

Appendix 4D

2021 Half Year Report
Under ASX listing rule 4.2A

Company details

Name of entity	Harmony Corp Limited
NZBN	9429041215272
Reporting period	31 December 2020
Previous period	31 December 2019

Results for announcement to the market.

	2020	2019	Change on Previous Period	
	\$m	\$m	\$m	%
Revenue from ordinary activities	19.4	8.6	10.8	126.2%
Profit/(loss) from ordinary activities after tax attributable to members	(10.5)	(13.1)	2.6	19.7%
Net profit/(loss) for the period attributable to members	(10.5)	(13.1)	2.6	19.7%

	2020	2019
Net tangible assets per ordinary share	\$ 0.76	\$ 0.24

No dividends are proposed, and no dividends were declared or paid for the six months ended 31 December 2020.

During the six months ended 31 December 2020, the following entities were established and joined Harmony Corp Limited group:

Name	Date established and control gained
Harmony Warehouse No.2 Trust	14 December 2020
Harmony Collections Trust	22 December 2020

Additional disclosure requirements and supporting information for the Appendix 4D is contained within the 2021 Half Year Report, which includes the Directors' Report. This Appendix should be read in conjunction with the Half Year Report.

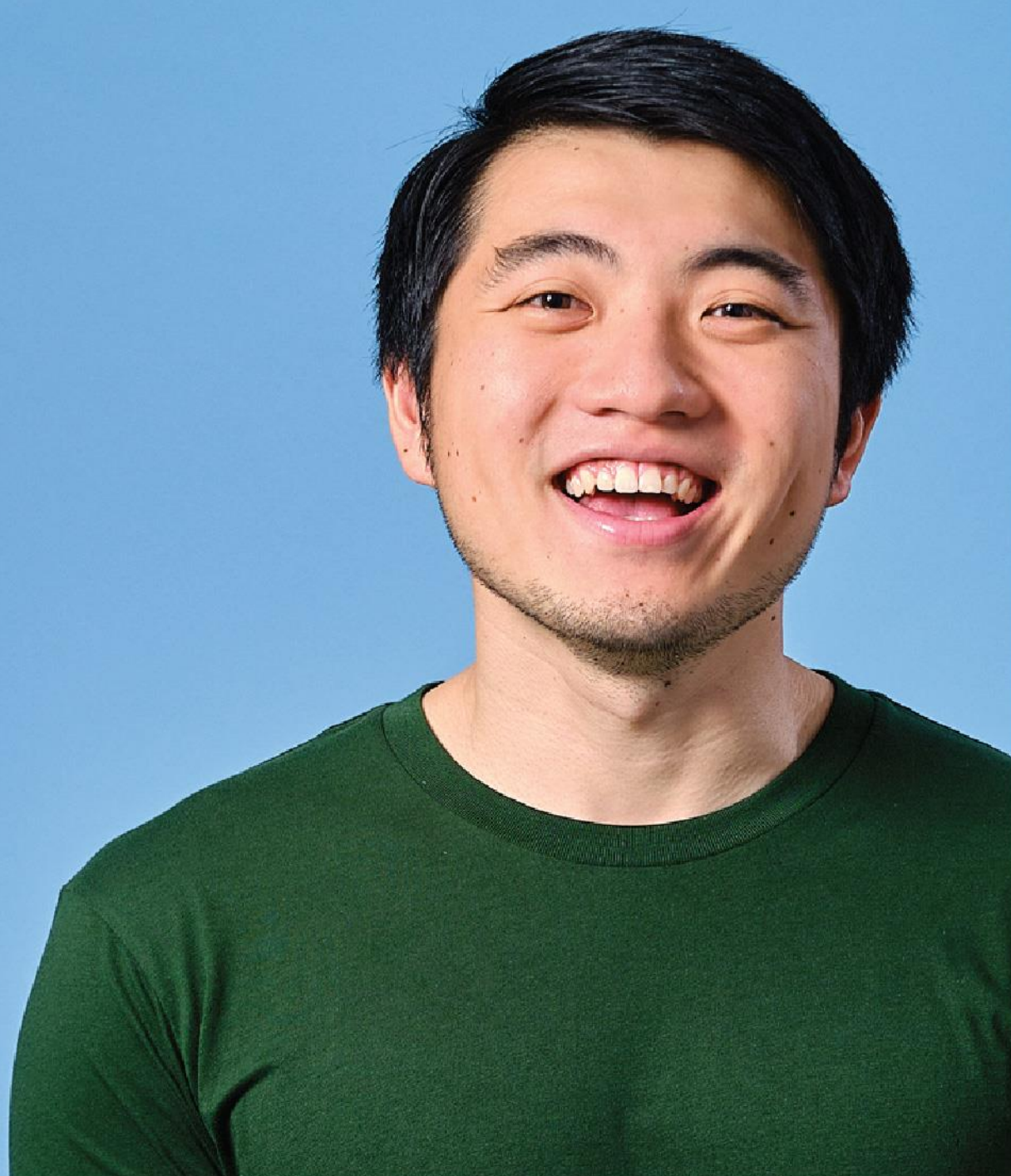
This report is based on the condensed consolidated financial statements for the half-year ended 31 December 2020 which have been reviewed by PricewaterhouseCoopers.

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

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2021 HALF YEAR REPORT



About this report

This report contains the Directors' report and the condensed consolidated financial statements for Harmony Corp Limited for the half year ended 31 December 2020. The Directors' report is not part of the financial statements and contains 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 New Zealand dollars (NZD) except where indicated, and comparatives relate to the six months ended 31 December 2019 unless otherwise stated.

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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 2020 ("the Group").

Directors

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

David Flacks	Independent Chairman
David Stevens	Chief Executive Officer and Managing Director
Tracey Jones	Independent Director
Neil Roberts	Founder, Chief Product Officer and Executive Director
Paul Lahiff	Independent Director

Principal activities

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

Review of operations

Group performance highlights

During the half-year ended 31 December 2020, the Group achieved some key milestones, continued delivery of the strategy set out in its prospectus and delivered strong growth, highlights included:

- Successful initial public offering and listing on the Australian Securities Exchange ("ASX"), together with dual listing on the NZX, in November 2020, raising net proceeds of \$67.6m to fund business expansion ("IPO").
- Loan originations of \$194m, including Q2 21 growth of 47% on Q1 21, as marketing to new customers accelerated post IPO.
- Warehouse funding of the loan book increased to 45%, from 27% at 30 June 2020 as the group continued its transition from peer-to-peer to warehouse funding.
- Warehouse funding capacity increased to \$474m, up from \$263m at 30 June 2020, as the Group expanded exiting facilities and signed a new \$200m facility with M&G Investments, a global asset manager.
- Strong credit performance with 90+ day arrears 0.60%, down from 0.97% at 30 June 2020, actual annualised net loss on the entire portfolio for the period down to 3.7% from 4.1% for the prior comparative period, and COVID-19 loan deferrals down to 1.8%.
- Net lending margin on the entire portfolio for the period 7.2%, up from 5.4% for the prior comparative period.

