%).

[1] To align Cost to income ratio costs with Cash NPAT, and with peer group ratios, non-cash share based payments and depreciation and amortisation costs are now excluded. Cost to income for 1H25 including those costs is 20%, down from 24% pcp.

Financial position

	31 Dec 2024 $'000	30 Jun 2024 $'000	Change $'000	Change %
Assets				
Cash and cash equivalents	47,233	37,744	9,489	25%
Finance receivables	786,839	761,471	25,368	3%
Expected credit loss provision	(35,782)	(36,646)	864	2%
Other assets	25,384	21,546	3,838	18%
Total assets	**823,674**	**784,115**	**39,559**	**5%**
Liabilities				
Borrowings - Receivables funding	753,228	717,796	35,432	5%
Borrowings - Corporate debt facility	22,035	21,750	285	1%
Other liabilities	14,945	8,111	6,834	84%
Total liabilities	**790,208**	**747,657**	**42,551**	**6%**
Net assets	**33,466**	**36,458**	**(2,992)**	**(8%)**

Cash and cash equivalents of $47.2m (FY24: $37.7m) consists of unrestricted cash of $20.7m (FY24: $20.6m), and restricted cash of $26.5m (FY24: $17.1m). The latter may only be used for funding finance receivables and other purposes defined in the relevant trust documents.

Unrestricted cash increased by $0.1m, with $15.9m (1H24: $9.4m) net cash generated from operating activities and of this $13.1m (1H24: $16.4m) was invested in supporting loan portfolio growth and $2.3m (1H24: $2.3m) was invested in further development of Stellare® 2.0.

Net assets have decreased by $3.0m to $33.5m (FY24: $36.5m) driven by a $7.0m reduction in the mark to market value of interest rate swaps partially offset by a $2.0m related increase in deferred tax and a $0.9m reduction in the ECL provision.

Directors' Report

The Directors present their report, together with the financial statements, on the consolidated entity consisting of Harmoney Corp Limited and the entities it controlled at the end of, or during the six months ended, 31 December 2024 (the Group).

Directors

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

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

Principal activities

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

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the Group during the six months ended 31 December 2024.

Dividends

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

This report is made in accordance with a resolution of Directors.

For and on behalf of the Directors

Paul Lahiff
Chairman
Auckland
19 February 2025

Financial Report

Condensed Consolidated Statement of Comprehensive Income

for the six months ended 31 December 2024

	Notes	6 months ended 31 Dec 2024 $'000	6 months ended 31 Dec 2023 $'000
Interest income		64,428	60,323
Other income		16	70
Total income		**64,444**	**60,393**
Interest expense	5	30,046	26,026
Impairment expense	6	13,471	15,110
Customer acquisition expenses		6,199	5,414
Personnel expenses		5,659	5,411
Customer servicing expenses		2,777	3,208
Technology expenses		2,347	2,670
General and administrative expenses		1,196	1,629
Depreciation and amortisation expenses		741	1,522
Profit / (loss) before income tax		**2,008**	**(597)**
Income tax expense		-	-
Profit / (loss) for the period attributable to shareholders of Harmoney Corp Limited		**2,008**	**(597)**
Other comprehensive income / (loss)			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		(277)	287
Loss on cash flow hedge reserve, net of tax		(5,052)	(7,644)
Other comprehensive loss for the period, net of tax		**(5,329)**	**(7,357)**
Total comprehensive loss for the period attributable to shareholders of Harmoney Corp Limited		**(3,321)**	**(7,954)**
Earnings per share for (loss) / income attributable to the ordinary equity holders of the Company:		Cents	Cents
Basic earnings per share		2	(1)
Diluted earnings per share		2	(1)

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

Condensed Consolidated Statement of Financial Position

as at 31 December 2024

	Notes	31 Dec 2024 $'000	30 Jun 2024 $'000
Assets			
Cash and cash equivalents	7	47,233	37,744
Trade and other assets		3,853	2,959
Finance receivables	8	751,057	724,825
Property and equipment		2,611	2,938
Intangible assets		6,292	4,491
Deferred tax assets	9	12,628	10,633
Derivative financial instruments		-	525
Total assets		**823,674**	**784,115**
Liabilities			
Payables and accruals		5,674	5,101
Borrowings	10	775,263	739,546
Lease liability		2,712	3,010
Derivative financial instruments		6,559	-
Total liabilities		**790,208**	**747,657**
Net assets		**33,466**	**36,458**
Equity			
Share capital	11	124,561	124,561
Foreign currency translation reserve		(899)	(622)
Share-based payment reserve	12	4,792	4,463
Cash flow hedge reserve		(4,703)	349
Accumulated losses		(90,285)	(92,293)
Total equity		**33,466**	**36,458**

