19 October 2021

2021 Annual Report to Shareholders

humm group limited (ASX: HUM) attaches its final 2021 Annual Report to Shareholders.

-ENDS-

Authorised for release by the **humm**group Board of Directors.

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ABOUT HUMMGROUP

hummgroup is revolutionising the way people pay. **humm**group has developed some of Australia and New Zealand's most exciting and accessible consumer finance products including **humm**, **bundll**, **humm**90 and **humm**pro. **humm**group continues to design products around the core needs of financially savvy consumers spanning millennial spenders through to young families and SMEs. **humm**group facilitates purchases for over 2.7 million customers and operates in Australia, New Zealand, Ireland and the United Kingdom.

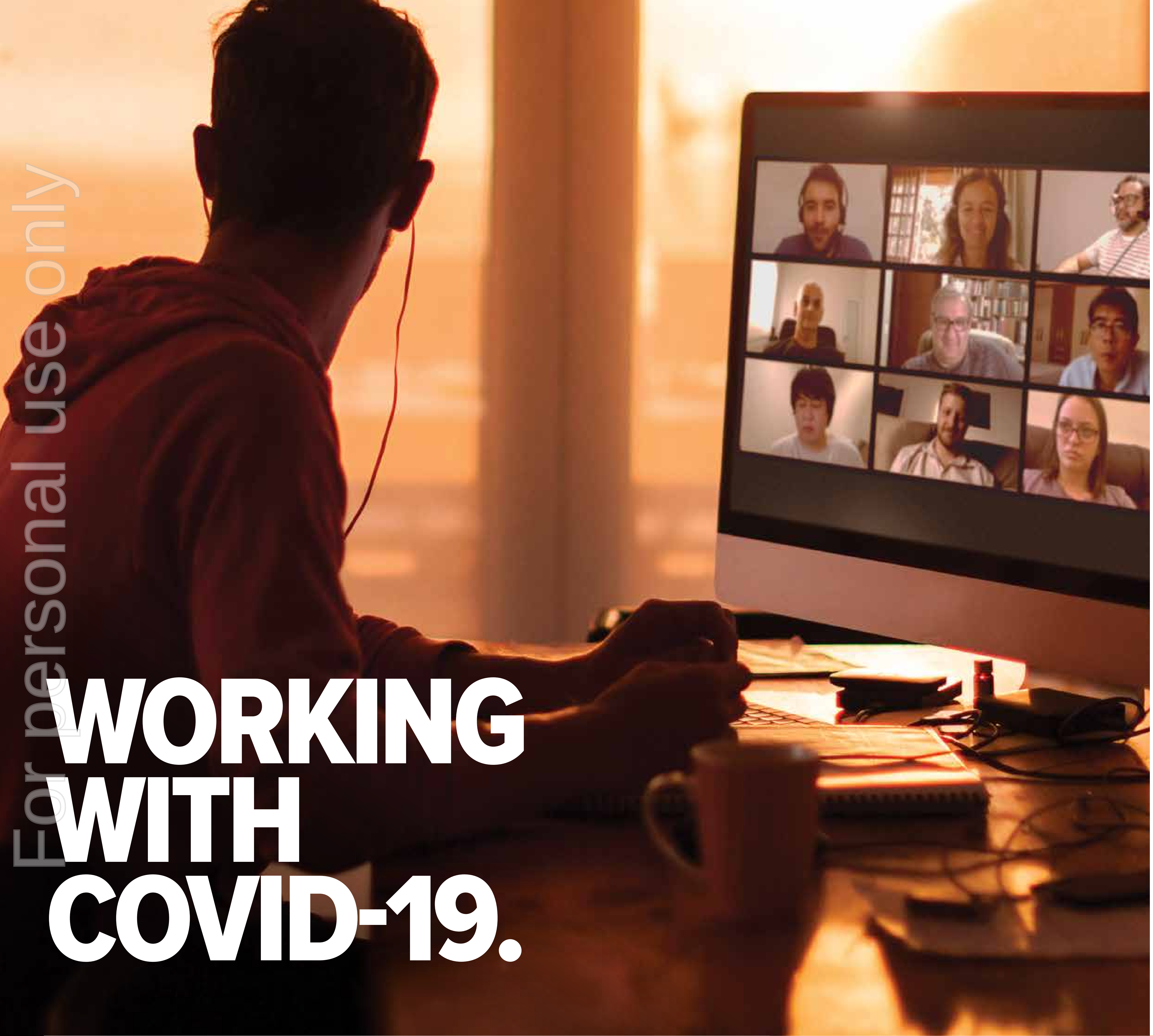
HUMMGROUP
ANNUAL REPORT
2021

ABN 75 122 574 583

2021: A BIRD'S EYE VIEW.

A REVIEW OF HUMMGROUP'S INNOVATION AND PERFORMANCE.

THE LAST 12 MONTHS HAVE SHOWN MORE THAN AT ANY TIME IN OUR HISTORY THAT HUMMGROUP IS REVOLUTIONISING THE WAY PEOPLE PAY.

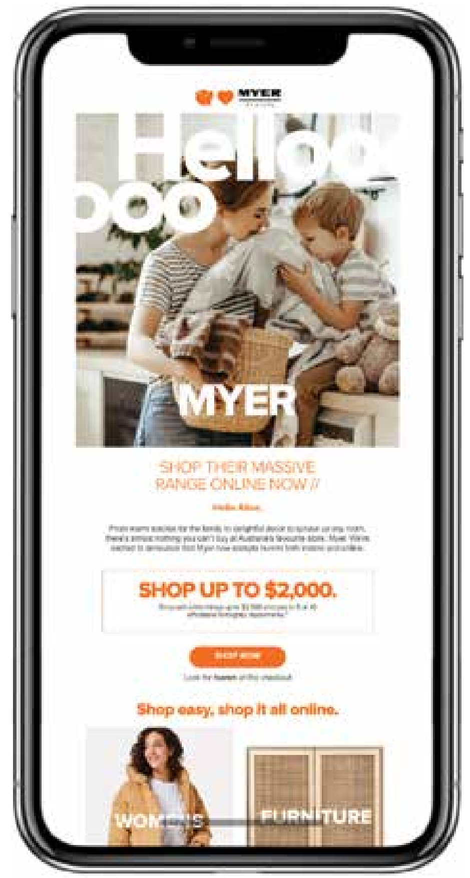


WORKING WITH COVID-19.

COVID-19 has had a profound impact on economies across the world and has continued to shape the ways consumers live, shop and pay.

hummgroup has focused not only on managing the wellbeing of employees by moving to a blended working model, but also on mobilising support for customers facing unexpected financial hardship, while continuing to strengthen the business in areas that experienced significant growth during the pandemic. Despite the economic uncertainty posed by COVID-19, FY21 saw robust credit performance, a direct result of investment in our credit decisioning technology and our continued commitment to responsible lending.

The global pandemic has seen Buy Now Pay Later (BNPL) and interest free shopping become a ubiquitous form of payment, not just in Australia but across the world. COVID-19 has also accelerated the adoption of online shopping with consumers, reflected in our FY21 e-commerce volumes for **humm**, up 185% on the prior year.

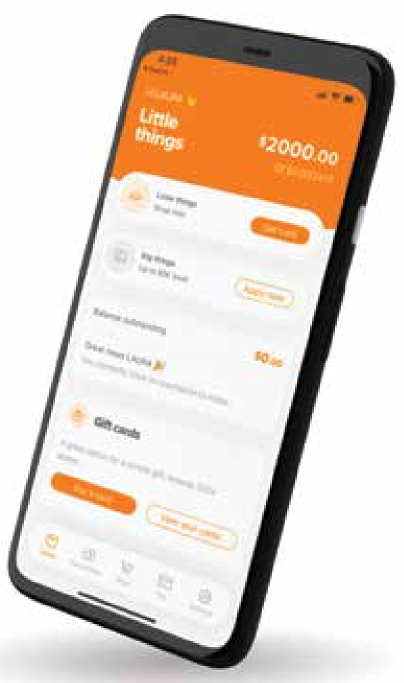


In an increasingly crowded market, hummgroup's range of interest free instalment products for every purchase occasion, coupled with the ability to finance larger ticket items, continues to be a strong differentiator.

By unifying under one brand, our customers are now using our products more regularly for a wider range of purchases, increasing our stickiness with our customers. Across all the Australian products, our customers transacted 19 times per year, as we now seamlessly introduce customers to the broader **humm**group product suite.

hummgroup has invested in systems, interfaces, platforms, talent, customer service and marketing with the aim of putting the customer at the heart of everything we do. Across product comparison platforms, **humm** stood out for its outstanding customer experience. On Apple's App store, our customers now rate us an average of 4.8 out of 5, with over 26,000 ratings. In RFI Group's BNPL research, **humm**'s customer satisfaction was ranked the highest of the major BNPL providers in Australia.

humm was recently recognised with Canstar's inaugural award for Outstanding Value – Buy Now Pay Later 2021, and was also awarded the 2021 Best BNPL product for Large Purchases by financial comparison site Mozo.



WINNING THE CUSTOMER.

INNOVATION AT PACE.

From big leaps that open up whole new frontiers to tiny tweaks to improve experience and remove pain points for customers and merchants, hummgroup is innovating at a relentless pace.

Our BNPL for business product, **humm**pro, entered the market in February. Targeting small to medium businesses and launching across Australia and New Zealand, **humm**pro has revolutionised the business lending experience, removing red tape, delays and manual processing. Most applicants are approved in under two minutes and can start spending up to $30,000 straight away. **humm**pro proved to be a lifesaver for many businesses during COVID-19's uncertain economic climate.

In May we launched **humm**//TAPP, a feature that has fundamentally changed the merchant integration experience for **humm** retailers, removing cost, time and resource, and allowing merchants to offer **humm** in-store immediately, with no need for integration. It also created a one-touch purchase experience from the digital wallet for customers, greatly improving ease and simplicity of the product.

humm BNPL integrated with BPAY to give customers the most convenient and affordable way to pay their bills via the App or our web portal.

Continued investment in our superior credit decision and risk engine is delivering cutting edge fraud detection software, reducing losses and fraudulent activity.

hummgroup has numerous initiatives underway to fulfil our mission to revolutionise the way people buy including international expansion, new product growth and new partnerships.

FY21 brought a holistic rebrand from flexigroup to **humm**group and the inking of a key strategic partnership with Mastercard® to globally expand the application and distribution of **bundll**.

This relationship has already delivered partnerships with Westpac NZ, Velocity Frequent Flyer and a broad range of retailers, demonstrating the scalability and appeal of our products for financial institutions, retailers and loyalty programs.

The rationale for our partners is clear. **bundll** is being used 97 times per year on average, bringing our partners closer to the customer by offering them the ability to buy everywhere, every day.

Additionally, we defined our international strategy, expanding our business in Ireland into the United Kingdom ("UK") at the end of FY21 and setting up our Canadian operation for product launch in 1H22. **humm**group estimates that these new geographies will add up to $150m in volumes in FY22.

NEW HORIZONS.

PERFORMANCE HIGHLIGHTS.

121% ▲ CASH NPAT ($M)
FY21 68.4 | FY20 30.9

160% ▲ STATUTORY NPAT ($M)
FY21 60.1 | FY20 23.1

20% ▲ ACTIVE CUSTOMERS (M)
FY21 2.73 | FY20 2.28

76% ▲ APP DOWNLOADS ('000)
FY21 1,157 | FY20 658

12% ▲ RETAIL PARTNERS ('000)
FY21 82 | FY20 73

31% ▲ BNPL VOLUME ($M)
FY21 1,035 | FY20 788

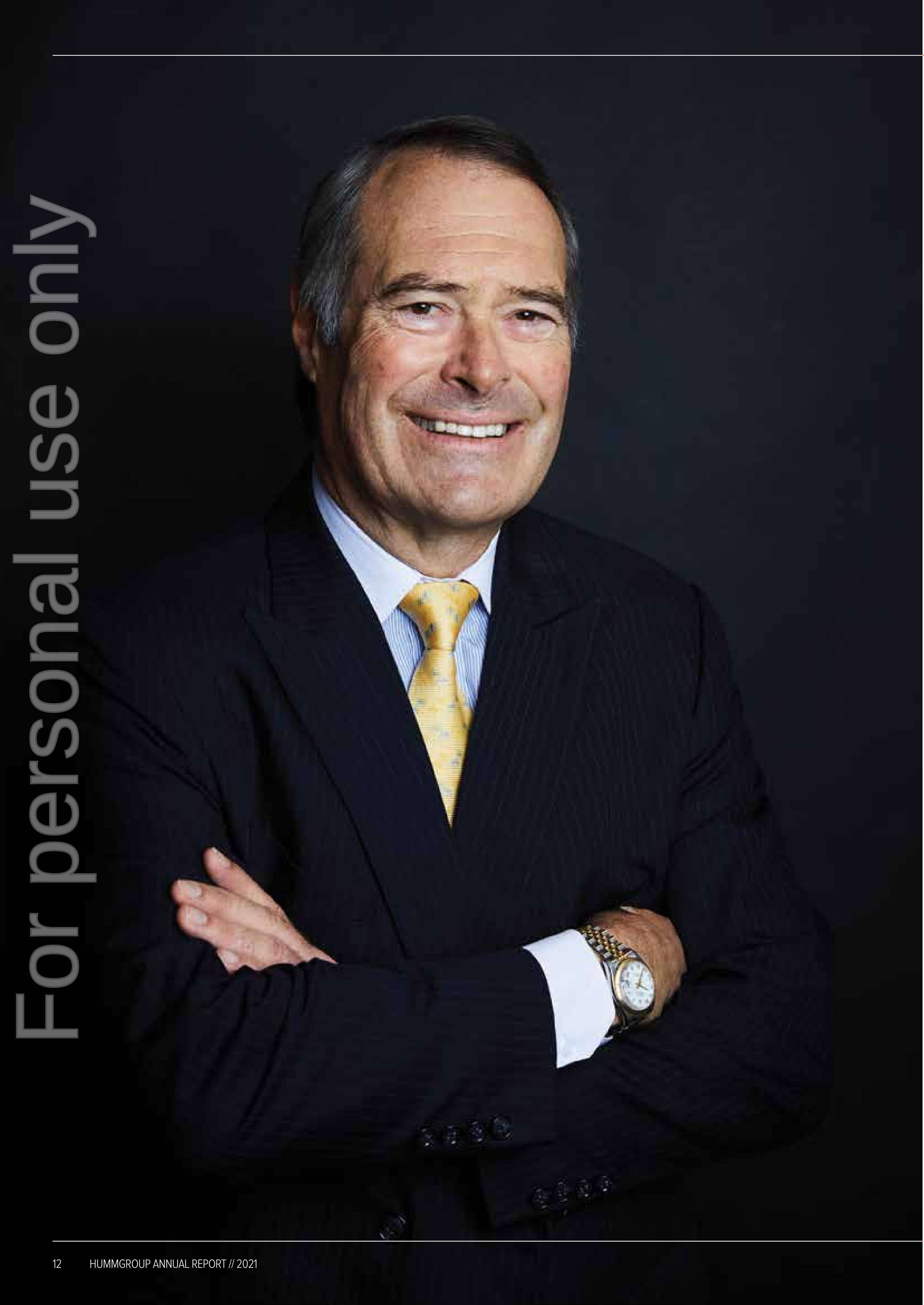
56% ▲ COMMERCIAL AND LEASING VOLUME ($M)
FY21 540 | FY20 347

185% ▲ HUMM ONLINE VOLUME ($M)
FY21 244 | FY20 86

-60BPS ▼ NET LOSS/ANR (%)
FY21 3.5 | FY20 4.1

88% ▲ EARNINGS PER SHARE[1] (CENTS)
FY21 13.7 | FY20 7.3

1. Calculated based on Cash NPAT.



CHAIRMAN'S LETTER.