Financial performance

For the half-year to 31 December 2020, the Group reported a statutory net loss after tax of \$10.5m, a 20% improvement on the prior comparative period.

As explained in the Group's IPO prospectus issued on 30 October 2020 ("Prospectus") the Group's statutory financial statements apply a different accounting treatment for peer-to-peer funded loans to that applied for warehouse funded loans and are also impacted by several material non-recurring items. The Group's pro forma results for the period provide a more meaningful basis to report on business performance as they align the accounting treatment for all loans, indifferent to funding sources, and remove the impact of material non-recurring items. The pro forma analysis included in this Directors' report is presented on the same basis as in the Prospectus.

The table below sets out the pro forma financial performance for the period compared to the prior period pro forma financial performance. The Group's statutory financial results are set out following this Directors' report in the Group financial statements from pages 14 to 32. The tables below set out the pro forma financial performance for the period compared to the prior period and a reconciliation of the statutory to pro forma financial performance.

	6 months ended 31 December 2020 Pro forma Unaudited \$'000	6 months ended 31 December 2019 Pro forma Unaudited \$'000	Change \$'000	Change %
Interest income	41,535	41,055	480	1%
Other income	19	498	(479)	(96%)
Total income	41,554	41,553	1	0%
Interest expense	15,644	17,841	(2,197)	(12%)
Impairment expense	8,710	9,959	(1,249)	(13%)
Movement in expected credit loss provision	(1,828)	2,430	(4,258)	175%
Marketing expenses	5,686	7,068	(1,382)	(20%)
Verification and servicing expenses	1,926	1,734	192	11%
Personnel expenses (excl. share based payments)	4,177	3,606	571	16%
Share based payments expenses	3,916	98	3,818	3,897%
Technology expenses	1,429	1,603	(174)	(11%)
Administration expenses	5,419	3,531	1,888	53%
Depreciation and amortisation expenses	410	766	(356)	(46%)
Loss before income tax	(3,935)	(7,083)	3,148	44%
Income tax benefit	1,101	1,984	(882)	(44%)
Loss after income tax	(2,834)	(5,099)	2,265	44%
<i>Non-Cash Expenses</i>				
Movement in expected credit loss provision	(1,828)	2,430	(4,258)	
Share based payments expenses	3,916	98	3,818	
Depreciation and amortisation expenses	410	766	(356)	
Income tax impact of non-cash adjustments	(1,585)	(922)	(663)	
<i>Other Normalisation Adjustments</i>				
IPO Expenses	3,163	-	3,163	
Cash net profit/(loss) after income tax	1,242	(2,727)	3,969	

Statutory to pro forma reconciliation

The table below sets out the pro forma adjustments applied to the statutory consolidated income statement by line, for the half year period ended 31 December 2020 and the prior comparative half year period ended 31 December 2019. The pro forma adjustments are consistent with those made in the Prospectus and are intended to provide a more meaningful view of the Group's operating performance, normalising for differences in statutory accounting treatment between warehouse and peer-to-peer funded loans, as well as to remove the impact of material non-recurring items, and to provide better comparability between periods and between the Group and its listed peers.

	6 months ended 31 December 2020			6 months ended 31 December 2019		
	Statutory	Pro forma Adjustments	Pro forma	Statutory	Pro forma Adjustments	Pro forma
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Interest income ¹	14,998	26,537	41,535	7,708	33,347	41,055
Fee income ²	4,063	(4,063)	-	102	(102)	-
Other income ³	356	(337)	19	773	(275)	498
Total income	19,417	22,137	41,554	8,583	32,970	41,553
Interest expense ⁴	3,928	11,716	15,644	1,615	16,226	17,841
Impairment expense ⁵	5,778	1,104	6,882	3,295	9,094	12,389
Marketing expenses	5,686	-	5,686	7,068	-	7,068
Verification and servicing expenses	1,926	-	1,926	1,734	-	1,734
Personnel expenses ⁶	8,023	70	8,093	5,673	(1,969)	3,704
Technology expenses	1,429	-	1,429	1,603	-	1,603
Administration expenses ⁷	5,419	-	5,419	4,496	(965)	3,531
Depreciation and amortisation expenses ⁸	410	-	410	346	420	766
Loss before income tax	(13,182)	9,247	(3,935)	(17,247)	10,164	(7,083)
Income tax benefit ⁹	2,694	(1,593)	1,101	4,180	(2,196)	1,984
Loss after income tax	(10,488)	7,654	(2,834)	(13,067)	7,968	(5,099)

Notes:

- In the statutory income statement, loans funded via warehouse facilities are recorded on-balance sheet, while loans funded via the Group's peer-to-peer trusts are "derecognised" for accounting purposes. As the Group is transitioning to full warehouse funding, this creates income statement comparability issues between periods. As such a pro forma adjustment has been made to present the income statement consistently with recognition of peer-to-peer funded loans on-balance sheet, indifferent to funding sources. In the statutory income statement, for loans funded by the Group's peer-to-peer trusts, expected lifetime fee income is recognised on loan origination, in contrast with warehouse funding where interest income and interest expense are recognised over the life of the loan. The interest income adjustment recognises interest income earned during the period from peer-to-peer funded loans.
- For the reasons set out in note 1, the fee income adjustment removes fees earned from peer-to-peer funded loans with establishment fees being recognised in the pro forma income statement through interest income over the expected life of the loan and peer-to-peer lender fees being recognised in the pro forma as a deduction from interest expense. The fee income adjustment also reclassifies borrower dishonour and late fees to other income.
- The other income adjustment reclassifies borrower dishonour and late fees from fee income in the statutory income statement to other income in the pro forma income statement and, for consistency with the pro forma income statement presented in the Prospectus, in the prior comparative period removes grant income which the Group expects on a go forward basis it would not be eligible to receive on the revised application of its accounting policy for the capitalisation of eligible research and development applied during the current period.
- For the reasons set out in note 1, the interest expense adjustment recognises net interest paid to peer-to-peer lenders after deducting impairments and fees owed to the Group and, for consistency with the pro forma income statement presented in the Prospectus, removes the interest expense relating to the corporate debt facility, which was repaid prior to the IPO.
- For the reasons set out in note 1, the impairment expenses adjustment recognises, for peer-to-peer funded loans, both actual impairment costs and the movement in expected credit loss provision during the period.
- For consistency with the pro forma income statement presented in the Prospectus, the personnel expenses have been adjusted to remove the net impact of the non-recurring benefit of the Wage Subsidy Scheme in New Zealand and the JobKeeper wage subsidy in Australia and salary reductions taken by employees and, in the prior comparative period, remove the portion of costs that the Group estimates could have been capitalised had the current period application of the Group's accounting policy for the capitalisation of eligible research and development expenditure applied.
- For consistency with the pro forma income statement presented in the Prospectus, the administration expenses adjustment in the prior comparative period removes the establishment costs relating to the corporate debt facility, which was repaid prior to the IPO, and adds the Group's estimate of additional public company costs associated with being a publicly listed entity.
- For consistency with the pro forma income statement presented in the Prospectus, the depreciation and amortisation expenses for the prior comparative period adds the Group's estimate of amortisation of capitalised research and development expenditure had the Group's current period application of its accounting policy for the capitalisation of eligible research and development expenditure been applied in prior periods.
- The income tax benefit adjustment represents the cumulative income tax expense on the pro forma adjustments at an effective income tax rate of 28%.