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

Condensed Consolidated Statement of Changes in Equity

for the six months ended 31 December 2024

	Notes	Share capital $'000	Foreign currency translation reserve $'000	Share-based payment reserve $'000	Cash flow hedge reserve $'000	Accumulated losses $'000	Total $'000
Balance at 30 June 2023		123,985	(367)	3,820	5,416	(79,099)	53,755
Loss for the period		-	-	-	-	(597)	(597)
Other comprehensive income / (loss), net of income tax		-	287	-	(7,644)	-	(7,357)
Total comprehensive income / (loss)		-	287	-	(7,644)	(597)	(7,954)
Recognition of share-based payments	12	-	-	1,098	-	-	1,098
Transfer to share capital	12	576	-	(576)	-	-	-
Share option cancellations	12	-	-	(1,381)	-	-	(1,381)
Balance at 31 December 2023		124,561	(80)	2,961	(2,228)	(79,696)	45,518

	Notes	Share capital $'000	Foreign currency translation reserve $'000	Share-based payment reserve $'000	Cash flow hedge reserve $'000	Accumulated losses $'000	Total $'000
Balance at 30 June 2024		124,561	(622)	4,463	349	(92,293)	36,458
Profit for the period		-	-	-	-	2,008	2,008
Other comprehensive loss, net of income tax		-	(277)	-	(5,052)	-	(5,329)
Total comprehensive income / (loss)		-	(277)	-	(5,052)	2,008	(3,321)
Recognition of share-based payments	12	-	-	329	-	-	329
Balance at 31 December 2024		124,561	(899)	4,792	(4,703)	(90,285)	33,466

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

Condensed Consolidated Statement of Cash Flows

for the six months ended 31 December 2024

	Notes	6 months ended 31 Dec 2024 $'000	6 months ended 31 Dec 2023 $'000
Cash flows from operating activities			
Interest received		63,486	59,220
Interest paid		(29,233)	(27,527)
Fee income earned / (rebated)		66	(1,076)
Payments to suppliers and employees		(18,375)	(21,169)
Net cash generated by operating activities		**15,944**	**9,448**
Cash flows from investing activities			
Net advances to customers		(41,184)	(25,302)
Payments for software intangibles and equipment		(2,279)	(2,330)
Net cash used in investing activities		**(43,463)**	**(27,632)**
Cash flows from financing activities			
Proceeds from finance receivables borrowings		80,896	222,581
Repayments of finance receivables borrowings		(43,461)	(209,252)
Proceeds from corporate debt		-	2,500
Principal element of lease payments		(277)	(250)
Net cash generated by financing activities		**37,158**	**15,579**
Cash and cash equivalents at the beginning of the period		37,744	43,454
Net increase / (decrease) in cash and cash equivalents		**9,639**	**(2,605)**
Effects of exchange rate changes on cash and cash equivalents		(150)	133
Cash and cash equivalents at the end of the period	7	**47,233**	**40,982**

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

Notes to the Condensed Consolidated Financial Statements

1. Corporate information

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

The results and position of each Group entity are expressed in Australian dollars (AUD), which is the presentation currency for the consolidated financial statements, unless otherwise stated. The financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which that entity operates (the functional currency). All amounts disclosed in the financial statements and notes have been rounded to the nearest thousand Australian dollars ($'000) unless otherwise stated.

Harmoney Corp Limited is a company incorporated in New Zealand and registered under the Companies Act 1993, whose shares are publicly traded on the Australian Securities Exchange (ASX). The Company was incorporated on 1 May 2014.

2. Material accounting policies

2.1. Basis of preparation

The condensed consolidated financial statements for the six months ended 31 December 2024 have been prepared in accordance with NZ IAS 34 *Interim Financial Reporting* and IAS 34 *Interim Financial Reporting*. The condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's consolidated financial statements for the year ended 30 June 2024 and any public announcements made in the period by the Group in accordance with the continuous disclosure requirements of the ASX listing rules. These financial statements have been reviewed and have not been subject to an audit.