Dear Shareholders

I am pleased to be writing to you as the Chairman of humm group limited, following our name change from FlexiGroup Limited in November 2020. The change emphasises the unifying rebranding of FlexiGroup to our most recognised BNPL brand, **humm**.

During FY21 **humm**group has added 450,000 new customers, up 20% on FY20, taking total customers for the Group to over 2.7 million.

The Company delivered FY21 Cash Net Profit After Tax ("Cash NPAT") of $68.4m, up 121.1% on the prior year (FY20: $30.9m). Growth in Cash NPAT has been driven by increased profitability of the Cards segment, huge growth in the Commercial and Leasing offering, together with management focus on cutting underlying costs within the business.

The other driver of Cash NPAT performance in FY21 was a $21.6m pre-tax benefit from releasing a proportion of the COVID-19 overlay provision. This reflects the benefit of improvements in the economic outlook and portfolio performance from ongoing investment in an ever improving credit decisioning platform.

Total transaction volume of $2.7b for FY21 was up 8.2% (FY20: $2.5b) as strong growth in Commercial and Leasing and BNPL was offset by a decline in Cards, with COVID-19 restrictions impacting key partners, particularly in travel.

International Expansion

In February 2021, **humm**group announced the launch of its BNPL product **humm** into the UK and Canada. A significant opportunity exists to displace outdated traditional point of sale finance and capture higher value purchases in both markets.

The UK market presents an attractive opportunity for **humm** to grow its business, with BNPL adoption in the UK in its infancy. It currently represents just 1% of the total credit market with an estimated market opportunity of A$778b. **humm**'s business in Ireland is well established and profitable and many of our key merchants also operate in the UK. As the only player servicing both the UK and Ireland, and offering BNPL for asset values across 'Little and Big things', **humm** clearly has a differentiated offering for both merchants and customers.

Strong progress has already been made with over 300 retailers signed in the UK including Pamela Scott; instasmile; McGuirks Golf; River Medical; and Therapie Clinic.

humm Canada will launch in 1H22 with a market opportunity there of A$613b. Establishing the business in Canada is moving quickly and we have appointed Tim Moulton as Country Head. The Canadian market is attractive with strong existing relationships and a complementary regulatory framework.

Capital Management

I would like to thank participating shareholders for their support of **humm**group's equity raising late last year. The issue of $115 million in new shares via an Accelerated Non Renounceable Entitlement Offer has provided the Company with greater financial flexibility and the opportunity to pursue new growth initiatives including international expansion.

At 30 June 2021, **humm**group had substantially deleveraged with nil net corporate gearing and a strong balance sheet to fund local and international growth.

In response to the ongoing uncertainty created by the pandemic and to support the Company's investment for growth, the Board made the prudent decision to not pay an interim and final dividend for FY21.

Board Changes

In FY21 we were pleased to announce the appointment of Mr Alistair Muir as an independent Non-Executive Director of the Company. Mr Muir has a strong background in data and digital innovation, as demonstrated in roles with Insurance Australia Group, Telstra Digital Media and through his work with CSIRO's Entrepreneurship Program. We are already benefitting from his proven experience in guiding digital innovation and development as Chairman of the new Technology Committee. This skill set is critical for expansive transformation and growth and I thank him for his contribution.

I'd like to thank Jodie Leonard for her three years as independent Non-Executive Director and wish her well following her decision to step down.

Responsible Lending

During the period, **humm**group was named as one of the founding accredited members of the Australian Finance Industry Association's BNPL Code of Practice. **humm**group called on the industry to come together and establish the Code back in 2019 and proudly supports the high industry standards of service for customers that the Code endorses, along with building best practice across the BNPL sector.

hummgroup continuously works to improve consumer outcomes. This is demonstrated by low arrears rates, and less than 2% of BNPL revenue in Australia being earned from late fees, substantially less than other industry players. Our focus has been and always will be to always act in the best interest of customers.

FY21 has been one of the most pivotal years in **humm**'s 33 year history. We're seeing a structural shift towards fixed term instalment (rather than revolving credit), which started in Australia and is now spreading across the world.

It would be remiss of me to not refer to **humm**group's current equity value. Your Board and management team have been focused on understanding why the success **humm**group is presently enjoying, and the promising future anticipated in this report, have not yet resonated with the market. This has included conducting an in-depth investor perceptions audit which was designed to help us address why **humm**group's significant growth and consistent NPAT are not reflected in our current share price. The Board continues to do everything in its power to improve total shareholder returns within an acceptable timeframe and believes that the current strategy, coupled with continued strong momentum within the business, will be recognised in the market.

I am confident that **humm**group has emerged from the pandemic and its significant structural change in the strongest possible position. With the ability to fund day to day spend through to life's larger purchases, for both consumers and SMEs, we're a "one stop shop" for flexible payment solutions – both online and in store – that differentiates us from our competitors.

On behalf of the Board, I would like to thank our shareholders for their continued support, and our people for their ongoing hard work and commitment.

Andrew Abercrombie
Chairman

24 September 2021

CHIEF EXECUTIVE'S REPORT.

Dear Shareholders

hummgroup is on a mission to revolutionise the way people buy. We're liberating people from a 'one size fits all' approach. We enable seamless approvals for purchases big, small or business related. And we empower consumers to choose how they wish to pay, with terms ranging from five fortnights through to five years. Today 2.7 million customers entrust us to help them buy, and pay over time.

FY21 Operational Performance

hummgroup achieved sustainable and profitable growth in the FY21 period, with good progress made across all lines of the business delivering FY21 Cash NPAT of $68.4m, up 121.1% on the prior year.

> BNPL volume of $1,034.9m, up 31.3% (FY20: $788.4m), reflected strong performance in **humm** AU, particularly in 'Little things', **humm** Ireland, and the increasing contribution from **bundll** and **humm**pro.
> Commercial and Leasing volume of $540.3m was up 55.6% (FY20: $347.2m) driven by the continued momentum in Australia following the successful shift in strategic focus towards small to medium enterprise lending via the broker channel.
> Australia Cards volume of $416.9m, down 30.1% (FY20: $596.5m), reflected COVID-19 impacts on merchant activity, particularly in travel.
> New Zealand Cards volume of $695.4m was down 7.4% (FY21: $750.6m), largely attributable to the impact of COVID-19 on long-term interest free travel merchant activity, with everyday spend up.

Across the Group we have a superior credit decision engine delivering net loss/Average Net Receivables ("ANR") of 3.5% in FY21 (FY20: 4.1%) – the direct result of continued investment in our proprietary decision engine to improve credit performance.

Our funding platform continues to be a real strategic differentiator against our peers. We've refined our funding structure during the year to provide greater flexibility and capital efficiency to execute our growth strategy, with a record $1b of Asset Backed Securities ("ABS") issuance during FY21.

The strong FY21 results and conclusion of our transformation agenda now give us the confidence to invest in our strategy which is designed to support and accelerate our long-term growth.

Strategy and Outlook

hummgroup has four areas of focus that will support its short- and long-term growth. The significant work over the prior years has positioned us to put our firepower behind these growth initiatives and expand our customer numbers, merchant numbers and addressable market – both locally and abroad.

We will:

> Go to market with our new products – **bundll** and **humm**pro – targeting new markets, new partnerships, and new audiences to expand our reach.
> Drive customer engagement and transaction frequency – building our products that are loved and used every day.
> Expand our instalment payment core by attracting new merchants and platforms in Australia and New Zealand through our differentiated product offering.
> Expand into new markets internationally through a considered and differentiated strategy that will appeal to a broader range of retailers and customers than traditional BNPL players.

Consistent with our strategy of growing the instalment payment core, **humm**group's BNPL volume has grown 31.3% on prior comparative period ("pcp"). This growth was particularly driven by **humm** 'Little things' which continues to benefit from the customer shift to online shopping, with **humm** online volume increasing by 184.8% on pcp. Our new products **bundll** and **humm**pro also contributed $121.9m in FY21.

hummgroup continues to be synonymous with easy, digital, interest free finance and key to this is a focus on driving customer engagement. There have been over 1.9m app downloads to date across the **humm**group ecosystem, with 1.2m of these occurring in FY21.

In November 2020 we rebranded our SKYE credit card to **humm**90, improving the offering with 110 days' interest free, 60 months' Long Term Interest Free with key partners and the opportunity to convert purchases of $250 or more to an interest free instalment plan.

In February 2021 we officially launched our 'Business Now Pay Later' product, **humm**pro. This product has been designed to meet the flexible cashflow needs of small to medium businesses across Australia and New Zealand, especially as they invest and grow with trading conditions returning to pre-pandemic levels.

hummgroup's other new product designed to drive growth is **bundll**, our 'Buy Everywhere Pay Later' product. Using the Mastercard network, **bundll** customers can shop anywhere, anytime, online and in store, interest free, with no minimum spend.

The Group's ability to attract new merchants, meanwhile, shows the strength of the product range and our differentiated customer proposition across all our markets. In the last 12 months, the Company added 9,000 new retailers (June 2021: 82,000).

We're now seeing technology, banks and loyalty programs looking to enter the BNPL space to capitalise on the structural shift towards fixed term instalments with proven BNPL providers. That's because we are closer to the customer – bridging the relationship between shopping, financing and transacting on the lifestyle they want.

In FY21, **humm**group has focused on finding new audiences through partnerships for its innovative products. The Group has entered a number of strategic partnerships with banks (Westpac NZ), loyalty programs (Velocity Frequent Flyer), retailers (Mitre10 and Home Hardware) and issuers (Mastercard) to grow **humm**group's customer base and distribution reach. The Company expects the partnership channel to be a significant contributor to customer numbers going forward, with a target of delivering 250k additional customers in FY22.

The UK and Canada represent significant opportunities for **humm**'s differentiated offering in bigger ticket, longer term instalment plans. In 2H21 we launched **humm** in the UK and we'll be live in Canada by 1H22 with a focus in both geographies on home and home improvement, healthcare, automotive, and luxury retail. The addressable market opportunity of each target vertical will be captured via a number of strategic software partnerships and integrations. These partnerships provide the ability to scale rapidly with minimal investment and represent a key pillar of **humm**group's growth strategy.

Finally, we have completed our strategic review of **flexicommercial** with the recommendation to invest and grow the **flexicommercial** broker channel. This takes into consideration the successful re-focusing of the business to SME lending, favourable market conditions and strong business momentum.

Our People

I'm pleased to welcome Adrian Fisk as Chief Financial Officer of **humm**group. Adrian replaces Jason Murray who I would like to thank for his significant contribution to the Company.

I would also like to acknowledge the whole of our team who have worked so hard to ensure our customers and merchants continue to be well supported as Australia and New Zealand deal with ongoing lockdowns and the prolonged effects of COVID-19 on the economy.

As we emerge from the pandemic and grow internationally, we're putting significant firepower into our marketing efforts and product experience, actively shaping how people will buy in the future. **humm**group is a diversified business with no drawn corporate debt and a strong balance sheet. I'm excited about the future, as we continue to focus on generating sustainable profit to support the Company's local, international and partnership growth strategy.

Rebecca James
Chief Executive Officer
24 September 2021

THE BOARD OF DIRECTORS.

ANDREW ABERCROMBIE

LLB, BEc, MBA

Chairman, Founding Director, Non-Executive

Appointed November 2006

Andrew Abercrombie became a founding director of the original FlexiRent business in 1991 and was the CEO until 2003.

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

CHRISTINE CHRISTIAN AO

BA, GAICD

Deputy Chair, Independent, Non-Executive

Appointed December 2016

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

Previously, Christine held a range of senior executive roles with Dun & Bradstreet, including as CEO of its Australia and New Zealand business from 1997 to 2011. In 2006, she was appointed to the additional roles of Chair of D&B Consumer Credit Services (JV between Dun & Bradstreet and Macquarie Bank), the D&B Worldwide Board, and in 2010 was appointed Executive Director of Dun & Bradstreet India.

RAJEEV DHAWAN

BComm, MBA

Independent, Non-Executive

Appointed November 2006

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

CAROLE CAMPBELL

BEc, GAICD, FCA

Independent, Non-Executive

Appointed May 2018

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

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

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

JOHN WYLIE AM

B.Com, MPhil

Non-Executive

Appointed March 2019

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

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

ALISTAIR MUIR

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

Independent, Non-Executive

Appointed March 2021

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

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

Alistair holds a first-class honours degree in computer science and postgraduate qualifications from both Harvard Business School and Massachusetts Institute of Technology (MIT).

JODIE LEONARD

BBus, FAICD, FAMI, CPM

Independent, Non-Executive

Retired 19 November 2020.

THE EXECUTIVE LEADERSHIP TEAM.

REBECCA JAMES

Group Chief Executive Officer

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

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

CHRIS LAMERS

Deputy Group CEO and Chief Customer Growth Officer[1]

Chris joined **humm**group in April 2017 as CEO of the NZ business, and was appointed Deputy Group CEO in July 2019.

Prior to this he was the Chief Marketing Officer at Sovereign where he established the online sales channel, customer engagement programs, and data analytics functions.

Chris also held several roles with Loyalty New Zealand (Fly Buys), first as Head of Marketing, then as Head of Customer Engagement (incorporating marketing and sales) and lastly as Interim CEO.

1. Formerly titled Deputy Group CEO and New Zealand CEO. Commenced current role 9 November 2020.

ADRIAN FISK

Chief Financial Officer

Adrian joined **humm**group in July 2021 and brings more than 20 years' experience working in strategic, financial performance and partnership roles.

Prior to joining **humm**group Adrian was CFO and Head of Partnerships at Willow, a data technology business. Prior to Willow, Adrian was a partner and the National Leader for KPMG's Financial Services practice, working with banks, fintech, wealth, insurance and PE firms. His experience at KPMG also includes a strong technical grounding as an audit partner, advising on audit, risk, disclosures and governance for ASX listed entities. He was also responsible for KPMG's CFO Advisory practice and worked across the US and Asia on treasury engagements.

JASON MURRAY

Chief Financial Officer

Commenced 9 July 2020.
Ceased in the role 19 July 2021.

NATALIE NICHOLSON

Chief People & Corporate Affairs Officer

Natalie joined **humm**group in May 2019 following 20+ years of national and international expertise in HR and strategic commercial roles. Her experience leading HR functions across a range of industries combines with a deep understanding of brand, customer experience and corporate affairs. Natalie was previously on the Executive teams at Challenger, CBA and ING.

Career highlights include successfully realigning **humm**group's global workforce to support the global expansion of the business and a focus on customers; significantly lifting gender metrics at Challenger; and in 2017, joining the Department of Prime Minister and Cabinet on a six-month secondment through Chief Executive Women and CBA.

TIM LORD

Chief Credit Officer

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

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

VAUGHAN DIXON

Chief Information Officer

Vaughan joined **humm**group in February 2021 as Chief Information Officer, bringing over 25 years' industry experience in technology, credit risk, decisioning, and credit bureaus. Prior to joining **humm**group, Vaughan spent over a decade at Dun & Bradstreet and the rebranded illion business in a number of leadership roles including Chief Technology Officer. He was also one of the founders that successfully launched the Decision Intellect fintech, growing that business into a highly profitable and key provider of millions of mission critical credit decisions annually.

He has a passion in blending technology and innovation within incubation hubs, fintechs, and corporate environments.

THE EXECUTIVE LEADERSHIP TEAM.

MATT BEAMAN

Group General Counsel and Group Head of Operational Risk & Compliance

Matt joined **humm**group in September 2013, bringing more than 20 years' private practice and in-house legal experience in banking and finance, structured and asset finance. Prior to joining **humm**group, Matt held roles in private-practice environments with leading domestic and international law firms.

Matt also previously held the role of Chief Legal Counsel for CIT Group Asia-Pacific and General Counsel of Lloyds Banking Group Australia.