Pro forma overview

On a pro forma basis, for the half year to 31 December 2020 the Group achieved Cash NPAT of \$1.2m, a \$4.0m improvement on the prior comparative period.

Pro forma total income for the period was in line with the prior comparative period at \$41.5m, despite the period being COVID-19 impacted. Higher interest income outweighed a reduction in other income from the cessation of dishonour and late payment fees.

Pro forma expenses (excluding non-cash and IPO expenses) were \$40.3m, a 9% reduction on the prior comparative period, driven by a 12% reduction in funding costs as the Group continued its transition to warehouse funding, a 20% reduction in marketing costs with more emphasis on origination from existing accounts '3Rs strategy' prior to the Group's IPO in November 2020 and a 13% reduction in actual impairment costs in line with improved arrears performance.

Loan originations and pro forma portfolio

	6 months ended 31 December 2020	6 months ended 31 December 2019	Change %
Originations (\$'000)	193,675	270,421	(28%)
Loan book (period end) (\$'000) ^{1, 2}	468,186	499,348	(6%)
Loan book (average) (\$'000) ¹	477,042	486,557	(2%)
Average term of originations (months)	55	57	(3%)
Number of originations	6,883	10,964	(37%)
Average value of originations (\$)	28,138	24,664	14%
Average remaining contractual term(months)	44	47	(7%)

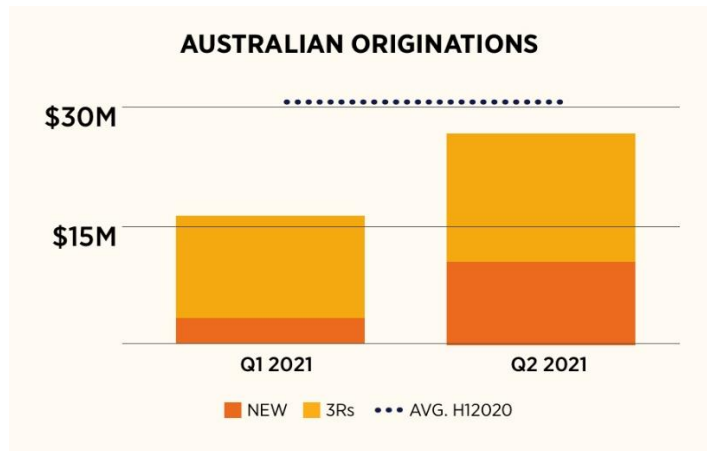
Notes:

1. Includes warehouse and peer-to-peer funded loans.
2. Comparative period balance is as at 30 June 2020, not 31 December 2019.

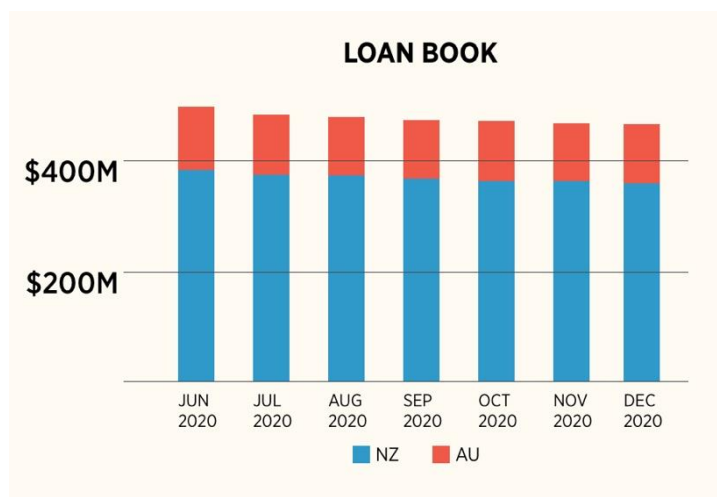
New Zealand loan originations in the period were \$151m, with Q2 21 growing by 44% on Q1 21 and reaching 85% of the 1H 20 quarterly average. This Q2 21 growth included 96% growth in new originations on Q1 21 as the Group accelerated marketing to new customers post completion of its initial public offering in November 2020.



Australian loan originations in the period were \$43m, with Q2 21 growing by 69% on Q1 21 and reaching 87% of the 1H 20 quarterly average. This Q2 21 growth included 207% growth in new originations on Q1 21 as the Group accelerated marketing to new customers post completion of its initial public offering in November 2020.



The Group's loan book contracted by 6% over the period with lower new customer originations in Q1 21, on reduced marketing expenditure, being outweighed by book attrition. However, the book had stabilised by December, closing at \$468m, on strong origination growth post completion of the Group's IPO.



Pro forma interest margin and funding costs

	6 months ended 31 December 2020	6 months ended 31 December 2019	Change %
Average interest rate (%)	17.4%	16.9%	3%
Funding debt (period end) (\$'000) ¹	446,938	497,062	(10%)
Funding debt (average) (\$'000)	466,828	486,497	(4%)
Average funding rate (%)	6.7%	7.3%	(9%)
Average % of book funded by Warehouse	35%	16%	124%
Net interest margin	10.9%	9.5%	15%

Notes:

1. Comparative period balance is as at 30 June 2020, not 31 December 2019.

Average interest rate represents the interest income as a percentage of the average gross loan book for the period.

Funding debt represents the debt used to fund lending activities, including both warehouse and peer-to-peer funding sources. The average funding rate is calculated as the pro forma interest expense over the average funding debt for the period. The average funding rate fell to 6.7% from 7.3% in the prior comparative period, driven by the continuing transition from peer-to-peer to warehouse funding, with warehouse funding reaching 45% by the end of the period, up from 27% at 30 June 2020.

An increase in the average interest rate and the reduction in the average funding rate saw the net interest margin over the period widen to 10.9% from 9.5% in the prior comparative period.