2.2. Application of new and revised accounting standards

The condensed consolidated financial statements have been prepared using consistent accounting policies and methods of computation that were applied in the most recent annual financial statements of the Group, except for the following amendments which apply for the first time effective 1 January 2024. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective:

- *Classification of Liabilities as Current or Non-current (Amendments to NZ IAS 1)*

  The amendments to IAS 1 provide clarification on the classification of liabilities as current or non-current. The amendments aim to enhance the consistency and transparency of liability classification by specifying that liabilities should be classified based on the right to defer settlement, rather than just the expected settlement date. The amendments also introduce additional disclosure requirements for liabilities that could be classified differently depending on future events.

  The amendments will be applicable for the year ended 30 June 2025. As a result, certain liabilities previously classified as current will be reclassified as non-current, where the Group has the right to defer settlement beyond 12 months after the reporting period.

- *Non-current Liabilities with Covenants (Amendments to NZ IAS 1)*

  The amendments to NZ IAS 1 address the classification of non-current liabilities that are subject to covenants. Under the revised guidance, such liabilities must be classified as current if the lender has the right to call the liability due within 12 months after the reporting date due to a breach of a covenant, unless the Group has received a waiver or amendment from the lender before the financial statements are authorised for issue.

The amendments will be applicable for the year ended 30 June 2025. The Group will assess its loan agreements and covenant compliance and will make the necessary adjustments to its liability classification.

- *Disclosure of Fees for Audit Firms' Services (Amendments to IFRS 44)*

  The amendments to IFRS 44 require entities to provide enhanced disclosures regarding fees paid to audit firms for services rendered during the year.

  The amendments will be applicable for the year ended 30 June 2025. The Group does not expect material changes to the disclosure provided in the annual consolidated financial statements of the Group for the year ended 30 June 2024.

3. Significant accounting judgements, estimates and assumptions

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

In preparing the Group's condensed consolidated financial statements, the significant judgements, estimates and assumptions were consistent with those applied to the Group's consolidated financial statements for the year ended 30 June 2024.

3.1. Expected credit loss provision

The Group has estimated the provision for expected credit losses (ECL) based on historically observed patterns of borrower behaviour adjusted for current and future economic outcomes. These are discussed in detail in note 8 and have a significant impact on these financial statements.

The Group measures the allowance for ECL using an expected credit loss impairment model as required by NZ IFRS 9 *Financial Instruments* (NZ IFRS 9). The Group's accounting policy for the recognition and measurement of the allowance for ECL was described in the most recent annual consolidated financial statements.

3.2. Fair value measurement of derivatives

The fair value measurement of the Group's interest rate swaps is a significant accounting estimate. The details of the valuation method used and the interest rate sensitivity analysis were presented in the most recent annual consolidated financial statements.

4. Segment information

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

The CODM considers the business from a geographical operating perspective and has identified two reportable segments: New Zealand and Australia. The CODM assesses the business on a Cash Net Profit After Tax (NPAT) basis. Cash NPAT is a non-GAAP measure and consists of profit/(loss) after income tax, adjusted for determined non-cash items. It is intended as a supplementary measure of operating performance for readers to understand the underlying performance of the Group. Cash NPAT does not have a standard meaning prescribed by GAAP and therefore may not be comparable to information presented by other entities. Incurred credit losses and movement in expected credit loss provision are each non-GAAP measures, included to provide a more granular view of underlying credit impairment performance. Together these measures sum to the GAAP impairment expense measure, as detailed in note 6.

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

The following tables present income and loss information for the Group's operating segments for the six months ended 31 December 2024 and 2023, respectively.

Segmented income statement for the 6 months ended 31 December 2024 $'000

	Australia	New Zealand	Group
Interest income	35,449	28,979	64,428
Other income	17	(1)	16
Total income	**35,466**	**28,978**	**64,444**
Interest expense	15,078	14,968	30,046
Incurred credit losses	9,888	4,350	14,238
Customer acquisition expenses	4,627	1,572	6,199
Personnel expenses (excl. share-based payments)	531	4,830	5,361
Customer servicing expenses	1,596	1,181	2,777
Technology expenses	-	2,347	2,347
General and administrative expenses	170	1,026	1,196
Cash profit / (loss) before tax	**3,576**	**(1,296)**	**2,280**
Income tax expense	-	-	-
Cash NPAT	**3,576**	**(1,296)**	**2,280**
Non-cash adjustments			
Movement in expected credit loss provision	(264)	1,031	767
Share-based payments expenses	(3)	(295)	(298)
Depreciation and amortisation expenses	(23)	(718)	(741)
Statutory profit / (loss) after income tax	**3,286**	**(1,278)**	**2,008**