ANDREW MURRELL

Chief Operations Officer

For over 20 years, Andrew has held senior leadership roles in the financial services sector in Australia and New Zealand, including Commonwealth Bank, Bank of Queensland and Colonial First State Investments. Andrew has a passion for digital innovation to enhance the customer experience. His accomplishments include launching the first banking and contactless payment apps in Australia.

Andrew joined **humm**group in 2019 and is responsible for developing and leading a customer centric support model across our Customer Experience teams in Service and Collections in Australia, New Zealand and the Philippines.

ROB WRIGHT

Group Executive Ireland and Commercial Australia and New Zealand

Robert has led **humm**group's Irish business since 2016 during which time he has rebuilt, stabilised and grown the existing business while launching a fully digital point-of-sale business.

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

COMPANY SECRETARIES.

ISOBEL ROGERSON

LLB, Bec, GAICD, FGIA

Company Secretary

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

Prior to ME, Isobel had worked in various roles at UBS Australia, and in the National Australia Bank Wealth Management division. Isobel worked in a private legal practice for several years before moving into financial services, obtaining her GAICD and FGIA.

BELINDA HANNOVER

GIA (Affiliate)

Company Secretary

From 28 July 2021

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

Belinda is a member of the Governance Institute of Australia and is currently undertaking her Graduate Diploma in Applied Corporate Governance and Risk Management.

“

I'M EXCITED ABOUT THE FUTURE, AS WE FOCUS ON HUMMGROUP'S LOCAL, INTERNATIONAL AND PARTNERSHIP GROWTH STRATEGY.

REBECCA JAMES
HUMMGROUP CHIEF EXECUTIVE OFFICER

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

SUSTAINABILITY REPORT.

A richer, fuller life is not a life of money and opulence. It's a life rich in opportunities, experiences and empowerment. It's about having the confidence to create exactly the life you want to be living.

To fulfil this purpose and deliver on our promise to customers, we ensure that we're conducting business at the highest ethical standard and thus have policies, processes and practices in place to support this.

OUR WAY OF DOING THINGS

The **humm**group Code of Conduct applies to all Directors, officers, employees, contractors, consultants and associates. The Code outlines how we expect our representatives to behave and conduct business in the workplace.

hummgroup takes its obligations regarding ethical behaviour very seriously. In addition to our Code of Conduct, we have a range of policies and procedures in place to mitigate anything that might compromise these standards, including in relation to the disclosure of personal relationships where a potential conflict may arise, and a Whistleblower Protection Policy.

The Board of Directors, as **humm**group's highest governance body, expects that **humm**group's values and ethical standards are reflected in its day-to-day operations, and mandatory staff training supports that aim.

OUR PEOPLE

hummgroup is made up of a diverse mix of about 730 full time employees who have joined together on a mission to revolutionise the way that people buy.

Equipping everyone with the skills, knowledge and tools to collaborate across geographies and supporting them to work flexibly ensures they enjoy what they do and continue to participate, innovate and thrive.

Equal employment opportunity

hummgroup has a zero-tolerance approach to bullying, harassment or discrimination of any kind.

Our Equal Employment Opportunity (EEO), Bullying, Harassment and Discrimination Policy outlines our position on what to do if we witness or experience these behaviours.

Employee satisfaction

Employee engagement is key to maintaining a satisfied workforce. During the reporting period, **humm**group undertook an employee engagement survey. The results of the survey are shared in a transparent manner with all employees and are used to build engagement and employee advocacy.

Our Employee Engagement Score has steadily increased over the last few years from 55% in FY18 to 67% in FY21.

Employee wellbeing

As part of our commitment to supporting the physical and mental wellbeing of our employees, we provide access to a range of on-demand wellbeing resources including daily tips, online yoga and meditation and helpful guides to set up a home office correctly, that our people can access anywhere in the world and when they choose.

We partner with the Centre for Corporate Health for our EAP service in all locations so that our people and their immediate families have access to both proactive and reactive wellbeing support when they need it. As part of this service, all employees have access to the Resilience Box app, which provides expert advice, tools and support.

hummgroup covers the cost of flu vaccination for all of our employees and provides two paid days of vaccination leave to support our people getting COVID-19 vaccinations.

Diversity and inclusion

hummgroup strives to create an inclusive workplace where all contributions are valued, so that everyone can bring their whole self to work and reach their full potential.

We regularly review diversity in key areas – including parental leave statistics, career movement by gender and pay parity – to make more informed decisions, and plan events to support different communities. These include learning opportunities, cultural events and virtual seminars.

How we dress is also a reflection of who we are and our 'you do you' dress code policy helps to reduce gender barriers, makes staff more comfortable and happier, and promotes diversity by encouraging people to express themselves.

hummgroup complies with the *Workplace Gender Equality Act* (Cth) 2012 and is committed to ensuring strong and practical support for gender diversity.

Support for victims of domestic violence

hummgroup supports employees who are victims of domestic violence with leave options including the provision of up to 10 additional paid leave days per year, access to unpaid leave, and leave to support family members who are victims of domestic violence.

Supporting families

In FY21 we updated our parental leave policy to support our people during those first, precious months of parenthood. We also hope to reduce the pay gap many people – particularly women – face when it comes to long-term retirement savings after they take time away from the workforce to raise their children.

We now offer: 10 weeks' paid parental leave for primary caregivers in Australia and New Zealand, Superannuation/Kiwi Saver employer contribution for the duration of primary parental leave (up to 12 months), and 1 week of paid secondary parental leave.

Employee learning and development

Developing employee skills and capabilities is a key element of **humm**group's success. We've curated a wide range of learning modules, development opportunities and support materials to assist employees in growing their skills.

In FY21, we delivered 8,459 hours of learning and development to our employees, up from 4,490 hours in the previous year. This equates to 12.4 hours per employee, per year. The main programs delivered included: first seven Induction Programs; Product modules; Compliance Program and Leaders as Coaches.

We provided 950 hours of face-to-face learning, an increase of 518 hours on the previous 12 months.

72% of learning was self-directed, that is, non-mandatory, as opposed to 53% in the previous 12 months, demonstrating a significant investment by employees in their own development.

External speakers are regularly invited for virtual fireside chats and panel discussions on key industry issues.

We're building a brave culture that inspires people to not only embrace opportunities but to create opportunities for themselves and others by getting curious about development and sparking conversations on a daily basis. Our approach has included introducing agile ways of working, developing a more robust feedback and performance framework, implementing design thinking and providing more development opportunities.

In FY21 our Leaders as Coaches Program took 36 Operational Leaders through six facilitated learning sessions, two practice sessions, sessions for the leaders of participants and 25 learning nudges to support the participants to reflect on the content of the program.

The key outcomes of the program included:

- An increase of 100% in leaders using a coaching methodology to lead their teams.
- 72% of leaders using the GROW model to support their team to set and achieve their personal professional goals.
- 85% of participants using feedback strategies to support the development of their teams
- 100% of participants engaging their team members in professional development conversations four or more times per year.

Recognition

Extraordinary staff achievement is recognised in many ways at **humm**group.

Over the past 12 months, 2,140 of our employees have received peer recognition for going above and beyond. We also implemented a reward system which provides each of our employees with 15 thanxx points (equivalent to AUD$15) that they can use to reward a colleague for going above and beyond. In FY21, the equivalent of AUD$51,466 was awarded to employees via the thanxx platform. thanxx points can be used at hundreds of retailers, including in grocery, hospitality, experiences, clothing, beauty and technology.

Employees are also recognised in our twice-annual **humm**bassador Awards which are aligned to our values and monthly **humm**dinger Customer Service Awards which recognise excellence in customer service.

These programmes are in addition to the formal performance and review process undertaken annually.

OUR CUSTOMERS

Our more than 2.7 million customers are at the heart of everything we do, and we work hard to ensure that they are supported, informed and well-protected.

To support customer service excellence, all employees in customer facing roles receive extensive training on our products and services, along with dedicated soft skills training including active listening, speaker responsibilities, listener responsibilities, telephone standards and etiquette, effective communication and conflict management. Calls are recorded for training and quality assurance purposes.

Providing customers with greater choice and control is very important to us. We offer a wide range of options for customers to get in touch with us including phone, email and via social media. Chatbots on our sites and apps provide customers with the ability to control their own accounts.

2.7m customers

10k supported through COVID-19 & non COVID-19 related hardship

secure via a dedicated cyber security team

real time fraud detection

responsible lenders

Complaints management

We place great importance on effectively managing and learning from customer complaints. Our Complaint Management Policy is supported by a robust process which logs, categorises and investigates all complaints. **humm**group has a dedicated hotline for customer complaints and each dispute that is received by the complaints team is investigated and addressed on a case-by-case basis as quickly as possible.

Supporting vulnerable customers

To support any customers affected by a change in circumstances that results in financial difficulty, **humm**group offers a Financial Hardship Support program. In FY21 we assisted over 10,000 individual customers, through both COVID-19 and non COVID-19-related hardship. As part of this, our dedicated hardship team will work closely with the customer to understand their situation and develop a feasible repayment plan which can include variations to the customer's credit contracts. This is underpinned by the Financial Hardship Policy **humm**group has in place, which sets out guidelines on how to appropriately manage customers in financial difficulty.

Privacy

hummgroup is dedicated to protecting the personal information of our customers in line with relevant legislation and codes in all locations where we operate. **humm**group has published a Privacy and Credit Reporting Privacy Policy for each of Australia and New Zealand – all policies are on **humm**group's website – outlining the types of personal information (including credit-related information) we collect, and the purposes for which we do that, how we manage all personal information collected, how customers can seek access to and correction of that information and if necessary, how customers can make a complaint relating to our handling of that information.

During the reporting period, **humm**group did not have any complaints upheld or orders made against it by the privacy regulator in any jurisdiction.

Cyber security

In order to ensure that the privacy and information of our customers is protected, **humm**group has implemented a group-wide security framework that combines a dedicated internal Cyber and Information Security Team with a Managed Security Service provider. This ensures effective governance of our environment security through policies, standards and continuous risk assessment, as well as security compliance management for industry and regulatory requirements.

The framework also includes Group-wide capabilities for the data and infrastructure protection, detection of cyber attacks or breaches, and response and recovery in the event of security incidents.

Fraud and scams

hummgroup has continued to make targeted investments into its Group fraud platform, enhancing real time fraud detection and prevention capability. The fraud platform supports a multi-layered fraud mitigation approach balancing risk and customer experience to apply friction where it is needed most.

Responsible lending

As responsible lenders, we are focused on sustainable long-term relationships and protecting our customers from financial risk. We regularly engage with Government, our regulators and industry bodies on a wide range of responsible lending issues.

We have a stringent process for selecting and onboarding merchants who are approved to offer the BNPL product. This ensures our BNPL merchants are aligned with **humm**group in the protection of consumer interests. We regularly monitor credit quality and can quickly adapt acceptance criteria to meet changing macro-economic factors, improve calibration of credit limit allocation tables and proactively decrease credit limits where appropriate to protect our customers from financial risk.

hummgroup is there for customers when times are tough. In FY21 the major events impacting our customers included COVID-19 and the NSW Floods.

OUR ENVIRONMENT

Green bonds

In 2016, **humm**group was the first Australian company to issue green asset-backed securities to fund its solar energy-related financing through its BNPL business. **humm**group has since brought six further securitisations of similar loans to market and has issued over $540m of green asset-backed securities.

hummgroup has continued to focus on bringing innovative green bond structures to the Australian market. **humm**group closed its latest transaction including green bonds under its **humm** ABS Trust securitisation program, **humm** ABS Trust 2021-1, in June 2021. This transaction was the second successful green bonds issuance for **humm**group in FY21, taking green bond issuance volume for the year to over a record $170m. Across both issuances, green bonds were offered across all rated tranches ranging from 'AAA' to 'BB'. According to distribution data, a large portion of these securities were allocated to ESG focused investors.

All green asset-backed securities have been formally certified by the Climate Bonds Standard Board, on behalf of the Climate Bonds Initiative.

Environmental initiatives

hummgroup continuously seeks to adopt measures that can assist in improving our environmental performance including reducing the number of office printers, recycling and reducing office waste.

Our Adelaide office is in a 5-star Greenstar rated building, with solar panels providing an alternative source of renewable energy.

Our head office in Sydney during FY21 (Elizabeth Street) has a 4-star NABERS Energy rating and a 3-star NABERS water rating. NABERS is a nationally recognised measure of environmental performance.

Environmental impact

hummgroup understands the importance of monitoring and reducing the environmental impact of its business. This represents the first time the Company has reported on its environmental impact and as **humm**group expands its international footprint will continue to refine the way this is measured.

In FY21, the Company continued to benefit positively from the impacts of COVID-19, with less business travel and increased hybrid working arrangements. In future reports, **humm**group will look to further quantify the indirect environmental impacts of these hybrid working arrangements.

The following environmental measures have been included for the purpose of the Sustainability Report:

- Energy consumption
- Greenhouse gas ("GHG") emissions
- Water consumption
- Waste management

The Company had the following leased office space where it had operational control.

Leased office space (m²)

Location	FY21	FY20
Adelaide	1,288.0	1,288.0
Auckland	2,828.8	2,828.8
Ireland	410.0	410.0
Melbourne	400.0	400.0
Sydney	3,147.8	3,611.1
Total	**8,074.6**	**8,537.9**

In line with continued gains in operational efficiencies and moving to hybrid work arrangements, the Company continues to reduce its leased office space footprint.

hummgroup has:

1. Subleased a level in the Auckland office as at the end of FY21
2. Moved into a smaller office (1,968m²) in Sydney at the beginning of FY22

In addition, the Melbourne office is planned to close 2Q22 with all employees to work remotely.

Energy consumption

The Company's energy consumption is limited to purchased electricity and therefore limited to scope 2 indirect energy. **humm**group does not use direct energy from natural gas and other fossil fuels and is not aware of any sources of scope 1 direct energy consumption.

In FY21, **humm**group reduced its overall energy consumption by 9.5% as a result of a smaller footprint in Sydney by subleasing space and the move towards hybrid working arrangements across all our offices.

The Ireland office energy consumption was calculated by using the annual electricity amount per m² at the Melbourne office and multiplying by the net lettable area of the Ireland office.

Scope 2: Energy consumption (gigajoules)

Location	FY21	FY20	Change %
Adelaide	382.8	396.2	(3.4%)
Auckland	996.9	1,062.1	(6.1%)
Ireland	176.8	179.8	(1.7%)
Melbourne	172.5	175.5	(1.7%)
Sydney	686.5	855.1	(19.7%)
Total	**2,415.5**	**2,668.6**	**(9.5%)**

GHG emissions

The Company's GHG emission is limited to scope 2 indirect, predominantly through electricity, and scope 3 other indirect. Currently, scope 3 indirect emissions being recorded are limited to travel although the Company continues to explore ways to track and report additional sources.

In FY21, **humm**group reduced its overall scope 2 indirect emissions by 14.7% as a result of a smaller footprint in Sydney and the move towards hybrid working arrangements across all our offices. In addition, the electricity supplier for the Auckland office generates 100% renewable energy and is a key factor for the lower CO_2e relative to the gigajoules of energy produced.

Scope 3 indirect emissions reduced significantly as a result of the impact of COVID-19 on business related travel.