Pro forma credit performance

	6 months ended 31 December 2020	6 months ended 31 December 2019	Change %
Impairment expense (\$'000)	8,710	9,959	(13%)
Movement in expected credit loss provision (\$'000)	(1,828)	2,430	(175%)
Provision rate (%)	5.7%	4.4%	31%
Impairment expense to average gross loans (%)	3.7%	4.1%	(11%)
Net lending margin	7.2%	5.4%	33%

Impairment expense, which represents loans written off during the period net of recoveries, has decreased by 13% from the prior comparative period, consistent with improved arrears performance. The decrease in the movement in expected credit loss provision is driven by a 6% contraction of the loan book over the period, down from a 12% increase in the prior comparative period, partially offset by an increase in the provision rate with an increase to the downside economic overlay applied due to the heightened economic uncertainty resulting from the COVID-19 pandemic.

Net lending margin, which is the net interest margin less impairment expense divided by the average gross loan book over the period, has widened to 7.2%, up from 5.4% in the prior comparative period, on the combined improvements to net interest margin and impairment expenses.

Pro forma operating expenses

Ratios to total income	6 months ended 31 December 2020	6 months ended 31 December 2019	Change %
Total operating expenses	37%	42%	(12%)
Marketing	14%	17%	(18%)
Verification & servicing	4%	4%	0%
Personnel (excl. share based payments)	10%	9%	11%
Technology	3%	4%	(25%)
Administration	6%	9%	(33%)

The ratio of total pro forma operating expenses (excluding non-cash and IPO expenses) decreased to 37% from 42% in the prior comparative period, a reduction of 12%.

A primary driver of this reduction was a 20% (\$1.4m) reduction in marketing expenses as, prior to completion of the Group's IPO in November 2020, the Group focused its origination marketing on existing customers and account holders, applying its 3Rs strategy. On completion of the IPO, coinciding with improving economic conditions in both Australia and New Zealand, the Group resumed marketing to new customers at pre-COVID-19 levels.

Remaining operating expenses were down 7% (\$0.7m) primarily from lower external advisory expenses, partially offset by higher personnel expenses.

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

For and on behalf of the Directors'



David Flacks

Chairman

Auckland

23 February 2021

FINANCIAL REPORT



GROUP FINANCIAL STATEMENTS

Condensed Consolidated Income Statement

for the half-year ended 31 December 2020

	Notes	6 months ended 31 December 2020 \$'000	6 months ended 31 December 2019 \$'000
Interest income		14,998	7,708
Fee income	6	4,063	102
Other income		356	773
Total income		19,417	8,583
Interest expense	7	3,928	1,615
Impairment expense		5,778	3,295
Marketing expenses		5,686	7,068
Verification and servicing expenses		1,926	1,734
Personnel expenses		8,023	5,673
Technology expenses		1,429	1,603
Administration expenses		5,419	4,496
Depreciation and amortisation expenses		410	346
Loss before income tax		(13,182)	(17,247)
Income tax benefit		2,694	4,180
Loss for the period attributable to shareholders of Harmoney Corp Limited		(10,488)	(13,067)
Earnings per share for loss attributable to the ordinary equity holders of the Company:		Cents	Cents
Basic earnings per share		(12.2)	(18.1)
Diluted earnings per share		(12.2)	(18.1)

The above condensed consolidated income statement should be read in conjunction with the accompanying notes.

Condensed Consolidated Statement of Comprehensive Income

for the half-year ended 31 December 2020

	6 months ended 31 December 2020 \$'000	6 months ended 31 December 2019 \$'000
Loss for the period attributable to shareholders of Harmony Corp Limited	(10,488)	(13,067)
Other comprehensive gain/(loss)		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of foreign operations	432	(23)
Gain/(loss) on cash flow hedge reserve	354	(69)
Other comprehensive income/(loss) for the period, net of tax	786	(92)
Total comprehensive loss for the period attributable to shareholders of Harmony Corp Limited	(9,702)	(13,159)

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 2020

	Notes	31 December 2020 \$'000	30 June 2020 \$'000
Assets			
Cash and cash equivalents	8	77,844	34,779
Trade and other assets		5,676	5,223
Finance receivables	9	199,704	129,222
Property and equipment		1,037	1,448
Intangible assets		2,130	-
Deferred tax assets	10	11,873	9,548
Total assets		298,264	180,220
Liabilities			
Payables and accruals		9,810	6,263
Borrowings	11	188,953	132,630
Provisions		6,652	9,832
Lease liability		1,207	1,684
Derivative financial instruments		572	926
Total liabilities		207,194	151,335
Net Assets		91,070	28,885
Share capital	12	131,398	56,686
Foreign currency translation reserve		98	(334)
Share based payment reserve	13	-	2,825
Cash flow hedge reserve		(572)	(926)
Accumulated losses		(39,854)	(29,366)
Equity		91,070	28,885

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 half-year ended 31 December 2020

	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 2019		33,733	(19)	1,817	(108)	(13,779)	21,644
Loss for the 6 month period ended 31 December 2019		-	-	-	-	(13,067)	(13,067)
Other comprehensive loss for the 6 month period ended 31 December 2019, net of income tax		-	(23)	-	(69)	-	(92)
Total comprehensive loss for the 6 month period ended December 2019		-	(23)	-	(69)	(13,067)	(13,159)
Recognition of share based payments	13	-	-	97	-	-	97
Issue of share capital	12	23,423	-	-	-	-	23,423
Balance at 31 December 2019		57,156	(42)	1,914	(177)	(26,846)	32,005
Balance at 30 June 2020		56,686	(334)	2,825	(926)	(29,366)	28,885
Loss for the 6 month period ended 31 December 2020		-	-	-	-	(10,488)	(10,488)
Other comprehensive loss for the 6 month period ended 31 December 2020, net of income tax		-	432	-	354	-	786
Total comprehensive loss for the 6 month period ended December 2020		-	432	-	354	(10,488)	(9,702)
Recognition of share based payments	13	-	-	4,337	-	-	4,337
Transfer to share capital	13	7,162	-	(7,162)	-	-	-
Issue of share capital	12	67,550	-	-	-	-	67,550
Balance at 31 December 2020		131,398	98	-	(572)	(39,854)	91,070

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 half-year ended 31 December 2020

		6 months ended 31 December 2020	6 months ended 31 December 2019
	Notes	\$000	\$000
Cash flows from operating activities			
Interest received		14,751	7,196
Interest paid		(4,136)	(1,551)
Other income		4,044	15,649
Payments to suppliers and employees		(16,063)	(16,966)
Net cash (used in)/generated by operating activities		(1,404)	4,328
Cash flows from investing activities			
Net advances to customers		(77,291)	(45,011)
Payments for intangibles and equipment		(2,130)	(14)
Net cash (used in) investing activities		(79,421)	(45,025)
Cash flows from financing activities			
Net proceeds from finance receivables borrowings		67,082	41,669
Net repayment of debt financing		(10,693)	-
Net proceeds from share issue		67,550	23,423
Principal element of lease payments		(478)	34
Net cash generated by financing activities		123,461	65,126
Cash and cash equivalents at the beginning of the period		34,779	8,739
Net increase / (decrease) in cash and cash equivalents		42,636	24,429
Gain/(loss) on foreign currency bank accounts		429	(23)
Cash and cash equivalents at the end of the period	8	77,844	33,145

The above condensed consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the consolidated financial statements

1. Corporate information

Harmony Corp Limited (the Company) and its subsidiaries (collectively, the Group) are companies whose primary business is to originate, service and invest in loans. The Group consists of Harmony Corp Limited and its subsidiaries and controlled entities through which it invests in loans.