Segmented income statement for the 6 months ended 31 December 2023 $'000

	Australia	New Zealand	Group
Interest income	30,308	30,015	60,323
Other income	-	70	70
Total income	**30,308**	**30,085**	**60,393**
Interest expense	10,194	15,832	26,026
Incurred credit losses	10,567	5,076	15,643
Customer acquisition expenses	3,743	1,671	5,414
Personnel expenses (excl. share-based payments)	426	4,871	5,297
Customer servicing expenses	1,603	1,605	3,208
Technology expenses	-	2,670	2,670
General and administrative expenses	322	1,307	1,629
Cash profit / (loss) before tax	**3,453**	**(2,947)**	**506**
Income tax expense	-	-	-
Cash NPAT	**3,453**	**(2,947)**	**506**
Non-cash adjustments			
Movement in expected credit loss provision	848	(315)	533
Share-based payments expenses	(1)	(113)	(114)
Depreciation and amortisation expenses	(25)	(1,497)	(1,522)
Statutory profit / (loss) after income tax	**4,275**	**(4,872)**	**(597)**

5. Interest expense

	6 months ended 31 Dec 2024 $'000	6 months ended 31 Dec 2023 $'000
Interest on receivables funding	27,818	24,329
Interest on corporate debt	2,108	1,555
Interest on lease liability	120	142
Total interest expense	**30,046**	**26,026**

6. Impairment expense

	6 months ended 31 Dec 2024 $'000	6 months ended 31 Dec 2023 $'000
Incurred credit loss	14,238	15,643
Change in expected credit loss provision	(767)	(533)
Total impairment expense	**13,471**	**15,110**

6.1. Incurred credit loss

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

6.2. Change in expected credit loss provision

The expense is recognised when there is a movement in the provision due to the composition of the finance receivables (note 8). For example, due to the growth in the finance receivables, change in likelihood of credit loss from the standard modelled provision, and change in macroeconomic conditions.

7. Cash and cash equivalents

	31 Dec 2024 $'000	30 Jun 2024 $'000
Cash on hand and demand deposits	20,711	20,609
Restricted cash	26,522	17,135
Total cash and cash equivalents	**47,233**	**37,744**

Restricted cash is held by the trusts controlled by the Group. These funds may only be used for purposes defined in the trust documents, and are therefore not available for general use by the Group.

8. Finance receivables

	31 Dec 2024 $'000	30 Jun 2024 $'000
Finance receivables	782,819	758,129
Accrued interest	7,488	6,128
Deferred establishment fees	(3,468)	(2,786)
Expected credit loss (ECL) provision	(35,782)	(36,646)
Total finance receivables	**751,057**	**724,825**

8.1. Credit risk management

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

8.2. ECL Provision

The Group measures the allowance for ECL using an expected credit loss impairment model as required by NZ IFRS 9.

Forward-looking information (FLI)

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

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

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

31 December 2024	Stage 1	Stage 2	Stage 3	Total
Expected loss rate	2.54%	24.00%	66.07%	4.53%
	$'000	$'000	$'000	$'000
Gross carrying amount	726,938	58,388	4,981	790,307
Expected credit loss provision	(18,480)	(14,011)	(3,291)	(35,782)
Net carrying amount	**708,458**	**44,377**	**1,690**	**754,525**

30 June 2024	Stage 1	Stage 2	Stage 3	Total
Expected loss rate	2.98%	26.49%	63.50%	4.79%
	$'000	$'000	$'000	$'000
Gross carrying amount	710,625	50,322	3,310	764,257
Expected credit loss provision	(21,212)	(13,332)	(2,102)	(36,646)
Net carrying amount	**689,413**	**36,990**	**1,208**	**727,611**

Movements in the expected credit loss provision are as follows:

	$'000
Balance at 30 June 2023	**36,919**
For the 12 month period	
Additional provision recognised	30,426
Finance receivables written off as uncollectible	(30,699)
Balance at 30 June 2024	**36,646**
For the 6 month period	
Additional provision recognised	13,374
Finance receivables written off as uncollectible	(14,238)
Balance at 31 December 2024	**35,782**

9. Deferred tax

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

	31 Dec 2024 $'000	30 Jun 2024 $'000
Deferred tax assets	13,304	11,636
Deferred tax liabilities	(676)	(1,003)
Deferred tax assets	**12,628**	**10,633**

	31 Dec 2024 $'000	30 Jun 2024 $'000
<u>Deferred tax assets</u>		
Expected credit loss (ECL) provision	8,351	8,841
Accruals	1,462	1,333
Lease liability	759	843
Derivatives	1,857	-
Share-based payments	437	343
Plant & equipment and intangibles	438	276
Deferred tax assets	**13,304**	**11,636**
<u>Deferred tax liabilities</u>		
Derivatives	-	(175)
Right of use asset	(676)	(772)
Distributing services	-	(56)
Deferred tax liabilities	**(676)**	**(1,003)**
Net deferred tax assets	**12,628**	**10,633**

The recognised tax losses are subject to meeting the requirements of the applicable tax legislation. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset recognised to be utilised. The Group has further tax losses and temporary differences of $22.1m at 31 December 2024 (June 2024: $22.9m) which have not been recognised as an asset in the statement of financial position and are available to offset future taxable profits of $78.0m (June 2024: $80.9m).

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

10. Borrowings

	31 Dec 2024 $'000	30 Jun 2024 $'000
Receivables funding	753,228	717,796
Corporate debt	22,035	21,750
Total borrowings	**775,263**	**739,546**

10.1. Receivables funding

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

10.2. Corporate debt facility

The facility has market standard financial covenants and interest rates with no equity or convertible component attached, with a term of two and half years to June 2026 and a limit of $30m. As at 31 December 2024, $22.5m of the facility was drawn down (June 2024: $22.5m) and $7.5m remained undrawn (June 2024: $7.5m).

The $22.5m corporate debt is reduced by unamortised prepaid establishment costs. Prepaid establishment costs are amortised over the expected term of the facility through interest expense.

The facility is guaranteed by way of a performance and payment guarantee by Harmoney Corp Limited and each of its subsidiary companies.

Under the terms of the corporate debt and warehouse facilities, the Group is required to comply with financial and non-financial covenants. Harmoney has complied with these covenants as at 31 December 2024.

10.3. Warehouse financing arrangements

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

Warehouse facilities	31 Dec 2024 $'000	30 Jun 2024 $'000
Total facilities	907,049	947,070
Drawn at reporting date	799,004	766,259
Undrawn at reporting date	108,045	180,811

The undrawn amount of the warehouse facilities relates to amounts that are available for drawdown from funders but does not include restricted cash that has already been drawn but has not yet been utilised for funding purposes. Refer to note 7 for further information.

11. Share capital

	31 Dec 2024 Number of shares	31 Dec 2024 Share capital $'000	30 Jun 2024 Number of shares	30 Jun 2024 Share capital $'000
Fully paid ordinary shares	101,964,147	124,561	101,964,147	124,561
Total issued capital	**101,964,147**	**124,561**	**101,964,147**	**124,561**

11.1. Ordinary shares

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

11.2. Unquoted equity securities

	Exercise price	Number on issue	Equity securities on conversion	Number of holders
Performance rights	$ nil	8,814,000	8,814,000	23

160,000 new performance rights were granted on 1 December 2024, with a $Nil exercise price and grant date fair value of $0.41.

12. Share-based payment reserve

	31 Dec 2024 $'000	30 Jun 2024 $'000
Opening balance	4,463	3,820
Arising on equity settled benefits	329	3,043
Transferred to share capital	-	(576)
Share option cancellations	-	(1,824)
Closing balance	**4,792**	**4,463**

13. Financial assets and liabilities

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

31 December 2024 $'000	Level 1	Level 2	Level 3
Financial Assets / (Liabilities)			
Derivative financial instruments			
Hedging derivatives - interest rate swaps	-	(6,559)	-

30 June 2024 $'000	Level 1	Level 2	Level 3
Financial Assets / (Liabilities)			
Derivative financial instruments			
Hedging derivatives - interest rate swaps	-	525	-

There have been no transfers between levels in the period (June 2024: Nil).