Scope 2: Electricity GHG emissions (CO_2e tonne)

Location	FY21	FY20	Change %
Adelaide	45.7	47.3	(3.4%)
Auckland	10.0	10.6	(5.8%)
Ireland	16.4	16.7	(1.7%)
Melbourne	56.2	65.6	(14.1%)
Sydney	163.0	201.3	(19.0%)
Total	**291.4**	**341.5**	**(14.7%)**

Scope 3: Travel GHG emissions (CO_2e tonne)

Location	FY21	FY20	Change %
Australia[1]			
Accommodation	7.4	18.9	(60.8%)
Air	160.7	552.3	(70.9%)
Car	0.1	1.2	(93.7%)
New Zealand			
Accommodation	2.4	25.1	(90.4%)
Air	45.0	320.9	(86.0%)
Car	0.6	0.6	6.9%
Total	**216.2**	**919.0**	**(76.5%)**

1. Limited travel emissions from Ireland are included under Australia as bookings were made through the Australian corporate travel agency.

Water consumption

As a consumer finance business, water consumption is not a material concern for **humm**group. However, the Company continues to look at ways to minimise water consumption.

The Ireland office water consumption was calculated by using the annual water amount per m² at the Melbourne office and multiplying by the net lettable area of the Ireland office.

Water usage (m^3)

Location	FY21	FY20	Change %
Adelaide	471.3	499.8	(5.7%)
Auckland	1,410.5	2,564.9	(45.0%)
Ireland	62.2	150.1	(58.6%)
Melbourne	60.6	146.4	(58.6%)
Sydney	1,972.7	2,263.0	(12.8%)
Total	**3,977.3**	**5,624.2**	**(29.3%)**

Waste management

hummgroup continues to identify ways to measure and reduce waste generated in its operations. At the time of writing, waste information was only available at the Adelaide and Ireland office. Auckland, Melbourne and Sydney were calculated by the waste per m² at the Adelaide office and multiplying by the net lettable area for each office.

Waste (tonne)

Location	FY21	FY20	Change %
Waste	15.0	17.7	(15.5%)
Recycling	5.3	6.8	(21.5%)
Total	**20.3**	**24.5**	**(17.1%)**
Recycling as % of total waste	**26.3%**	**27.8%**	**(150bps)**

OUR COMMUNITIES

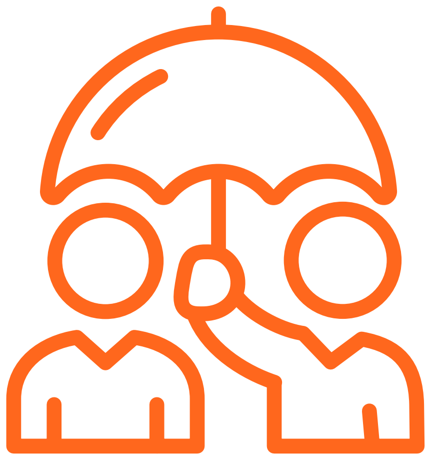
Whether we are lending a hand or providing financial support to charities, **humm**group cares deeply about giving back to the communities we serve.

hummgroup offers a volunteering program whereby employees can take paid leave to volunteer for a cause that inspires them. In FY21, our people have collected gifts and essentials for those in need at Christmas, raised money to support abused animals and collected food and essentials for local food banks.

We also designed and sold exclusive **humm** pride t-shirts to raise money for LGBQTI youth charities in the countries where we operate. We make a donation to the charity of choice for any guest speakers invited to talk with us, ensuring we can support a wide range of causes that people feel passionate about.

Modern Slavery Act

hummgroup whole-heartedly supports the introduction of mandatory reporting as part of the *Modern Slavery Act*. We are actively reviewing our supply chain and operations to ensure that **humm**group and its suppliers are compliant and look forward to playing our part as global citizens to ensure that the human rights and freedom of all people are upheld.



AT HUMMGROUP WE BELIEVE THAT OUR PASSION FUELS OUR GROWTH. IT IS WHAT ESTABLISHES EVERYTHING WE DO. HUMMGROUP IS LEADING IN INNOVATION. WE ARE FULL OF BIG IDEAS, CREATED BY AN INCREDIBLY SKILLED GROUP OF PEOPLE.

REVIEW OF OPERATIONS.

Results and key performance indicators of the current and prior year are set out below on a Cash NPAT basis. Cash NPAT is a non-statutory measure of profit and is defined as statutory profit after tax, adjusted for the after-tax effect of material infrequent items and the amortisation of acquired intangible assets.

121.1%

HUMMGROUP REPORTED A CASH NPAT OF $68.4M UP 121.1% COMPARED WITH THE PRIOR YEAR.

1. GROUP PERFORMANCE

For the year ended 30 June 2021 the Group reported a Cash NPAT of $68.4m up 121.1% compared with the prior year of $30.9m. This was driven by lower impairment expense, interest expense and payroll costs. This was partially offset by a reduction in interest and fee income due to the impact of the run-off of legacy portfolios including Lombard and Once in AU Cards, and reduced fee income from older Certegy contracts. Higher expenditure related to investments in marketing to increase brand awareness, new product development resulting in higher depreciation, and overseas expansion.

FY21 segment Cash NPAT was:

> BNPL of $1.2m, up $3.9m
> AU Cards of $16.8m, up $9.2m
> NZ Cards of $28.1m, up $6.3m
> Commercial and Leasing of $22.3m, up $18.1m.

Cash earnings per share ("Cash EPS") of 13.7c represents a 87.7% increase from the pcp of 7.3c. This reflects the increase in Cash NPAT, offset by the impact of the capital raise of $112.4m (net of transaction costs) which reduced Cash EPS by 3.6c.

Summary financial results

A$m	FY21 Statutory	FY21 Cash NPAT[1]	FY20 Cash NPAT[1]	Change $m	Change %
Gross income	443.9	443.9	478.9	(35.0)	(7.3%)
Net operating income	342.9	342.9	361.0	(18.1)	(5.0%)
Marketing expenses	(30.0)	(30.0)	(23.7)	(6.3)	26.6%
Operating expenses	(172.3)	(156.9)	(152.8)	(4.1)	(2.7%)
Loan impairment expense	(58.7)	(58.7)	(145.2)	86.5	(59.5%)
Tax expense	(21.8)	(28.9)	(8.4)	(20.5)	244.0%
Profit after tax	**60.1**	**68.4**	**30.9**	**37.5**	**121.1%**

1. Retrospectively adjusted for the impacts of International Financial Reporting Interpretation Committee ("IFRIC") guidance on cloud computing costs which reduced software amortisation by $1.7m (after tax).

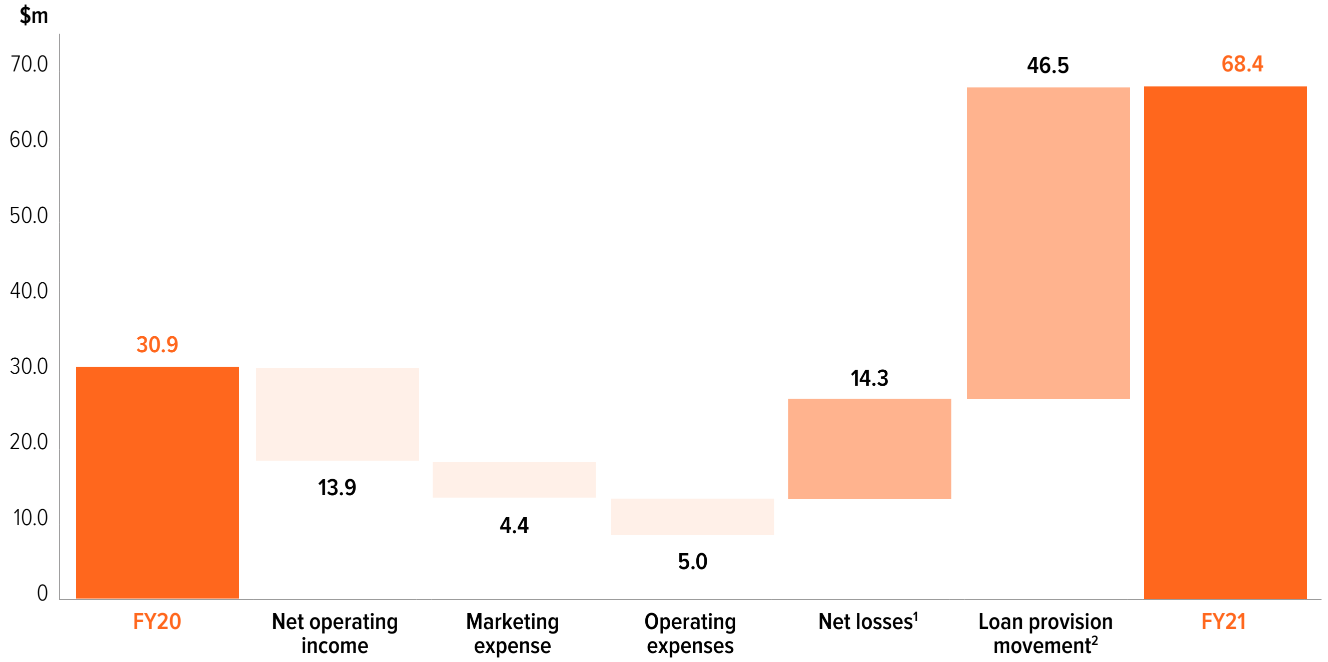
The analysis of results is based on Cash NPAT to align to the way the Directors view the business and to better understand the Group's performance. The Directors believe that Cash NPAT is the most appropriate measure of maintainable earnings of the Group and therefore best reflects the core drivers and ongoing influences upon those earnings.

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

A$m	FY21	FY20
Statutory NPAT	**60.1**	23.1
Amortisation of acquired intangibles	2.1	3.3
Redundancy and other restructuring costs	1.6	3.5
Profit on sale adjustment and impairment of investment in associate – held for sale	3.9	–
Share based payment cancellation expense	1.6	–
Impairment of other intangibles	–	1.1
Other[1]	(0.9)	(0.1)
Cash NPAT	**68.4**	**30.9**

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

Below is a period on period Cash NPAT movements by key line items:



1. Gross write offs less bad debt recoveries disclosed as part of loan impairment expense.
2. Loan provision movement, disclosed as part of loan impairment expense, relates to expected credit loss ("ECL") provision movements.

Note: Numbers in the waterfall above have been adjusted at the FY21 effective tax rate of 29.7%.

Key performance metrics

Active customers ($m)

Full-year to 30 June

2021	2020	Change %
2.73	2.28	19.7%

Active customers increased 19.7% on pcp, largely driven by strong growth in the BNPL segment including the introduction of new products, **bundll** and **humm**pro, across Australia and New Zealand. **humm**group also benefited from an increased digital presence with over 1.9m total app downloads as at 30 June 2021, a key driver of customer growth.

Retail partners

Full-year to 30 June

2021	2020	Change %
82,000	73,000	12.3%

Retail partners increased from 73,000 to 82,000, largely attributable to strong growth in BNPL and targeting key verticals of home and home improvement, healthcare, luxury retail, and automotive. In addition, the Group benefited from the strong performance in Commercial and Leasing, adding to its distribution network. Finally, the Group saw the upside of unifying our consumer facing brands under **humm**group.

Transaction volume ($b)

Full-year to 30 June

2021	2020	Change %
2.69	2.48	8.2%

Transaction volume of $2.69b was up 8.2% on pcp. The performance was predominantly driven by growth in BNPL (+31.3%) across existing core products and momentum from new products, **bundll** and **humm**pro. Commercial and Leasing (+46.9%) continued to benefit from broker channel SME lending growth in Australia. This was offset by the Cards segments (-17.4%) which saw COVID-19 restrictions impact key long term interest free partners, particularly in travel. Everyday spend volume in both Cards segments increased against pcp.

Cost to income ratio[1]

Full-year to 30 June

Cost to income

2021	2020	Change %
54.6%	49.0%	560bps

Cost to income ratio increased 560 basis points ("bps"), largely as a result of investments in marketing to increase brand awareness, new product development (which resulted in higher depreciation), investment in overseas expansion and partnerships. Lower gross income also contributed to the increase.

Cost to income ex marketing and depreciation

2021	2020	Change %
39.1%	38.0%	110bps

Excluding the investments in marketing and increase in depreciation the cost to income ratio increased 110bps. The underlying business continues to benefit from a focus on reducing its core operational costs through automation and self-service models as well as a reduction in full time equivalent personnel, with employment expenses declining by 4.8%.

1. Cost to income is calculated on a Cash NPAT basis by dividing total expenses (operating, marketing, employment, depreciation and amortisation) by net operating income (gross income, less interest expense and direct cost of origination).

App downloads ('000)

Full-year to 30 June

2021	2020	Change %
1,157	658	75.8%

App downloads increased 75.8%, with a key strategy to drive customer engagement and transaction frequency through digital channels. Investment continues to be made in the digital app experience, which is being reflected in our increasing app store scores.

30+ days arrears

Full-year to 30 June

2021	2020	Change %
2.9%	3.3%	40bps

30+ day arrears reduced due to improved credit performance in AU Commercial, while **humm**group's other key products were broadly stable. Customers prioritised the repayment of debt with available funds from government support payments. This resulted in a 59.5% reduction in the Group's loan impairment charge. Credit and fraud enhancements also contributed to the improvements.

Key financial drivers

Gross income ($m)

Full-year to 30 June

2021	2020	Change %
443.9	478.9	(7.3%)

Gross income was down 7.3% despite strong volume growth, particularly in 2H21. This is due to a decline in average net receivables over the year, margin compression in a competitive environment and lower fee and other income. Fee and other income declined from lower late fees, as customers prioritised the repayment of debt in AU and NZ Cards, lower term leasing income from Commercial and Leasing and insurance income in NZ Cards.

Gross income was lower across both the AU and NZ Cards portfolios. AU Cards customer loans decreased by 21.3% while NZ Cards decreased by 8.7%. These have been partially offset by higher interest from AU Commercial with receivables in Commercial and Leasing increasing 36.3% and volumes increasing 55.6%. BNPL gross income was broadly flat despite a 31.3% increase in volumes as a result of margin compression and lower fees in **humm** AU.

Net operating income ($m)

Full-year to 30 June

2021	2020	Change %
342.9	361.0	(5.0%)

Net operating income was down 5.0% due to lower gross income, partially offset by lower interest expense of $15.1m due to lower costs of funds, including the benefits from our structured funding programs, and the repayment of all corporate debt. With a greater portion of borrowings unhedged during FY21 compared with prior years, **humm**group has continued to benefit from a lower interest rate environment.

Loan impairment expense ($m)

Full-year to 30 June

2021	2020	Change %
(58.7)	(145.2)	(59.5%)

Loan impairment expense was down 59.5% due to the release of $21.6m of COVID-19 macro provision overlay, compared to a $43.3m charge in FY20. Net loss decreased by $20.1m, predominantly in BNPL and AU Cards. The strong credit performance across the portfolio in FY21 was supported by better than expected economic conditions stemming from government stimulus, particularly in Australia, as well as enhanced credit and fraud controls. Given uncertainty still remains as to the impacts of COVID-19, $21.6m of incremental COVID-19 macro provision remains for potential portfolio credit risks.

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

Full-year to 30 June

2021	2020	Change %
(186.9)	(176.5)	5.9%

Operating, marketing and employment expenses were up 5.9% due to investment in new products, an increase in marketing spend of $6.3m to build brand awareness and higher depreciation of $7.1m associated with investment in product and system capability. Employment expense decreased $3.9m which reflects reduced headcount across the core business and JobKeeper government incentive payments of $6.1m (FY20 $2.8m). This was partially offset by a return to normalised level of employee incentive payments in FY21.

1. Presented on a Cash NPAT basis.

EBITDA ($m)

Full-year to 30 June

	2021	2020	Change %
Cash NPAT	68.4	30.9	121.1%
Tax	28.9	8.4	LRG
Depreciation and amortisation	22.9	15.7	45.2%
Interest on corporate debt	4.2	6.8	(38.2%)
Movement in ECL provisions	(30.2)	36.2	LRG
EBITDA excluding ECL provision movements	**94.2**	**98.0**	**(3.9%)**

Earnings before interest, tax, depreciation and amortisation ("EBITDA") excluding ECL provision movements, a measure of performance used in corporate debt covenants, was $94.2m at 30 June 2021, down 3.9% versus prior year. Lower net loss was offset by lower net operating income, particularly from AU Cards, which remains impacted by COVID-19. Increased marketing spend more than offset lower employee expenses, driving an overall reduction in EBITDA excluding ECL provision movements.