The results and position of each group entity are expressed in New Zealand dollars, which is the functional currency of the Company and the presentation currency for the consolidated financial statements, unless otherwise stated.

Harmony Corp Limited is a company incorporated in New Zealand and registered under the Companies Act 1993, whose shares are publicly traded on both the ASX and NZX, and is required to be treated as a FMC Reporting Entity under the *Financial Market Conducts Act 2013* and the *Financial Reporting Act 2013*. The Company was incorporated on 1 May 2014. The Company is also a FMC Reporting Entity as it is a licensed peer to peer lender. There has been no change in the principal activity of the Group during the period.

2. Significant accounting policies

a. Basis of preparation

The condensed consolidated financial statements for the six months ended 31 December 2020 have been prepared in accordance with NZ IAS 34 *Financial Reporting* and IAS 34 *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 15 month period ended 30 June 2020 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.

The Group has transitioned from NZ IFRS Reduced Disclosure Regime to New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and International Reporting Standards (IFRS). There were no recognition or measurement differences arising from the Group's transition and accordingly, no opening balance sheet has been presented.

b. Accounting policies

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.

The Group has not early adopted any standards, interpretation and/or amendments in the current period. Accounting policies applied in these financial statements have been consistently applied for all periods presented in the condensed consolidated financial statements.

3. Significant changes in the current reporting period

ASX Listing and Initial Public Offering (IPO)

On 19 November 2020, the Company completed an IPO and listed on the ASX with a secondary listing on the NZX. Refer to note 12 for further details.

4. 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 financial statements for the 15 month period ended 30 June 2020.

COVID-19

The ongoing COVID-19 pandemic has increased the estimation uncertainty in the preparation of these financial statements. The estimation uncertainty is associated with the extent and duration of the disruption to business arising from the actions by governments, businesses, and consumers to contain the spread of the virus.

The Group has two significant accounting estimates in these financial statements based on forecasts of economic conditions which reflect expectations and assumptions as at 31 December 2020 about future events that the Directors believe are reasonable in the circumstances. The underlying assumptions are also subject to uncertainties which are often outside the control of the Group. Accordingly, actual economic conditions are likely to be different from those forecast since anticipated events frequently do not occur as expected, and the effect of those differences may significantly impact accounting estimates included in these financial statements.

Allowance for expected credit losses

The Group measures the allowance for expected credit losses (ECL) using an expected credit loss impairment model as required by NZ IFRS 9 *Financial Instruments* (NZ IFRS 9). The estimated impact of COVID-19 has been incorporated into forward-looking inputs.

Transaction price and variable consideration

The Group measures the transaction price including variable consideration to determine income as required by NZ IFRS 15 *Revenue from Contracts with Customers* (NZ IFRS 15). The transaction price is determined based on models of expected customer behaviour which are informed by historical experience. Judgement has been applied to reduce the amount of income recognised to accommodate for the expected deviation from that base given current uncertainties.

Determination of comparative period

The comparative period presented for the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of cash flows, note 5, 6, and 7 is the six months ended 31 December 2019, being the most comparable interim period. While this is not year to date 31 December 2019, which would be the nine months ended 31 December 2019, it is considered the most relevant comparative period for the purpose of understanding the current period financial statements.

5. Segment information

Management has determined the operating segments based on the reports reviewed by the Chief Operating Decision Maker (CODM) that are used to make strategic decisions. The CEO (considered to be the CODM), in addition to statutory profit after tax, assesses the business on a Cash NPAT basis.

Cash NPAT is a non-GAAP measure and consists of profit/(loss) after income tax, adjusted for determined non-cash and abnormal items. It is intended as a supplementary measure of operating performance for readers to understand the cash generating ability of the Group. Cash NPAT does not have a standard meaning prescribed by GAAP and therefore may not be compared to information presented by other entities.

The CODM considers the business from a geographical operating and head office perspective and has identified three reportable segments: New Zealand, Australia and Head Office.

Intersegment revenue is not considered by the CODM and is accordingly excluded from segment reporting.

The following tables present income and loss information for the Group's operating segments for the six months ended 31 December 2020 and 2019, respectively.

Segmented income statement for the 6 months ended 31 December 2020 \$'000				
	New Zealand	Australia	Head Office	Group
Interest income	12,183	2,815	-	14,998
Fee income	3,922	141	-	4,063
Other income	239	117	-	356
Total income	16,344	3,073	-	19,417
Interest expense	2,202	1,726	-	3,928
Impairment expense	1,809	190	-	1,999
Movement in expected credit loss provision	2,406	1,373	-	3,779
Marketing expenses	3,619	2,067	-	5,686
Verification and servicing expenses	1,476	450	-	1,926
Personnel expenses (excl. share-based payments)	-	-	4,107	4,107
Share-based payments expenses	-	-	3,916	3,916
Technology expenses	-	-	1,429	1,429
Administration expenses	-	-	5,419	5,419
Depreciation and amortisation expenses	-	-	410	410
Profit/(loss) before income tax	4,832	(2,733)	(15,281)	(13,182)
Income tax benefit/(expense)	2,938	(244)	-	2,694
Profit/(loss) for the period attributable to shareholders of Harmony Corp Limited	7,770	(2,977)	(15,281)	(10,488)
<i>Non-Cash Adjustments</i>				
Change in NZ IFRS15 expected revenue	2,070	328	-	2,398
Movement in expected credit loss provision	2,406	1,373	-	3,779
Share based payments expenses	-	-	3,916	3,916
Depreciation and amortisation expenses	-	-	410	410
<i>Other Normalisation Adjustments</i>				
IPO related expenses	-	-	3,040	3,040
Income tax impact of adjustments	(1,253)	(510)	(1,390)	(3,153)
Cash NPAT	10,993	(1,786)	(9,305)	(98)