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

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

	31 Dec 2024 $'000	30 Jun 2024 $'000
Financial assets at amortised cost		
Cash and cash equivalents	47,233	37,744
Trade and other assets	1,148	1,341
Finance receivables	751,057	724,825
	799,438	**763,910**
Financial liabilities at amortised cost		
Payables and accruals	3,532	3,141
Borrowings	775,263	739,546
Lease liability	2,712	3,010
	781,507	**745,697**
Financial assets at fair value		
Derivative financial instruments	-	525
	-	**525**
Financial liabilities at fair value		
Derivative financial instruments	6,559	-
	6,559	**-**

14. Controlled entities

There were no changes for controlled entities during the six months ended 31 December 2024.

15. Contingent liabilities and commitments

There are no contingent liabilities and capital commitments as at 31 December 2024.

16. Events after the reporting period

There were no material events subsequent to period end.

Directors' Declaration

The reviewed condensed consolidated financial statements of the Harmoney Group for the six months ended 31 December 2024 were authorised for issue on 19 February 2025 in accordance with a resolution of the Directors. In accordance with ASX Listing Rule 4.2A.2A, the Directors declare that, as at that date, and in the Directors' opinion:

1. there are reasonable grounds to believe that Harmoney will be able to pay its debts as and when they become due and payable; and
2. the relevant condensed consolidated financial statements and notes comply with accepted accounting standards in New Zealand.

For and on behalf of the Board

Paul Lahiff
Chairman

David Stevens
Chief Executive Officer and Managing Director

19 February 2025

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INDEPENDENT REVIEW REPORT

TO THE SHAREHOLDERS OF HARMONEY CORP LIMITED

Report on the Condensed Interim Financial Statements

Conclusion

We have reviewed the accompanying condensed consolidated interim financial statements for the six-month period of Harmoney Corp Limited (the "Group") which comprise the condensed consolidated statement of financial position as at 31 December 2024 and the condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period ended 31 December 2024, and selected explanatory notes to the condensed consolidated financial statements.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial statements of the Group do not present fairly, in all material respects, the financial position of the Group as at 31 December 2024 and of its financial performance and cash flows for the six-month period ended on that date in accordance with NZ IAS 34 *Interim Financial Reporting* and IAS 34 *Interim Financial Reporting*.

Basis for Conclusion

We conducted our review in accordance with NZ SRE 2410 (Revised) *Review of Financial Statements Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the Auditor's Responsibilities for the Review of the Financial Statements section of our report. We are independent of the Group in accordance with the relevant ethical requirements in New Zealand relating to the audit of the annual financial statements, and we have fulfilled our other ethical responsibilities in accordance with these ethical requirements.

Other than in our capacity as assurance practitioner we have no relationship with, or interests in, the Group.

Directors' Responsibilities for the Condensed Interim Financial Statements

The Directors of the Group are responsible for the preparation and fair presentation of the condensed interim financial statements in accordance with NZ IAS 34 *Interim Financial Reporting* and for such internal control as they determine is necessary to enable the preparation and fair presentation of the condensed interim financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Review of the Condensed Interim Financial Statements

Our responsibility is to express a conclusion on the condensed interim financial statements based on our review. NZ SRE 2410 (Revised) requires us to conclude whether anything has come to our attention that causes us to believe that the condensed interim financial statements, taken as a whole, are not prepared in all material respects, in accordance with NZ IAS 34 *Interim Financial Reporting*.

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A review of condensed interim financial statements in accordance with NZ SRE 2410 (Revised) is a limited assurance engagement. The auditor performs procedures, primarily consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (New Zealand). Accordingly, we do not express an audit opinion on those financial statements.

The engagement partner on the review resulting in this independent auditor's review report is Tim Aman.

BDO Audit Pty Ltd

BDO

Tim Aman
Sydney, Australia
19 February 2025

Corporate Information

NZBN 9429041215272

Directors

The following persons were Directors of Harmoney Corp Limited during the half-year and up to the date of this report unless otherwise stated:
Monique Cairns
Paul Lahiff
John Quirk
Neil Roberts
David Stevens

Registered office

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Level 3, 110 Customs Street West
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Auditor

BDO
Sydney
Australia

Share register

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Stock exchange listing

Harmoney Corp Limited shares are listed in the Australian Securities Exchange (ASX).

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