Receivables and customer loans ($m)[1]

Full-year to 30 June

2021	2020	Change %
2,742.6	2,562.4	7.0%

1. Excludes other debtors, ECL provisions and unamortised direct transaction costs.

Receivables increased 7.0% from growth in Commercial and Leasing of 36.3% and BNPL of 20.3%, offset by a decrease in customer loans in AU Cards of 21.3% and NZ Cards of 8.7%.

Commercial and Leasing continued its positive momentum from FY20 by increasing lending to SME businesses in Australia through broker channels. The business leveraged its ability to approve deals faster than its competitors, with large market players unable to quickly adapt to COVID-19 restrictions. BNPL receivables increased as a result of continued investment in marketing and new product features, which led to strong growth across existing core products as well as momentum from new products, **bundll** and **humm**pro.

Lower customer loans in AU and NZ Cards were due to higher than normal customer paydowns following government stimulus in the 2020 calendar year and lower volume from COVID-19 impacted travel partners. The paydown in AU Cards was predominantly across the legacy Once and Lombard portfolios.

Wholesale debt and corporate borrowings ($m)

Full-year to 30 June

Wholesale debt facility

2021	2020	Change %
2,406.5	2,255.0	6.7%

Corporate debt facility

2021	2020	Change %
–	66.7	(100%)

Wholesale debt facilities increased 6.7% due to increases in receivables and customer loans. Corporate debt outstanding at 30 June 2020 was repaid in full in 1H21.

Goodwill and other intangibles ($m)

Full-year to 30 June

Goodwill

2021	2020	Change %
239.2	239.9	(0.3%)

The majority of **humm**group's goodwill is attributed to the NZ Cards segment, which generated $28.1m of Cash NPAT, increasing 28.9% compared to pcp. The small decrease in goodwill was due to the depreciation of NZD exchange rate applied to NZD denominated goodwill balances.

Other intangible assets

2021	2020	Change %
110.9	102.3	8.4%

Other intangible assets include merchant and customer relationships, brand names, and capitalised software. The balance has increased due to investments in software. During the year most of the investment relates to new products **bundll** and SME lending product **humm**pro, as well as product enhancements in BNPL and Cards. Investment has also occurred in foundational infrastructure and digitisation of manual operational activities.

Funding and capital

hummgroup maintains a well established, mature funding platform with a dynamic funding plan that supports the Group's growth strategy. **humm**group's funding strategy is focused on retaining committed, capital efficient funding for all existing products, securing cost effective funding to support new products and markets and increasing **humm**group's debt capital markets presence across both Australia and New Zealand. The Group has strong banking relationships across all geographies in which it operates with wholesale debt facilities in place with Authorised Deposit-taking Institutions and large international banks and fund managers. **humm**group is also supported by numerous institutional investors through its ABS programs in both Australia and New Zealand. The Group issued over $1b of ABS during FY21 with further diversification introduced across its institutional investor base.

At balance sheet date, the Group had $3,381.2m of wholesale debt facilities, with $974.7m of facilities undrawn. The wholesale debt facilities include both public and private debt facilities which are secured against underlying pools of receivables and customer loans. All facilities provide for the ultimate repayment of outstanding debt through collections received in respect of the relevant receivables and customer loans. In some cases, the Group's wholesale debt facilities are structured to include a revolving period where funding can be drawn and receipts from customers can be used to fund originations of new receivables and customer loans, ahead of the repayment of outstanding debt. The balance of facilities provide for repayment of outstanding debt in line with repayment of the underlying receivables and customer loans. The Group extended over $1b of existing revolving facilities during the reporting period and there are no indications that the current revolving facilities will not be similarly extended, as required.

In September 2020 the Group undertook a successful equity raise, raising $112.4m, net of transaction costs. The funds have significantly strengthened the balance sheet enabling pay down of the Group's corporate debt facilities during the period and providing the Group with the flexibility to execute its growth strategy.

Corporate debt facility

In June 2021, the Group entered into a $110.0m three year syndicated revolving loan facility to replace the $197.3m bilateral corporate debt facilities which were undrawn when replaced. The syndicated revolving loan facility will assist the Group in prudently managing its liquidity and cashflow needs. Corporate debt remained undrawn at 30 June 2021.

Corporate debt gearing[1]

Full-year to 30 June

2021	2020	Change %
0.0%	28.7%	(LRG)

The decrease in recourse corporate debt gearing to 0.0% (June 2020: 28.7%) was driven by the repayment of all corporate debt outstanding at 30 June 2020. The Group continues to optimise its capital structure to maximise shareholder value and prudently manage liquidity by accessing capital markets more frequently and in greater volume and by increasing capacity in wholesale debt facilities, including through the introduction of private mezzanine funding.

1. Gearing is recourse (Corporate) borrowings as a percentage of total equity excluding intangible assets.

Return on equity ("ROE")[1]

Full-year to 30 June

2021	2020	Change %
10.2%	5.1%	510bps

ROE of 10.2% increased 510bps compared to FY20 due to higher Cash NPAT, despite higher average equity balances following the capital raise.

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

Shareholder returns

Year ended 30 June

	2021	2020	2019	2018	2017
TSR[1]	(4.5%)	(30.35%)	(13.88%)	17.14%	(8.30%)
Dividends per share (cents)	–	3.85	7.70	7.70	7.70
Cash EPS (cents)	13.75	7.31	19.68	23.00	24.60
Share price (high)	$1.35	$2.47	$2.34	$2.33	$2.58
Share price (low)	$0.87	$0.46	$0.98	$1.44	$1.55
Share price (close)	$0.99	$1.13	$1.63	$2.22	$1.83

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

Earnings per share

	Year ended 30 June 2021	Year ended 30 June 2020
	Cents	Cents[1]
Basic earnings per share	12.0	5.3
Diluted earnings per share	12.0	5.3
Cash earnings per share	13.7	7.3

1. Retrospectively adjusted for the impacts of IFRIC guidance on cloud computing costs which reduced software amortisation by $1.7m (after tax).

Dividends on ordinary shares

	2021		2020	
	Cents	$m	Cents	$m
Interim dividend (2020: paid in October 2020)	–	–	3.85	15.2
Final dividend (2020: nil)	–	–	–	–

2. SEGMENT PERFORMANCE

Segment summary

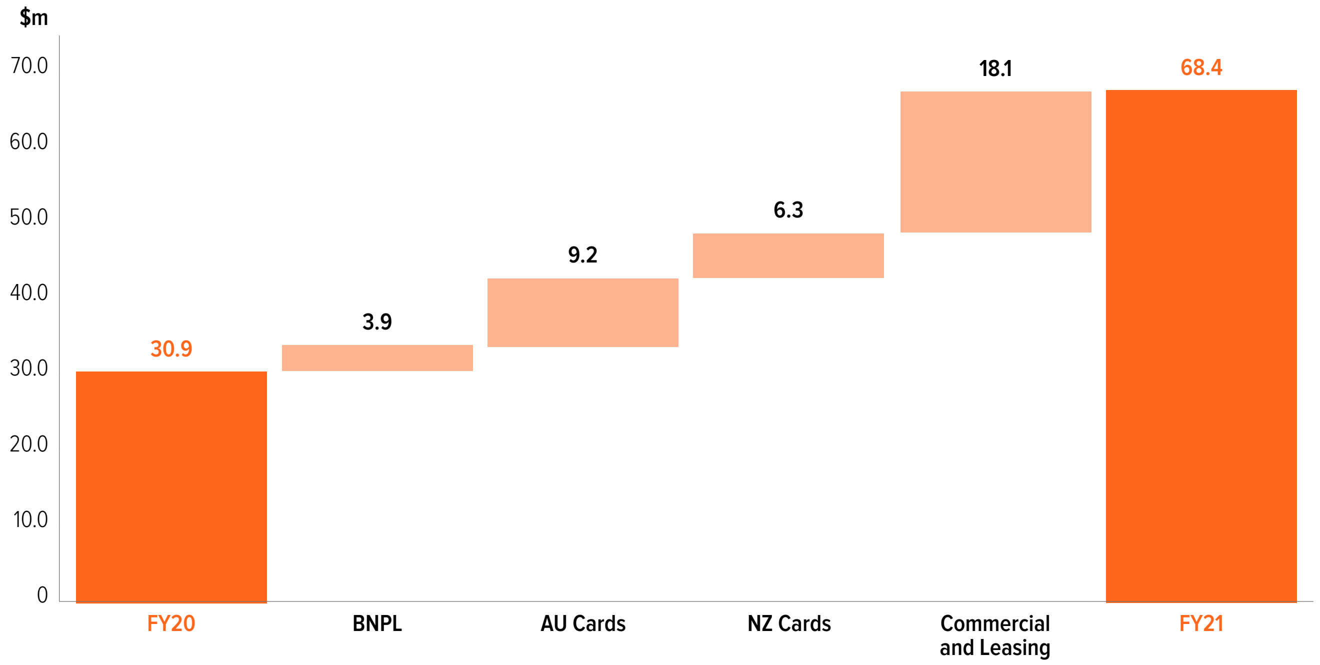
The Directors consider the business from a product perspective and have identified four reportable segments:

- BNPL (a consolidation of **humm** Australia, New Zealand, UK and Ireland, **bundll**, **humm**pro and legacy FlexiRent Ireland).
- Australia Cards (**humm**90 (formerly Skye), Lombard and Once).
- New Zealand Cards (including Farmers, Q Mastercard® and Flight Centre Mastercard).
- Commercial and Leasing (consisting of Australia and New Zealand Commercial lending and the discontinued Consumer Leasing product).

bundll and **humm**pro products have been represented in the BNPL segment in FY21. In the published FY20 financial statements, **bundll** was represented in AU Cards and NZ Cards, and **humm**pro was represented in Commercial and Leasing. In order to enhance comparability, the prior FY20 segment information has been restated with **bundll** and **humm**pro in the BNPL segment. Operating expenses for **bundll** and **humm**pro in the published FY20 financial statements of $5.6m in AU Cards, $2.4m in NZ Cards and $2.3m in Commercial and Leasing have been reclassified to the BNPL segment. Impairment losses on loans of $1.6m have also been reclassified from AU Cards to BNPL. As a result, the restated FY20 Cash NPAT in BNPL reduced by $8.7m, with corresponding increases in AU Cards of $5.3m, NZ Cards of $1.8m and Commercial and Leasing of $1.6m.

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

A$m	June 2021	June 2020 Restated	Change %
BNPL	1.2	(2.7)	144.4%
AU Cards	16.8	7.6	121.1%
NZ Cards	28.1	21.8	28.9%
Commercial and Leasing	22.3	4.2	431.0%
Total Cash NPAT	**68.4**	**30.9**	**121.1%**



Segment analysis

BNPL

A$m	June 2021	June 2020	Change %
Gross income	120.6	121.7	(0.9%)
Net operating income	90.8	94.8	(4.2%)
Marketing expense	(13.9)	(11.3)	23.0%
Operating expenses	(41.9)	(37.6)	11.4%
Impairment losses on customer loans	(33.2)	(50.5)	(34.3%)
Cash NPAT	**1.2**	**(2.7)**	**144.4%**
Volume	1,034.9	788.4	31.3%
Closing customer loans	**762.7**	**633.9**	**20.3%**

Cash NPAT in BNPL of $1.2m, up $3.9m on pcp.

The key movements are:

- BNPL gross income was down $1.1m. **humm** AU income was lower due to margin compression from increased competition and reduced fee income from older Certegy contracts, partly offset by growth in **humm** 'Little things' and **bundll** transactions.
- Net operating income down 4.2% due to a $4.3m increase in origination costs predominantly as a result of spend to attract merchants and customers to **humm,** partly offset by interest expense down $1.4m driven by lower cost of funds.
- Marketing expense up 23.0% ($2.6m) as a result of investment to increase brand awareness to acquire and activate customers.
- Operating expenses up 11.4% in line with increased activity in BNPL including investment in overseas expansion and development of products and systems.
- Impairment losses down 34.3% largely driven by a decrease in gross write offs of $10.3m.
- Volume up 31.3% driven by customer growth and associated spend across existing core BNPL products, combined with the increasing contribution from **bundll**.
- Customer loans up 20.3%, which was below volume growth, with overall duration shortening in FY21.

AU Cards

A$m	June 2021	June 2020	Change %
Gross income	91.1	114.8	(20.6%)
Net operating income	68.7	82.9	(17.1%)
Marketing expense	(5.2)	(3.2)	(62.5%)
Operating expenses	(35.5)	(36.2)	1.7%
Impairment losses on customer loans	(1.9)	(33.9)	94.4%
Cash NPAT	**16.8**	**7.6**	**121.1%**
Volume	416.9	596.5	(30.1%)
Closing customer loans	**454.9**	**578.4**	**(21.3%)**

Cash NPAT in AU Cards of $16.8m, up 121.1% on pcp.

The key movements are:

- Gross income down 20.6%, largely as a result of a reduction in interest bearing balances and fee income from customer repayments, predominantly in the discontinued Lombard and Once products and lower volume from merchants in the travel sector.
- Net operating income down 17.1%, mainly due to lower gross income partially offset by a decrease in interest expense of 28.2% due to lower receivables and improved cost of funds.
- Marketing expense up $2.0m, which reflects the investment in the rebrand to **humm**90 in November 2020 and targeted customer acquisition activities.
- Operating expenses down 1.7% with costs constrained in a lower revenue environment.
- Impairment losses decreased 94.4%, driven by the partial release of the COVID-19 provision following a reduction in customers in hardship, lower net loss of $9.1m or 34.5%, from high customer repayments in discontinued products and improved credit and fraud controls.
- Volume down 30.1% due to COVID-19 impacts on long term interest free merchant activity in travel, although everyday spend activity continues to grow.
- Closing customer loans down 21.3%, in line with volume and paydown activity in FY21.

NZ Cards

A$m	June 2021	June 2020	Change %
Gross income	135.4	146.1	(7.3%)
Net operating income	107.3	108.2	(0.8%)
Marketing expense	(8.5)	(8.0)	6.3%
Operating expenses	(39.3)	(37.5)	4.8%
Impairment losses on customer loans	(19.4)	(33.8)	42.6%
Cash NPAT	**28.1**	**21.8**	**28.9%**
Volume	695.4	750.6	(7.4%)
Closing customer loans	**639.9**	**700.7**	**(8.7%)**

Cash NPAT in NZ Cards of $28.1m, up 28.9% on pcp.

The key movements are:

- Gross income down 7.3%, impacted by decreases in interest and fee income due to lower volumes and a gradual paydown of interest bearing balances in FY21 and lower insurance income.
- Net operating income down 0.8%, with a decrease in interest expense of 27.1% due to improved cost of funds, offsetting the decline in gross income.
- Marketing expense up 6.3%, and operating expenses up 4.8% due to increases in insurance and depreciation expenses.
- Impairment losses down 42.6%, largely from the partial write back of COVID-19 provision reflecting improvements in economic outlook.
- Volume down 7.4% with the long term interest free portfolio impacted by lower travel merchant activity. Everyday spend was up.
- Closing customer loans down 8.7%, in line with volume and paydown activity in FY21.