Segmented income statement for the 6 months ended 31 December 2019 \$'000				
	New Zealand	Australia	Head Office	Group
Interest income	7,707	1	-	7,708
Fee income	(3,318)	3,420	-	102
Other income	773	-	-	773
Total income	5,162	3,421	-	8,583
Interest expense	1,578	37	-	1,615
Impairment expense	350	-	-	350
Movement in expected credit loss provision	2,945	-	-	2,945
Marketing expenses	4,156	2,912	-	7,068
Verification and servicing expenses	1,310	424	-	1,734
Personnel expenses (excl. share-based payments)	-	-	5,575	5,575
Share-based payments expenses	-	-	98	98
Technology expenses	-	-	1,603	1,603
Administration expenses	-	-	4,496	4,496
Depreciation and amortisation expenses	-	-	346	346
Profit/(loss) before income tax	(5,177)	48	(12,118)	(17,247)
Income tax benefit	4,180	-	-	4,180
Profit/(loss) for the period attributable to shareholders of Harmony Corp Limited	(997)	48	(12,118)	(13,067)
<i>Non-Cash Adjustments</i>				
Change in NZ IFRS15 expected revenue	9,927	219	-	10,146
Movement in expected credit loss provision	2,945	-	-	2,945
Share based payments expenses	-	-	98	98
Depreciation and amortisation expenses	-	-	346	346
<i>Other Normalisation Adjustments</i>				
Warehouse and debt set up expenses	-	-	1,804	1,804
Income tax impact of adjustments	(3,604)	(66)	(630)	(4,300)
Cash NPAT	8,271	201	(10,500)	(2,028)

6. Fee income

	6 months ended 31 December 2020 \$'000	6 months ended 31 December 2019 \$'000
<i>Lender fee income</i>		
Distributing services	3,070	(1,131)
<i>Borrower fee income</i>		
Establishment services	660	457
Protect fees	313	278
Other fees	20	498
Total borrower fee income	993	1,233
Total fee income	4,063	102

7. Interest expenses

	6 months ended 31 December 2020 \$'000	6 months ended 31 December 2019 \$'000
Interest on receivables funding	3,267	1,581
Interest on corporate debt	623	-
Interest on lease liability	38	34
Total interest expense	3,928	1,615

8. Cash

	31 December 2020 \$'000	30 June 2020 \$'000
Cash on hand and demand deposits	15,784	10,106
Short term deposits	49,027	17,299
Restricted cash	13,033	7,374
Total cash and cash equivalents	77,844	34,779

Restricted cash is held by Harmony Warehouse Trust No. 1 and Harmony Australia Warehouse No. 1 Trust, controlled entities of the Group. The funds may only be used for purposes defined in the Trust documents.

9. Finance receivables

	31 December 2020 \$'000	30 June 2020 \$'000
Finance receivables	210,201	134,917
Protect receivables	623	1,109
Accrued interest	1,415	1,168
Deferred establishment fees	(1,624)	(897)
Expected credit loss (ECL) provision	(10,911)	(7,075)
Total finance receivables	199,704	129,222

Credit risk management

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

In response to COVID-19 the Group made changes to credit underwriting and collections processes to mitigate the impacts of economic downturn and the related credit risk. For example, by: directing additional resource towards helping borrowers in financial hardship, reducing the permitted borrowing limits across all customers, and limiting exposure to high risk segments.

The Group measures the allowance for expected credit losses (ECL) using an expected credit loss impairment model as required by NZ IFRS 9 *Financial Instruments* (NZ IFRS 9). The estimated impact of COVID-19 has been incorporated into forward-looking inputs as described below.

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

31 December 2020	Stage 1	Stage 2	Stage 3	Total
Expected loss rate	4.19%	66.99%	100.00%	5.16%

	\$'000	\$'000	\$'000	\$'000
Gross carrying amount	208,492	2,908	217	211,617
Expected credit loss provision	(8,746)	(1,948)	(217)	(10,911)
Net carrying amount	199,746	960	-	200,706

30 June 2020	Stage 1	Stage 2	Stage 3	Total
Expected loss rate	4.07%	57.46%	96.13%	5.20%

	\$'000	\$'000	\$'000	\$'000
Gross carrying amount	133,551	2,069	465	136,085
Expected credit loss provision	(5,439)	(1,189)	(447)	(7,075)
Net carrying amount	128,112	880	18	129,010

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

Stage 1

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

Stage 2

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

Stage 3

The Group determines that a financial instrument is credit-impaired and in stage 3 by considering relevant objective evidence, primarily whether:

- contractual payments of either principal or interest are past due for more than 120 days; and
- the loan is otherwise considered to be in default.

If such unlikelihood to pay is not identified at an earlier stage, it is deemed to occur when an exposure is 120 days past due.

Write-off

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

Forward -looking economic inputs (FLI)

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

The Group has identified a number of key indicators that are considered in modelling the ECL, the most significant of which are gross domestic product, unemployment rate, wages and inflation. These indicators are assessed semi-annually with input from the Chief Credit Officer who recommends scenarios and the probability weighted assessment of these. Four possible scenarios are applied in FLI: Base Case, Worst Case, Poor Case and Best Case. 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.

As at 31 December 2020, the Group expects there to be further impacts as a result of the COVID-19 pandemic, including anticipated increases in delinquencies, as Government stimulus and other measures are progressively removed and we potentially see continued outbreaks of the virus leading to Government mandated restrictions on activity. These impacts would flow through to the modelled expected loss provision, but currently due to the evolving economic impact of the pandemic, may not be fully captured in the modelled outcome. Over time, it is anticipated the economic overlay will need to be adjusted as additional factors are embedded into the base case of the modelled provision.

At 30 June the portfolio had been segregated into categories based on deferrals and arrears status. At 31 December, the multiplier is applied at a portfolio level as levels of hardships have dropped significantly and the segment is not meaningful for calculating ECL. The multipliers used for each case and their respective impact on the ECL are:

	31 December 2020	30 June 2020
Deferrals and arrears	0.0%	16.5%
Worst case	11.7%	4.2%
Poor case	26.6%	18.9%
Base case	16.7%	4.0%
Best case	0.0%	0.0%
Total	55.0%	43.6%

10. Deferred tax balances

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

	December 2020 \$'000	June 2020 \$'000
Deferred tax assets	13,542	11,696
Deferred tax liabilities	(1,669)	(2,148)
Deferred tax assets	11,873	9,548

	Opening balance \$'000	Recognised in profit or loss \$'000	Recognised in equity \$'000	Closing balance \$'000
December 2020				
Deferred tax (liabilities)/assets in relation to				
Tax losses	4,156	2,710	-	6,866
Deferred R&D expenses	4,355	(1,190)	-	3,165
Share based payments	901	(901)	-	-
Accruals	2,284	1,227	-	3,511
Plant, equipment and intangibles	(5)	1	-	(4)
Foreign exchange	-	(102)	-	(102)
Distributing services	(2,143)	580	-	(1,563)
	9,548	2,325	-	11,873

	Opening balance \$'000	Recognised in profit or loss \$'000	Recognised in equity \$'000	Closing balance \$'000
June 2020				
Deferred tax (liabilities)/assets in relation to				
Tax losses	5,303	(1,147)	-	4,156
Deferred R&D expenses	3,319	1,036	-	4,355
Share based payments	1,127	43	(269)	901
Accruals	523	1,761	-	2,284
Plant, equipment and intangibles	(6)	1	-	(5)
Distributing services	(5,101)	2,958	-	(2,143)
	5,165	4,652	(269)	9,548

The recognised tax losses are subject to meeting the requirements of the applicable tax legislation including maintaining shareholder continuity. The Group also has tax losses of \$7.5m at 31 December 2020 (June 2020: nil) which have not been recognised and are available to offset future taxable profits, subject to maintaining shareholder continuity.

11. Borrowings

	31 December 2020 \$'000	30 June 2020 \$'000
Receivables funding	188,953	121,636
Corporate debt	-	10,994
Total borrowings	188,953	132,630

The corporate debt borrowings were repaid on 18 November 2020 and the Group has subsequently been released from the associated guarantees.

The receivables funding relates to borrowings specific to the following entities and are secured by their assets.

Harmony Warehouse No. 1 Trust facility limit is \$153m and expires December 2021 (June 2020: Facility limit of \$140m, expiry December 2021). The undrawn balance of the facility on 31 December 2020 was Nil (June 2020: \$64m).

The Harmony Australia Warehouse No. 1 Trust facility limit is AUD\$115m (June 2020: AUD\$115m) and expires January 2022. The undrawn balance of the facility on 31 December 2020 was AUD\$59m (30 June 2020: AUD\$93m).

The Harmony Warehouse No. 2 Trust facility limit is \$200m and expires January 2023. The facility was undrawn on 31 December 2020.

12. Share capital

Share capital comprises:

	31 December 2020		30 June 2020	
	Number of shares	Share capital \$'000	Number of shares	Share capital \$'000
Fully paid ordinary shares	100,912,724	131,398	141,967,409	8,100
Fully paid Series A shares	-	-	26,256,128	8,146
Fully paid Series B shares	-	-	33,768,253	16,971
Fully paid Series C shares	-	-	58,203,070	23,469
Total issued capital	100,912,724	131,398	260,194,860	56,686

	Ordinary shares	Series A	Series B	Series C
As at 30 June 2020	141,967,409	26,256,128	33,768,253	58,203,070
Shares issued under share based payment arrangements	27,397,192	-	-	-
Share conversion	118,227,451	(26,256,128)	(33,768,253)	(58,203,070)
Share consolidation	(215,694,035)	-	-	-
Shares issued under share based payment arrangements	9,014,707	-	-	-
Shares issued upon IPO	20,000,000	-	-	-
As at 31 December 2020	100,912,724	-	-	-

Share consolidation and conversion

On 29 October 2020, all Series A, B and C classes of shares were converted to ordinary shares and a 4:1 share consolidation occurred for no consideration, decreasing the total number of shares held by equity holders.

ASX listing and Initial Public Offering

On 19 November 2020, the Company completed an IPO and listed on the ASX with a secondary listing on the NZX.

Share issued under share based payment arrangements

The Group's share option plans were settled in advance of the IPO. The options were net settled on a cashless basis based on the market price of AUD3.50 and the exercise price of each option. A total of 36,411,899 shares (15,864,005 shares post 4:1 share consolidation) were issued in settlement of the options. See note 13 for details.

13. Share based payments

31 December 2020			Number of share options						
Grant date	Exercise price	Grant date fair value	Opening balance 01/07/2020	Granted	Share consolidation	Exercised	Forfeited	Closing balance 31/12/2020	Vested & exercisable
<i>Scheme 2</i>									
28 Feb 2020	\$ nil	\$ 0.11	36,103,102	-	(27,044,121)	9,014,707	44,274	-	-
<i>Scheme 1</i>									
1 Apr 2020	\$ nil	\$ 0.26	1,634,692	-	-	1,634,692	-	-	-
24 Feb 2020	\$ nil	\$ 0.26	750,000	-	-	750,000	-	-	-
21 May 2018	\$ 0.16	\$ 0.09	2,000,000	-	-	2,000,000	-	-	-
21 Aug 2017	\$ nil	\$ 0.17	8,860,423	-	-	8,860,423	-	-	-
21 Aug 2017	\$ 0.10	\$ 0.11	2,384,000	-	-	2,384,000	-	-	-
21 Aug 2017	\$ 0.17	\$ 0.09	1,792,516	-	-	1,792,516	-	-	-
<i>Other options</i>									
1 Mar 2014	\$ nil	\$ nil	12,000,000	-	-	12,000,000	-	-	-
Total			65,524,733	-	(27,044,121)	38,436,338	44,274	-	-

30 June 2020			Number of share options					
Grant date	Exercise price	Grant date fair value	Opening balance 01/04/2019	Granted	Exercised	Forfeited	Closing balance 30/06/2020	Vested & exercisable
<i>Scheme 2</i>								
28 Feb 2020	\$ nil	\$ 0.11	-	36,103,102	-	-	36,103,102	-
<i>Scheme 1</i>								
1 Apr 2020	\$ nil	\$ 0.26	-	1,634,692	-	-	1,634,692	817,346
24 Feb 2020	\$ nil	\$ 0.26	-	1,000,000	250,000	-	750,000	250,000
21 May 2018	\$ 0.16	\$ 0.09	2,000,000	-	-	-	2,000,000	2,000,000
21 Aug 2017	\$ nil	\$ 0.17	10,938,315	-	351,500	1,726,392	8,860,423	8,860,423
21 Aug 2017	\$ 0.10	\$ 0.11	2,436,000	-	-	52,000	2,384,000	2,384,000
21 Aug 2017	\$ 0.17	\$ 0.09	1,913,290	-	-	120,774	1,792,516	-
<i>Other options</i>								
1 Mar 2014	\$ nil	\$ nil	12,000,000	-	-	-	12,000,000	12,000,000
Total			29,287,605	38,737,794	601,500	1,899,166	65,524,733	26,311,769

The Group's share option plans were settled in advance of the IPO, with 36,411,899 shares (15,864,005 shares post 4:1 share consolidation) issued in net settlement of the options. In relation to this, the Group recognised an expense of \$3.9m within the condensed consolidated income statement for the half year ended 31 December 2020.

Share based payment reserve

	31 December 2020 \$'000	30 June 2020 \$'000
Opening balance	2,825	2,386
Arising on equity settled benefits	4,709	833
Deferred tax on share based payments	(372)	(269)
Transferred to share capital	(7,162)	(125)
Closing balance	-	2,825

14. Controlled entities

During the six months ended 31 December 2020, the following entities were established and joined Harmony Corp Limited group:

Name	Date established and control gained
Harmony Warehouse No.2 Trust	14 December 2020
Harmony Collections Trust	22 December 2020

The Group entered a wholesale funding agreement with a financier under which it purchases finance receivables through Harmony Warehouse No. 2 Trust (the Trust). The Trust is a special purpose entity which was set up solely for the purpose of purchasing loans from the Originator (Harmony Services Limited) under the Subscription Agreement with funding from the financiers. Harmony Group subsidiaries have been appointed Manager, Servicer and residual income beneficiary. Under NZ IFRS 10: *Consolidated Financial Statements*, an investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. As the Group controls the financing and operating activities of the Trust and is the residual income beneficiary, the Trust is considered to be controlled by the Group and is required to be consolidated into the Group financial statements.