Commercial and Leasing

A$m	June 2021	June 2020	Change %
Gross income	96.8	96.3	0.5%
Net operating income	76.1	75.1	1.3%
Marketing expense	(2.4)	(1.2)	100.0%
Operating expenses	(40.2)	(41.5)	(3.1%)
Impairment losses on customer loans	(4.2)	(27.0)	(84.4%)
Cash NPAT	**22.3**	**4.2**	**431.0%**
Volume	540.3	347.2	55.6%
Closing customer loans	**885.1**	**649.4**	**36.3%**

Cash NPAT in Commercial and Leasing of $22.3m, up 431.0% on pcp.

The key movements are:

- Gross income up 0.5% with interest income in AU Commercial up 45.7%, offset by the run-off of the AU Consumer Leasing portfolio.
- Net operating income up 1.3% with interest expense broadly similar to FY20 despite strong volume and receivables growth due to the benefit of lower funding costs.
- Marketing expense up $1.2m reflecting the additional investment made in targeting the broker channel in AU Commercial and from rebranding costs.
- Operating expenses down 3.1% from reduced costs associated with the Consumer Leasing product in run-off, partially offset by the increased activity in AU Commercial business.
- Impairment losses down 84.4% as net loss decreased $3.1m and from the partial release of the COVID-19 provision. This performance is a result of improved credit decisioning.
- Volume up 55.6%, driven by AU Commercial as the business continued to take market share from larger competitors.
- Closing customer loans up 36.3%, reflective of the strong volume performance.

3. STRATEGY UPDATE

hummgroup continues to invest in four strategic areas to support its long term growth aspirations. These growth initiatives are aimed at expanding our customer numbers, merchant numbers and addressable market both locally and abroad.

New products for new audiences

Addressing new markets through **bundll** and **humm**pro.

In FY21 we:

- Launched **humm**pro, BNPL for business in Australia and New Zealand to target the ~ three million SMEs and $30b business credit card and line of credit market.
- Entered into a five year strategic partnership with Mastercard to globally expand the application and distribution of **bundll**.

Following the end of reporting period, **humm**group announced **bundll** partnerships with Westpac New Zealand in July 2021 and Velocity Frequent Flyer in August 2021.

Driving customer engagement

hummgroup has become synonymous with easy, digital, interest free finance and key to this is a focus on driving customer engagement.

In FY21 we:

- Achieved total app downloads of 1.2m, up 75.8% on pcp.
- Launched **humm**//TAPP in Australia to allow **humm**group to integrate seamlessly with merchants by utilising the Mastercard network.

Expanding the instalment payment core

New merchants and platforms in current markets.

In FY21 we:

- Added 9k merchants with strong growth across our target verticals home and home improvement; healthcare; luxury retail and automotive.
- Increased BNPL volumes 31.3% driven by growth of 125.9% in our 'New products'.

'New products' includes **humm** 'Little things' AU, NZ and IE, **bundll** and **humm**pro.

International expansion

Expansion of **humm** BNPL into the UK and Canada where there are significant opportunities through a differentiated offering in bigger ticket, longer-term instalment plans.

In FY21 we:

- Launched **humm** UK in June 2021 with over 300 retailers signed.
- Appointed Patrick Joseph Byrne as CEO of **humm** UK.
- Appointed Mr Tim Moulton as Country Head of Canada.

4. RISKS AND CHALLENGES

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

The material business risks for the Group are summarised here.

CAPITAL AND FUNDING

Not maintaining access to the capital and funding required to support growth

WHAT WE ARE DOING TO MANAGE THE RISK:

> Follow a structured program of regular market issuances.
> Maintain close relationships with core funders.
> Manage debt levels within acceptable limits.

CREDIT, FRAUD AND AML

Failing to establish and embed processes and tools to support customer identification and credit assessment

WHAT WE ARE DOING TO MANAGE THE RISK:

> Continual investment in credit and fraud tools and platforms.
> Undertaking data analysis to better understand customer behaviour and performance.

REGULATORY

Being unprepared to respond to changes in the regulatory environment and maintain compliance

WHAT WE ARE DOING TO MANAGE THE RISK:

> Monitor the regulatory and legislative landscape for material changes.
> Develop responses in line with regulatory change timetables, to efficiently and effectively manage the impact of changes.
> Continued engagement with local regulatory, industry and other relevant stakeholders.

STRATEGIC

Not understanding or responding to the changes in our competitive environment

WHAT WE ARE DOING TO MANAGE THE RISK:

> Support our teams to look broadly across the payments industry.
> Regularly discuss strategy and strategic initiatives with the Board.
> Remain nimble and adaptive in our core businesses.

TECHNOLOGY AND INVESTMENT

Underinvesting in the developing and maintaining systems which support innovation and growth

WHAT WE ARE DOING TO MANAGE THE RISK:

> Defined a technology roadmap across the Group.
> Follow an annual program of capital expenditure across core systems, product innovation, and compliance projects.
> Established a board sub-committee focused on technology and our strategic investments in this area.

PEOPLE

Failing to attract and retain culturally aligned staff who can deliver innovative, sustainable and customer focused payment products and solutions

WHAT WE ARE DOING TO MANAGE THE RISK:

> Promote our employee value proposition.
> Are clear and consistent on our culture and values.
> Structure remuneration to attract and retain talent.

MACROECONOMIC

Not identifying larger shifts in the economy or retail environment which threaten our strategy or growth

WHAT WE ARE DOING TO MANAGE THE RISK:

> Analyse and monitor economic and retail conditions, at a minimum, to identify shifts and take steps to manage potential impacts.

ENVIRONMENTAL AND CLIMATE

Not understanding or responding to future environmental risks and impacts

WHAT WE ARE DOING TO MANAGE THE RISK:

> Review processes and practises to reduce impact on the environment.
> Further develop reporting on our environmental footprint.

INTERNATIONAL EXPANSION

Move into new jurisdictions does not meet management or market expectations

WHAT WE ARE DOING TO MANAGE THE RISK:

> Establish strong on the ground teams, with clear connection to the Group.
> Commit resources to build robust business, regulatory and technology foundations.

REMUNERATION REPORT.

Introduction from the Chair of the Board People and Remuneration Committee

Dear Shareholder,

On behalf of the **humm**group Board, I am pleased to share with you the remuneration outcomes for Financial Year 2021 ("FY21") for the CEO, Executive Key Management Personnel ("KMP") and Directors.

This year has been one of product innovation, steady profit growth and significant expansion. The business successfully concluded a $112.4m (net of transaction costs) equity raising, the launch of our new 'Business Now Pay Later' product **humm**pro, the rebranding of the Company to **humm**group, the launch of **humm** into New Zealand, and the announcement of two new international markets (the UK and Canada). During the period management also concluded its transformation agenda and the Company has continued to benefit from investments made to its credit decisioning platform as part of this process.

Despite managing the ongoing uncertainty of COVID-19 and the carry-on impact of the pandemic to some of **humm**group's business lines, the Board recognises that **humm**group has emerged from the pandemic with a healthy balance sheet to pursue both international and domestic growth.

On behalf of the Board, I extend my thanks to our CEO, Rebecca James, management and staff for doing a remarkable job in trying conditions and quickly adapting to working remotely throughout large parts of the year.

FY20 Transformation Incentive Plan Cancellation and FY21 Long Term Incentive

In 2019, **humm**group implemented a three-year Transformation Incentive Plan ("TIP") for the CEO and KMP to support the Company's growth and transformation that was considered critical to **humm**group's strategy. Under the TIP, the CEO (and other eligible executives) were entitled to receive a grant of options to acquire shares in the Company, subject to meeting performance and service conditions. Due to the impact of COVID-19 on market conditions and the share price, the Board no longer considered the 2019 Options to be an effective reward or retention mechanism for the executive team and as such the Board cancelled the 2019 Options. Following a review of the TIP and current economic landscape, the Board determined that an annual grant of options is a more effective approach, as it gives the Board flexibility to review and set target/s on an annual basis as circumstances change. For the FY21 grant, the Board determined that the Options will be granted to the CEO, KMP and senior executives and be subject to one performance measure based on satisfaction of an Actual Share Price performance hurdle over a two-year performance period. In setting the target, the Board focused on the alignment with shareholders and rewarding executives based on an increase in the share price of **humm**group.

FY22 LTI

For the FY22 grant, the Board has determined that Options will again be granted to the CEO, KMP and key senior executives and be subject to two performance measures, based on Actual Share Price ("ASP") and EPS over a three-year performance period from 1 July 2021 to 30 June 2024. The Board believes it is appropriate as market conditions start to normalise to have an LTI consisting of two performance measures incorporating a three-year performance period.

The Board intends to grant 2,000,000 Options to the CEO and key features of the LTI will be:

> That the strike price will be determined based on a 10-trading day VWAP up to and including 30 June 2021 with a 20% price premium applied;

> That the vesting will be subject to testing performance measurement taken at 20-day VWAP post results announcement for year ending FY24; and

> That the grant date will be the date the Board accepts the application from the CEO.

Options will be eligible to vest following the end of the three-year performance period (once the Board tests the performance conditions based on audited results), with two thirds vesting immediately and one third subject to a 12-month deferral period with a tenure condition.

FY21 Short-Term Incentive ("STI")

The STI is weighted with 60 percent tied to the Corporate Scorecard and 40 percent tied to achievement of personal performance goals. The STI intends to reward the executives' contribution to the achievement of the Group's financial and strategic targets and achievement of their personal performance goals while also upholding **humm**group values.

Risk hurdles must be met for payment of the STI to occur. In addition, Cash NPAT of 85% must be achieved to trigger payment for the Corporate component of the STI. The FY21 STI Corporate Scorecard consisted of six measures that we believe reflected the important financial and strategic drivers of business performance and the creation of shareholder value. The STI measures for FY21 were unchanged from FY20 being Cash NPAT, net loss/average net receivables, employee engagement, customer numbers (sellers/buyers), total volume, and cost to income ratio.

As the Cash NPAT hurdle for FY21 was exceeded and other Corporate Scorecard measures were largely achieved, the STI for the executive KMP and the Group in FY21 will be granted. The Board has approved a FY21 STI pay-out pool of 88%, with actual payments to the executive KMP determined in accordance with the governing policy. The executive KMP's STI award is delivered as a mix of cash and deferred equity (restricted shares).

The Board believes that the existing STI framework continues to be appropriate for FY22. It Is anticipated there will be some changes and reweighting to the Corporate Scorecard measures for FY22 to incorporate growth in international markets and new product launches.

Non-Executive Director changes

This year saw some changes to the Board. On 1 January 2021 I was officially appointed as Chair of the Remuneration Committee (now known as the People and Remuneration Committee), having acted in that role following Ms Jodie Leonard's retirement as a Non-Executive Director ("NED") on 19 November 2020. On behalf of the Board, I would like to thank Ms Leonard for her contribution as Chair of the Remuneration Committee since taking on this position in FY18.

Mr Alistair Muir was appointed as Independent NED on 31 March 2021 and subsequently appointed as Chair of the Technology Committee on 29 April 2021. Alistair is currently the Chief Executive Officer of Vanteum, an advisory business focused on digital transformation, product development and growth strategy. He has a strong background in data and digital innovation, demonstrated in roles with Insurance Australia Group, Telstra Digital Media and through his work with CSIRO's Entrepreneurship Program. Mr Muir brings additional technology skills along with proven experience in guiding digital innovation and development for transformation and growth, which will be invaluable to **humm**group in our next phase of growth.

Executive KMP Remuneration and KMP changes

In response to COVID-19, the Executive KMP took a temporary reduction in base remuneration of between 15-20%, across 4Q20 and 1Q21.

We believe the Executive KMP continue to be remunerated appropriately and in line with their accountabilities and the size and complexity of their roles.

The Company announced the appointment of Mr Adrian Fisk as Chief Financial Officer effective on 19 July 2021, replacing outgoing Chief Financial Officer Mr Jason Murray who will remain with the Company until September 2021 to assist with a smooth transition. I would like to thank Mr Murray for his contribution over the last 12 months, in particular leading the $112.4m (net of transaction costs) equity raising.

Conclusion

The Board thanks shareholders both locally and internationally for their support of the remuneration report at the 2020 Annual General Meeting, where it received an overwhelming 98.1% vote in favour.

The Board and management remain committed to **humm**group delivering sustainable profit, while implementing initiatives to expand our customer numbers, merchant numbers and addressable market – both locally and abroad. We are confident that the remuneration framework will continue to provide the appropriate amount and mix to reward executives and drive positive outcomes for shareholders.

On behalf of the Board, I would like to thank our shareholders for their ongoing support. The Board also extends its thanks to management for their efforts over the period, and to Ms James for her leadership and contribution.

Rajeev Dhawan
Independent Non-Executive Director,
Chair of People and Remuneration Committee

19 August 2021

1. KEY MANAGEMENT PERSONNEL

In the 2021 financial year, KMP comprised Non-Executive Directors, the CEO and certain Executives who reported to the CEO and led significant parts of the business. Details of the KMP are set out below.

Non-Executive Directors

> ANDREW ABERCROMBIE

Chair, Non-Executive

Term as KMP: Full year

Chair Nomination Committee

> CHRISTINE CHRISTIAN AO

Deputy Chair, Independent, Non-Executive

Term as KMP: Full year

Chair Risk and Compliance Committee, Member Audit Committee, Member Nomination Committee

> RAJEEV DHAWAN

Independent, Non-Executive

Term as KMP: Full year

Member Remuneration Committee, Member Risk and Compliance Committee, Member Nomination Committee

> JODIE LEONARD

Independent, Non-Executive

Term as KMP: Until 19 November 2020

Chair Remuneration Committee, Member Audit Committee

> CAROLE CAMPBELL

Independent, Non-Executive

Term as KMP: Full year

Chair Audit Committee, Member Remuneration Committee

> JOHN WYLIE AM

Non-Executive

Term as KMP: Full year

> ALISTAIR MUIR

Independent, Non-Executive

Term as KMP: From 31 March 2021

Executive KMP

> REBECCA JAMES

Chief Executive Officer

Term as KMP: Full year

> CHRIS LAMERS

Chief Customer Growth Officer and Deputy CEO[1]

Term as KMP: Full year

> JASON MURRAY

Chief Financial Officer[2]

Term as KMP: From 9 July 2020 to 30 June 2021

1. Formerly titled Deputy Group CEO and New Zealand CEO. Commenced current role 9 November 2020.
2. Jason Murray commenced as CFO with effect from 9 July 2020 (as announced to the ASX on 7 July 2020). Jason Murray ceased as CFO on 19 July 2021 and Adrian Fisk commenced as CFO on 19 July 2021.

2. REMUNERATION PRINCIPLES AND POLICY

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

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

Strategic alignment

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

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

Attractive remuneration

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

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

Reward fairly

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

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

Merit based

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

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

Commercially responsible

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

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

3. EXECUTIVE REMUNERATION STRUCTURE

3.1 Remuneration structure FY21

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

Fixed Remuneration ("FR")		
FR consists of base salary, superannuation and allowances (where applicable).	FR is set in relation to the external market and takes into account size, criticality and complexity of the role, individual responsibilities, experience and skills.	The objective of FR is to attract and retain the best talent.
Short-Term Incentive ("STI") plan		
STI is delivered in a combination of cash and restricted shares.	STI is a percentage of fixed remuneration which is set against individual and Group risk-adjusted financial and strategic targets that support the Group's strategy.	The objective of STI is to reward short-term performance.
Long Term Incentive ("LTI") plan		
LTI is delivered in options, which vest over a two-year performance period if hurdles are achieved.	LTI is aligned to long-term Group performance and shareholder return by rewarding achievement of transformation strategy objectives.	The objective of LTI is to reward long-term performance.

All executive KMP have their performance measured against agreed targets.

3.1.1 Fixed remuneration

The executive team members are offered competitive fixed remuneration amounts that reflect the key performance requirements of their roles. Fixed remuneration is reviewed annually in line with the financial year (1 July to 30 June), although a review may not necessarily result in any increases to remuneration. Any increases to executive remuneration require People and Remuneration Committee and Board approval and come into effect from 1 July. During FY21 **humm**group engaged remuneration consultants to provide benchmark data for companies which are similar to the Group in terms of industry, size and complexity, against which the executive remuneration was compared.

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

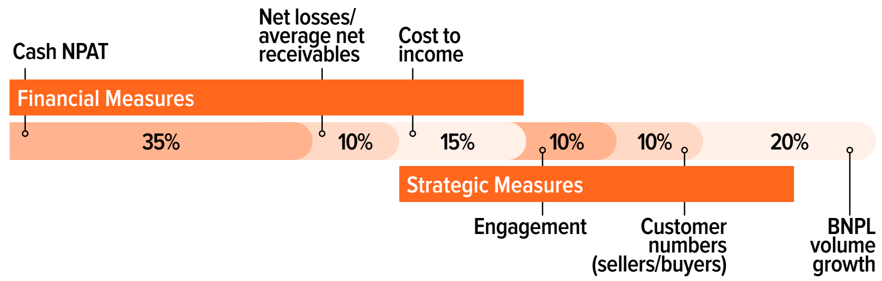
3.1.2 Short-term incentive

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

In order to ensure greater transparency of key metrics within the scheme and better align pay with performance, the STI underwent structural changes in FY21. In addition to payments being subject to financial, behavioural and risk gateways, executive KMP have the ability to earn a multiplier on the **humm**group score aligned to delivery of the strategy and leadership of their functional area. The 40% personal component of the STI has had the Cash NPAT gateway removed to reward executive KMP for achievement of their individual performance objectives. The Board changed the Cash NPAT gateway to 85% to trigger payment of the Corporate component of the STI tied to achievement of the six financial and strategic measures under the Corporate Scorecard.

CEO STI goals

Consistent with the strategy to transform and grow the business, the CEO's personal KPIs for FY21 were focussed on continuing to execute the growth strategy. Specifically for FY21 these were to grow volumes in profit drivers, grow **bundll** customer base, launch small and medium enterprise ("SME") instalment product, drive both investor relations engagement and valuation of diverse funding sources, and ignite inspiring leadership across the team.

Feature	Description
How is it paid?	Delivered in a mix of cash and deferred equity. 67% / 33% **CEO:** 67% cash, with 33% deferred into restricted shares. 75% / 25% **Other Executive KMP:** 75% cash, with 25% deferred into restricted shares. Key: Cash, Restricted shares
How much can Executives earn?	The table below illustrates the payout level (as a percentage of Fixed Remuneration, or Base Salary for the Chief Customer Growth Officer and Deputy CEO) for achievement at defined levels of performance. That is 'Threshold' 'Target' and 'Stretch' **CEO:** 53% 75% 94% **Chief Customer Growth Officer and Deputy Group CEO:** 35% 50% 63% **CFO:** 35% 50% 63% Threshold and stretch figures are reflective of the individual multiplier, which allows for a threshold of 70% and a stretch of 125% of the target level performance to be achieved.
What are the deferral terms?	50% / 50% **CEO:** 50% of restricted shares are deferred for one year and 50% are deferred for two years. Vesting is subject to continued employment. 100% **Other Executive KMP:** 100% of restricted shares are deferred for two years. Vesting is subject to continued employment. Key: Restricted shares deferred for one year, Restricted shares deferred for two years
How is performance measured?	Performance is measured over a 12 month performance period from 1 July to 30 June. Minimum performance levels (or hurdles) are set by the Board which trigger payment of the STI plan. If the minimum performance levels of all hurdles are not achieved, payments will not be made unless the Board, in its discretion, determines it is appropriate. The hurdles are as follows: 1. 85% achievement of Budgeted Group Cash NPAT for the 60% Corporate component (the Cash NPAT gateway was removed from the 40% personal component for FY21). 2. Risk (no material regulatory breaches, no material breaches of Delegation of Authority, completion of mandatory personal and department compliance training). 3. Culture (no material breaches of policies). If all hurdles are achieved, performance will be reviewed against the following Group performance measures: 

Feature	Description
How is performance measured – weighting and multiplier	Changes were made to STI performance measures for FY21 to ensure greater transparency of key metrics within the scheme and better align pay with performance. The FY21 STI program consists of six measures that we believe reflect the important financial and strategic drivers of business performance and the creation of shareholder value. Each performance measure has at least a 10% weighting to ensure it remains meaningful. In addition, three to five key personal objectives are set for each Executive, related to major initiatives. Each Executive's performance is scored out of five, which determines what, if any, STI is paid. The following table outlines the performance rating multiplier.

Performance rating	1	2	3	4	5
Multiplier	0	0.7	1	1.15	1.25

Feature	Description
How is the award calculated?	The calculation of the award is set out in the figure below: STI Target Opportunity × (Company Performance + Individual Performance) [60%, based on Company financial and strategic KPI achievement; 40%, based on Individual KPI achievement] × Multiplier = STI OUTCOME ($) Further, the Board will consider whether to reduce any STI payment, including to zero, based on any breaches of organisational policy in line with the STI plan rules.
What are the governance aspects of the plan?	Relevant governance aspects include change of control, cessation of employment, eligibility for dividend and voting rights and clawback/malus. The Board can exercise discretion to apply malus/clawback to make a downwards adjustment to incentive awards which are unvested (malus) or have been paid or vested (clawback). Further details regarding these aspects of the plan can be found in section 9 of this remuneration report.

3.1.3 Long-Term Incentive Plan ("LTIP")

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

a. Attracting, motivating and retaining employees;
b. Delivering rewards to employees for individual and Company performance;
c. Aligning the interests of employees with those of shareholders; and
d. Allowing the Board to apply malus and/or clawback in certain circumstances.

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

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

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

Feature	Description
How is it paid?	The LTIP is a annual grant of Options.

Feature	Description
How is performance measured?	2021 LTIP Options are subject to two conditions: > A share price performance hurdle measured over the Performance Period ("Share Price Hurdle") – which is determined based on the 20 trading-day VWAP of **humm**group shares following the FY22 annual results announcement; and > Continued employment with **humm**group until the Vesting Date.
What is the vesting schedule?	The Vesting schedule below sets out the percentage of Options that may Vest based on the share price achieved at the end of the Performance Period.

Actual share price	Vesting percentage
<$1.50	Nil
$1.50 to $2.00	33% to 50%
$2.00 to $2.50	50% to 100%

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

Early Vesting Opportunity

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

Feature	Description
When will the performance hurdles be tested?	**Testing of the Share Price Hurdle** Testing of the Share Price Hurdle will occur shortly after the end of the Performance Period. To the extent that the Conditions are satisfied based on the testing results, the relevant number of Options that will Vest (if any) will be determined by the Board. Any Options that do not Vest following testing will lapse immediately. **Testing of the Early Share Price Target** Testing of the Early Share Price Target will occur throughout FY21. To the extent the Early Share Price Target is satisfied based on the testing results, 50% of Options may Vest (25% immediately and 25% after the end of the Performance Period). The remaining 50% of Options will remain "on foot" and will be tested against the Conditions after the end of the Performance Period (see "Testing of Conditions" above). The Early Share Price Target was not met during FY21.
When will options vest?	Options will Vest on the relevant Vesting Date. Any Options that do not Vest following testing will lapse immediately.

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

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

Grant Date	Tranche number	Date vested and exercisable	Expiry date	Exercise price	Value per option, performance right at grant date ($)
Performance Options					
19-Nov-20	2021 LTIP – CEO	21-Sep-22	19-Nov-25	1.38	0.23
30-Nov-20	2021 LTIP – Other Executives	21-Sep-22	30-Nov-25	1.38	0.31

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

The table below provides details of LTIP options issued in FY21 over ordinary shares in the Company provided as remuneration to the five most highly remunerated officers of **humm**group.

When exercisable and the exercise price is paid, a performance option is convertible into one ordinary share of **humm**group. Further information on the performance options is set out in note 24 to the financial statements.

Name	Position	Number of incentive rights granted[1]	Maximum value of incentive rights granted during the year ($)[2]
Rebecca James	Chief Executive Officer	2,000,000	$460,000
Chris Lamers	Chief Customer Growth Officer and Deputy Group CEO	1,200,000	$366,000
Jason Murray	Chief Financial Officer	712,656	$217,360
Natalie Nicholson[3]	Chief People and Corporate Affairs Officer	712,656	$217,360
Matthew Beaman[3]	Group General Counsel and Group Head of Operational Risk and Compliance	80,267	$24,481

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

The assessed fair value of performance options granted on 19 November 2020 for the CEO and 30 November 2020 for the other executive KMP is determined based a Monte Carlo simulation on the grant date and the amount allocated to FY21 is included in the remuneration table in section 10.2 of this remuneration report in accordance with AASB accounting standards.

For performance options issued in FY21, the fair values at grant date take into account market based performance hurdles, the strike price, the term of the performance options, the impact of dilution, the share price at grant date and the expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the performance options. Further information on the incentive options is set out in note 24 to the financial statements.

3.1.4 Sign-on incentive rights

No sign-on rights were granted in FY21.

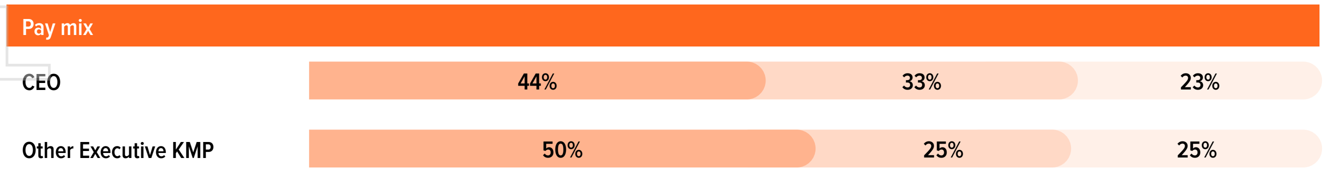
3.1.5 Remuneration mix

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

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

CEO: 44% of the CEO's remuneration is fixed remuneration, 56% is performance-based pay and 34% is delivered as deferred rights/performance options.

Other executive KMP: 50% of their remuneration is fixed remuneration, 50% is performance-based and 31% is delivered as deferred rights/performance options.



Key: Fixed Remuneration STI Target[1] LTI Maximum

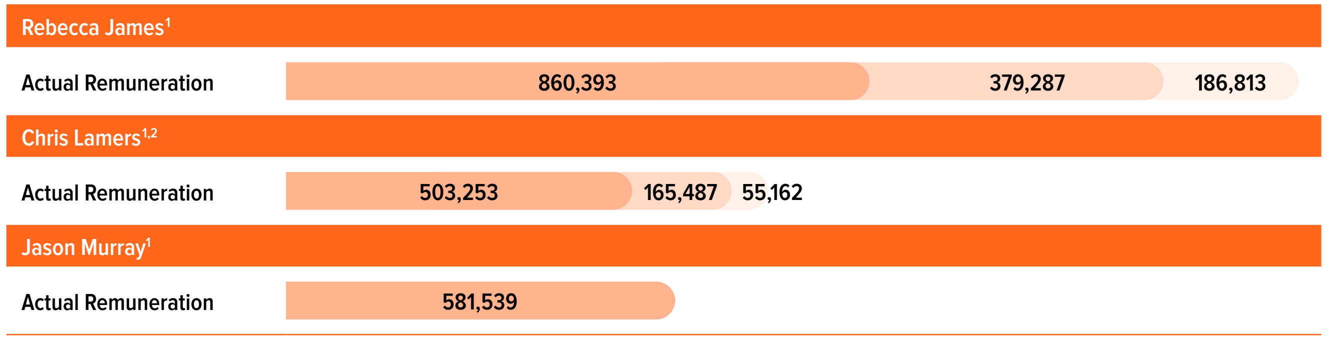
1. Of the STI Target, 33% for the CEO and 25% for other executive KMP is deferred into restricted shares.

4. LINKING EXECUTIVE REMUNERATION TO COMPANY PERFORMANCE

4.1 What we paid executive KMP in FY21

The table below represents actual remuneration received in FY21 by executive KMP. Please refer to section 5 for terms of Executive KMP Service Agreements for their contractual fixed remuneration.

In response to COVID-19, the executive KMP took a temporary reduction of up to 20% of fixed remuneration from 1 May 2020 to 31 July 2020 income. .



Key: Fixed Remuneration STI Cash FY21 STI Deferred FY21

1. Fixed remuneration includes Cash Salary and Superannuation.
2. NZD fixed remuneration translated at average exchange rate of 1.072 and STI converted at closing spot rate of 1.0745.

4.2 Performance against FY21 STI measures

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

> Group Cash NPAT 85% of target;
> Risk (no material breaches to Delegations of Authority, completion of mandatory personal and department compliance training); and
> Culture (no material breaches of policies).
> All hurdles were met triggering payment of STI in FY21.

KPI measure	Weightings	Financial target	FY21 outcome	Commentary
Cash NPAT	35%	$52.9m	Target Exceeded	Cash NPAT for FY21 was $68.4m, well ahead of the target for the year representing an increase of 121.4% on the prior year. This is a strong result in a challenging year where the Group invested significantly in new growth opportunities and delivered volume growth of 8%.
Net Losses/Average Net Receivables	10%	$152m (5.8%)	Target Exceeded	Strong risk management practices and an improved operating environment drove net losses down across all segments of the Group in FY21 resulting in a net loss of $89m or 3.5% of Average Net Receivables.
Cost to Income Ratio ("CTI")	15%	41.5%	Target Not Met	The higher than target CTI result was driven by higher operating expenses due to investment in international expansion and local growth through increased marketing expenditure.
Engagement Score	10%	68%	Target Partially Met	The engagement score for FY21 was 67% marginally below the target. This was a strong result for the year given the impact of COVID-19 on work practices and employee remuneration and the continuation of major organisational restructures realigning around centres of excellence.
Customer Numbers (Buyers/Sellers)	10%	$2.663m/92,217	Target Met	**humm**group reported 2.7 million customers at the end of the 2021 financial year up 19.7% on June 2020, and ahead of target with buyers/sellers of 105,730 also above target. This was driven by strong growth in customer numbers in the BNPL segment with the scale up of new products.

KPI measure	Weightings	Financial target	FY21 outcome	Commentary
Total Volume	20%	$2,743m	Target Partially Met	Volumes were $2,687m, 8% up on the prior year but slightly below target. **humm**group delivered strong volume growth in the second half of FY21 up 15% on the prior half with growth in BNPL driven by the scaling up of new products as well as very strong volume growth in the Commercial business in Australia.

4.2.1 STI FY21 outcomes

Given the strong performance against Cash NPAT, and achievement of several other measures in the corporate scorecard, short-term incentive payments will be made to the executive KMP for FY21. The Board approved a STI outcome for FY21 of 88% in recognition of strong performance against the Corporate Scorecard.

4.2.2 Deferred STI FY21 outcomes

No deferred STI outcomes vested In FY21.

4.3 Company performance against LTI performance conditions

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

The following table provides the Group's TSR, dividend, share price and Cash EPS over the last five years.

Year ended 30 June	2021	2020	2019	2018	2017[2]
TSR[1]	(4.5%)	(30.35%)	(13.88%)	17.14%	(8.30%)
Dividends per share (cents)	–	3.85	7.70	7.70	7.70
Cash EPS (cents)	13.75	7.31[3]	19.68	23.00	24.60
Return on Equity	10.2%	5.1%[3]	12.3%	13.6%	14.5%
Share price (high)	$1.35	$2.47	$2.34	$2.33	$2.58
Share price (low)	$0.87	$0.46	$0.98	$1.44	$1.55
Share price (close)	$0.99	$1.13	$1.63	$2.22	$1.83

1. TSR is calculated based on VWAP in the 90-day period up to and including 30 June.
2. The opening price for 2017 was $1.74.
3. Retrospectively adjusted for the impacts of IFRIC guidance on cloud computing costs which reduced Cash NPAT by $1.7m (after tax).