15. Fair value

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

	December 2020 \$'000		
	Level 1	Level 2	Level 3
Financial Liabilities			
Derivative financial instruments			
Hedging derivatives - interest rate swaps	-	572	-
	June 2020 \$'000		
	Level 1	Level 2	Level 3
Financial Liabilities			
Derivative financial instruments			
Hedging derivatives - interest rate swaps	-	926	-

There have been no transfers between levels in the period (June 2020: Nil).

NZ IFRS 9 requires financial asset debt instruments to be classified on the basis of two criteria:

- a) the business model within which financial assets are managed; and
- b) their contractual cash flow characteristics (whether the cash flows represent solely payment of principal and interest (SPPI)).

There are three resulting classifications of financial asset debt instruments under NZ IFRS 9:

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

Other than derivative financial instruments, which are held at fair value, all other financial assets 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.

Set out on the table below is a comparison of the carrying amounts and fair values of financial assets and liabilities.

	December 2020 \$'000		June 2020 \$'000	
	Carrying amount	Fair Value	Carrying amount	Fair Value
Financial Assets				
Cash and cash equivalents	77,844	77,844	34,779	34,779
Trade and other assets	3,428	3,428	4,253	4,253
Finance receivables	199,704	199,704	129,222	129,222
Financial Liabilities				
Payables and accruals	9,187	9,187	5,154	5,154
Borrowings				
Floating interest rate	188,953	188,953	121,636	121,636
Fixed interest rate	-	-	10,994	10,994

16. Contingent liabilities

The Group was subject to Enforcement proceedings during the half year ended 31 December 2020. Earlier Case Stated proceedings asked the courts to answer a question of law based on a limited factual scenario; however, there has not yet been any substantive argument before the courts with respect to the Enforcement proceedings. The High Court hearing for which will be held from 6 September 2021.

Until such time as a judgment is issued, based on complete facts, determining whether or not any of the establishment fees that Harmony charged borrowers were unreasonable credit fees under the Credit Contracts and Consumer Finance Act 2003, the application of the law to the Group remains uncertain.

Harmony's position remains that any of its fees that were subject to the Act were not unreasonable under the Act, and there is no compensation due to borrowers. As such, Harmony's legal liability is contingent on the outcome of the Enforcement proceedings.

There are no other contingent liabilities as at 31 December 2020.

17. Events after the reporting period

Paul Lahiff was appointed as Director on 15 February 2021.

There were no other material events subsequent to period end.

DIRECTORS' DECLARATION

The unaudited condensed consolidated financial statements of the Harmony Group for the six months ended 31 December 2020 were authorised for issue on 23 February 2021 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 Harmony 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



David Flacks
DIRECTOR



Tracey Jones
DIRECTOR

23 February 2021

INDEPENDENT AUDITOR'S REVIEW REPORT



Independent auditor's review report

To the shareholders of Harmony Corp Limited

Report on the condensed consolidated financial statements

Our conclusion

We have reviewed the condensed consolidated financial statements of Harmony Corp Limited (the Company) and its controlled entities (the Group), which comprise the condensed consolidated statement of financial position as at 31 December 2020, and the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six months ended on that date, and significant accounting policies and other explanatory information.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated financial statements of the Group do not present fairly, in all material respects, the financial position of the Group as at 31 December 2020, and its financial performance and cash flows for the six months then ended, in accordance with International Accounting Standard 34 Interim Financial Reporting (IAS 34) and New Zealand Equivalent to International Accounting Standard 34 Interim Financial Reporting (NZ IAS 34).

Basis for conclusion

We conducted our review in accordance with the New Zealand Standard on Review Engagements 2410 (Revised) Review of Financial Statements Performed by the Independent Auditor of the Entity (NZ SRE 2410 (Revised)). Our responsibility is further described in the Auditor's responsibility for the review of the condensed consolidated 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. In addition to our role as auditor, our firm carries out other services for the Group in the areas of investigating accountant assurance services, tax due diligence and tax related services, and audit-related services which include custody controls assurance, Net tangible assets (NTA) agreed upon procedures and Australian Financial Services License reporting. The provision of these other services has not impaired our independence.

Directors' responsibility for the condensed consolidated financial statements

The Directors of the Company are responsible on behalf of the Company for the preparation and fair presentation of these condensed consolidated financial statements in accordance with IAS 34 and NZ IAS 34 and for such internal control as the Directors determine is necessary to enable the preparation and fair presentation of condensed consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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Auditor's responsibility for the review of the condensed consolidated financial statements

Our responsibility is to express a conclusion on the condensed consolidated 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 consolidated financial statements, taken as a whole, are not prepared in all material respects, in accordance with IAS 34 and NZ IAS 34. A review of condensed consolidated financial statements in accordance with NZ SRE 2410 (Revised) is a limited assurance engagement. We perform 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 and International Standards on Auditing (New Zealand) and consequently does not enable us to obtain assurance that we might identify in an audit. Accordingly, we do not express an audit opinion on these condensed consolidated financial statements.

Who we report to

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

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

For and on behalf of:

A handwritten signature in grey ink, appearing to read 'Henderson Coopers', written over a light grey circular stamp.

Chartered Accountants
23 February 2021

Sydney

CORPORATE INFORMATION

NZBN 9429041215272

Directors

The following persons were Directors of Harmony Corp Limited during the half-year and up to the date of this report unless otherwise stated:

David Flacks	
David Stevens	(Appointed 30 October 2020)
Tracey Jones	
Neil Roberts	
Paul Lahiff	(Appointed 15 February 2021)
Richard Dellabarca	(Resigned 30 October 2020)
Andrew Yeadon	(Resigned 30 October 2020)
Luke Forster	(Appointed 22 October 2019, Resigned 13 July 2020)
Udhav Goenka	(Appointed 27 July 2020, Resigned 30 October 2020)

Registered Office

Harmony Corp Limited
Ground Floor, 79 Carlton Gore Road
Newmarket, Auckland 2013, New Zealand

Auditor

PricewaterhouseCoopers
Sydney
Australia

Share register

Link Market Services Limited
ACN 083 214 537
Level 12, 680 George Street
Sydney NSW 2000, Australia

Stock exchange listing

Harmony Corp Limited shares are listed in the Australian Securities Exchange (ASX) and New Zealand Exchange (NZX).

The Company was admitted to the official list of the ASX and NZX on 19 November 2020 (ASX issuer code HMY).