4.3.1 LTI outcomes in FY21

No LTI granted in the current or historical periods will vest during FY21.

4.3.2 Shares provided on exercise of remuneration performance and sign-on rights

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

5. TERMS OF EXECUTIVE KMP

Service agreements

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

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

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

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

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

	Term of agreement and notice period[1]	Total fixed remuneration ($)[2]	Termination payments[3]
Rebecca James	6 months	850,000	6 months
Chris Lamers[4]	6 months	550,000	6 months
Jason Murray[5]	6 months	600,000	6 months
Ross Aucutt[5]	6 months	450,000	6 months

1. Notice applies to either party.
2. Base salaries and superannuation are for financial year ended 30 June 2021. Annual reviews are performed by the People and Remuneration Committee.
3. Base salary payable if the Company terminates employee with notice, and without cause.
4. Remuneration is in NZ$.
5. Jason Murray joined **humm**group as Chief Financial Officer effective 9 July 2020 following Ross Aucutt stepping down from the role of Chief Financial Officer on 9 July 2020.

6. FY22 REMUNERATION STRUCTURE CHANGES

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

7. NON-EXECUTIVE DIRECTORS

7.1 Non-Executive Directors' remuneration policy and structure

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

Non-Executive Directors' fees are determined within an aggregate Directors' fee pool limit of $1.2m (as approved by shareholders in 2006). The following fee structure was applicable for the 2021 financial year:

Base fees (per annum)	FY21 fees $	FY20 fees $
Chair	250,000	250,000
Deputy Chair	180,000	180,000
Other Non-Executive Directors	120,000	120,000
Additional fees (per annum)	**FY21 fees $**	**FY20 fees $**
Audit Committee – Chair	25,000	25,000
People and Remuneration Committee – Chair	25,000	25,000
Risk and Compliance Committee – Chair	25,000	25,000
Technology Committee – Chair[1]	25,000	N/A
Committee Fees – Members	10,000	10,000

1. The Technology Committee was established on 29 April 2021.

In addition to the above fees, Directors also receive compulsory superannuation contributions. As Mr Wylie is Tanarra Capital's nominated Director, payments are made to Tanarra Capital. A Director is entitled to reimbursement for reasonable travel, accommodation and other expenses in attending meetings and carrying out their duties.

Under clause 10.10 of the Company's constitution, subject to the ASX Listing Rules and the *Corporations Act 2001*, a Director at the request of the other Directors may be remunerated for performing additional or special duties for the Company.

7.2 Non-Executive Directors' minimum shareholding requirements

There is no minimum shareholding requirement for Non-Executive Directors; however, all Non-Executive Directors are shareholders.

7.3 Non-Executive Directors' equity plan

Under clause 10.11 of the Company's constitution, subject to the Listing Rules and the *Corporations Act 2001*, the Company may pay a former Director, or the personal representatives of a Director who dies in office, a retirement benefit in recognition of past services of an amount determined by the Directors.

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

8. DETAILS OF PERFORMANCE RIGHTS

8.1 Unvested performance rights (Tranche details granted prior to FY21 LTI introduction)

hummgroup has issued options and/or performance rights in prior periods as disclosed in previous annual reports.

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

Grant date	Tranche number	Date vested and exercisable	Outstanding performance rights to KMP	Expiry date	Exercise price	Value per Option, performance right at grant date ($)
Performance rights						
27-Nov-17	5 EPS	1-Sep-21	99,175	15-Mar-22	Nil	1.36
	5 TSR	1-Sep-21	99,175	15-Mar-22	Nil	0.71
15-Nov-18	6 EPS	1-Sep-22	264,423	15-Mar-23	Nil	1.29
	6 TSR	1-Sep-22	264,423	15-Mar-23	Nil	0.63
16-May-19	6 EPS	1-Sep-22	87,759	15-Mar-23	Nil	1.29
	6 TSR	1-Sep-22	87,759	15-Mar-23	Nil	0.65

Details of the FY21 LTI are referred to in section 3.1.3 of the report.

Performance Rights in Tranches 5 and 6 remain on issue and will be tested based on FY21 and FY22 results respectively.

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

Tranche	Performance period	Testing date
5[1]	2021 (1 July 2017 to 30 June 2021)	Post results announcement date in 2021
6	2022 (1 July 2018 to 30 June 2022)	Post results announcement date in 2022

1. Performance tracking for Tranche 5 Indicates that Cash EPS growth Is unlikely to achieve threshold to trigger for vesting. Relative TSR will be assessed following FY21 results announcement compared to the S&P/ASX 200 Index (excluding materials and energy companies).

Tranche 5 and 6 Performance Rights will be performance-tested against the following performance-based vesting conditions:

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

Cash EPS growth performance condition

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

> Cash NPAT;

> Divided by the weighted average number of ordinary shares on issue during the year.

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

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

The Cash EPS Growth condition for Tranche 5 and 6 will be satisfied for a Performance Period in accordance with the following table:

Cash EPS growth target	Percentage of performance rights available in given year satisfying condition
Compound annual growth rate in Cash EPS less than 4.0%	Nil
Compound annual growth rate in Cash EPS of 4.0%	30%
Compound annual growth rate in Cash EPS greater than 4.0% but less than 10.0%	Pro-rata between 30% and 100%
Compound annual growth rate in Cash EPS equal to or greater than 10.0%	100%

Relative TSR performance condition

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

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

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

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

Tranche 5 and 6 performance targets are as per the table below:

Relative TSR Target	Percentage of performance rights available in given year satisfying condition
Less than 51st percentile of companies in S&P/ASX 200 Index (excluding materials and energy companies)	Nil
51st percentile of companies in S&P/ASX 200 Index (excluding materials and energy companies)	50%
Greater than 51st percentile but less than the 75th percentile of companies in S&P/ASX 200 Index (excluding materials and energy companies)	Pro-rata between 51% and 100%
Greater than or equal to 75th percentile of companies in S&P/ASX 200 Index (excluding materials and energy companies)	100%

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

Vesting date and expiry date

Tranche	Vesting date	Expiry date
5	1 September 2021	15 March 2022
6	1 September 2022	15 March 2023

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

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

Disposal restriction

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

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

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

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

Tranches of shares allocated on exercise of vested performance rights Tranches	% of shares allocated on vesting and exercise of performance rights	Restriction period end date
Tranche 5	100%	15 October 2022
Tranche 6	100%	15 October 2023

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

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

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

9. GOVERNANCE

9.1 Governance framework

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

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

9.2 Role of the Board

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

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

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

9.3 Role of the People and Remuneration Committee

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

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

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

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

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

The People and Remuneration Committee consists entirely of independent Non-Executive Directors as follows: Rajeev Dhawan (Chair) and Carole Campbell.

9.4 Treatment of unvested equity awards upon exit

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

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

The Board in its discretion may determine that a different treatment should apply.

9.5 Other governance requirements

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

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

9.6 Use of remuneration consultants

The Group aims to provide an executive remuneration framework that is market competitive and complementary to the reward strategy at **humm**group. During the year, **humm**group engaged the services of remuneration consultants to provide information regarding remuneration benchmarking which was provided to the People and Remuneration Committee.

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

10. OTHER STATUTORY DISCLOSURES

10.1 Shares under rights

As at the date of this report, there were 9,796,008 unissued ordinary shares of humm group limited subject to performance rights and options. These unissued ordinary shares are the subject of options, performance and deferred STI rights with expiry dates between 15 March 2022 and 30 November 2025. No performance and sign-on incentive shareholder has any right under the performance shares to participate in any other share issues of the Company or any other entity. Details of the options and rights related to the unissued ordinary shares are included in note 24 of the Financial Statements.

10.2 Amounts of remuneration

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

In response to COVID-19, executive KMP (except for Mr Aucutt) took a temporary reduction in base salaries equivalent to 20% for one month of income in FY21.

	Short-term employee benefits				Post-employment benefits	Long-term benefits		
2021	Cash salary and fees $	Annual leave accrued[1] $	STI cash payment $	Other benefits $	Superannuation $	Long service leave $	Share-based payments expense[2] $	Total earnings $
Non-Executive Directors								
Andrew Abercrombie (Chairman)	261,777	–	–	–	22,529	–	–	284,306
Christine Christian (Deputy Chairman)	223,269	–	–	–	21,135	–	–	244,404
Rajeev Dhawan	152,653	–	–	–	14,502	–	–	167,155
Carole Campbell	160,961	–	–	–	15,291	–	–	176,252
John Wylie[3]	121,148	–	–	–	–	–	–	121,148
Alistair Muir (appointed 31 March 2021)	33,019	–	–	–	3,137	–	–	36,156
Jodie Leonard (retired 19 November 2020)	67,961	–	–	–	6,456	–	–	74,417
Subtotal Non-Executive Directors	1,020,788	–	–	–	83,050	–	–	1,103,838
Other Key Management Personnel								
Rebecca James	837,864	39,253	379,287	–	22,529	–	66,408	1,345,341
Chris Lamers[4]	474,021	39,633	165,487	–	29,232	–	87,594	795,967
Jason Murray (appointed 9 July 2020)	560,512	23,901	–	–	21,027	–	59,346	664,786
Ross Aucutt[5]	132,610	64,398	–	214,153	17,689	30,380	(85,657)	373,573
Subtotal Other Key Management Personnel	2,005,007	167,185	544,774	214,153	90,477	30,380	127,691	3,179,667
Total Key Management Personnel Compensation (Group)	**3,025,795**	**167,185**	**544,774**	**214,153**	**173,527**	**30,380**	**127,691**	**4,283,505**

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

	Short-term employee benefits				Post-employment benefits	Long-term benefits		
2020	Cash salary and fees $	Annual leave accrued[1] $	STI cash payment $	Other benefits $	Superannuation $	Long service leave $	Share-based payments expense[2] $	Total earnings[8] $
Non-Executive Directors								
Andrew Abercrombie (Chairman)	228,250	–	–	–	20,033	–	–	248,283
Christine Christian (Deputy Chairman)	195,939	–	–	–	18,614	–	–	214,553
Rajeev Dhawan[3]	152,624	–	–	–	12,107	–	–	164,731
Jodie Leonard	141,752	–	–	–	13,466	–	–	155,218
Carole Campbell	141,754		–	–	13,467	–	–	155,221
John Wylie[4]	114,000		–	–	–	–	–	114,000
Subtotal Non-Executive Directors	974,319		–	–	77,687	–	–	1,052,006
Other Key Management Personnel								
Rebecca James[5]	806,818	-11,307	–	–	21,003	–	106,704	923,218
Chris Lamers[6,7]	510,760	24,617	–	–	14,685	–	66,789	616,851
Ross Aucutt	401,526	23,541	–	–	18,362	–	98,224	541,653
Subtotal Other Key Management Personnel	1,719,104	36,851	–	–	54,050	–	271,717	2,081,723
Total Key Management Personnel Compensation (Group)	2,693,423	36,851	–	–	131,737	–	271,717	3,133,729

1. Figures for FY20 restated to include accrued annual leave for Executive KMP due to change in reporting methodology.
2. Remuneration for share-based payments represents amounts expensed during the year for accounting purposes.
3. Mr Dhawan received additional fees for serving on the FXL NZ Board up to 28 February 2020.
4. As Mr Wylie is Tanarra Capital's nominated Director, payments are made to Tanarra Capital (excluding GST and superannuation).
5. Effective 1 July 2019 Rebecca James' fixed remuneration increased by $129,469 in recognition of her significant contribution in her first year, and ongoing.
6. Effective 1 July 2019 Chris Lamers' fixed remuneration increased by $110,000 to reflect his appointment to a Group role and additional responsibilities.
7. NZD translated at the average exchange rate of 1.0565. Fixed remuneration increased commensurate with the change in role effective 1 July 2019.
8. Previously published comparative information has been restated to include annual leave accrued to KMPs and fees paid to John Wylie excluding GST. This presents 2020 information on a consistent basis to the current reporting period.

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

	Fixed remuneration		At-risk STI		Options and rights	
	2021 %	2020 %	2021 %	2020 %	2021 %	2020 %
Executives of hummgroup						
Rebecca James	67	89	28	–	5	11
Chris Lamers	68	84	21	–	11	16
Jason Murray	91	N/A	–	N/A	9	N/A
Ross Aucutt	100	86	–	–	–	14

10.3 Loans and other transactions

No loans were provided to any KMP during the period.

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

10.4 Other services obtained from related parties – Rental of Melbourne premises

A controlled entity in the Group has rented a property in Melbourne owned by entities associated with Mr Andrew Abercrombie. The rental arrangements for these premises are based on market terms. The rent paid and accrued for these premises amounted to $237,776 (2020: $185,866). Refer to note 31(D) of the financial statements for further details. Three months' notice of termination of the lease was provided on 6 July 2021.

10.5 Equity instrument disclosures relating to Directors and Key Management Personnel

Performance rights and option holdings.

2021	Balance at start of year	Granted as compensation[1]	Exercised	Cancelled[2]	Balance at end of year	Vested and exercisable	Unvested
Other Key Management Personnel							
Rebecca James	4,982,950	2,000,000	–	(4,454,104)	2,528,846	–	2,528,846
Chris Lamers	3,046,329	1,200,000	–	(2,672,462)	1,573,867	–	1,573,867
Jason Murray (9 July 2020)	–	1,900,416	–	(1,187,760)	712,656	–	712,656
Ross Aucutt	2,171,164	–	–	(2,171,164)	–	–	–

1. Relates to options granted under FY21 LTI.
2. No rights or options lapsed during the year.

10.6 Shareholding disclosures relating to Key Management Personnel

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

2021	Balance at start of year	Received during the year on the exercise of rights	Other changes during the year	Balance at end of year
Non-Executive Directors				
Andrew Abercrombie (Chairman)	90,856,167	–	8,578,948	99,435,115
Christine Christian (Deputy Chairman)	150,000	–	45,000	195,000
Rajeev Dhawan	305,371	–	64,000	369,371
Jodie Leonard[1]	63,560	–	20,000	83,560
Carole Campbell	80,000	–	27,187	107,187
John Wylie	20,439,256	–	6,882,269	27,321,525
Alistair Muir	–	–	29,644	29,644
Other Key Management Personnel				
Rebecca James	–	–	40,000	40,000
Chris Lamers	19,199	–	(19,199)	–
Jason Murray[2]	13,219	–	70,109	83,328
Ross Aucutt[3]	30,497	–	–	30,497

1. Closing balance is at 19 November 2020.
2. Opening balance is from the date Jason Murray became KMP.
3. Closing balance is at 6 October 2020.

CORPORATE GOVERNANCE PRINCIPLES AND RECOMMENDATIONS.

A FRAMEWORK FOR EFFECTIVE OVERSIGHT

OUR PURPOSE, OUR VALUES, OUR CULTURE AND OUR GOVERNANCE UNDERPIN THE WORK WE DO, AND IMPORTANTLY THE WAY WE DO THAT WORK.

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

hummgroup has reviewed its current corporate governance policies and practices against the Australian Securities Exchange (ASX) Corporate Governance Council's ("ASX CGC") Corporate Governance Principles and Recommendations 4th Edition ("Recommendations") in respect of the year ended 30 June 2021.

As recommended by the ASX CGC, we provide further information in relation to our corporate governance practices in the **humm**group Corporate Governance Statement. The Corporate Governance Statement and key policies and other important governance documents (including Board and Committee charters) are available on the Company's website at https://investors.humm-group.com/Investor-Centre/?page=corporate-governance

This summary corporate governance report is current as at 19 August 2021 and has been approved by the **humm**group Board.

DIRECTORS' REPORT.

We, the Directors, are pleased to present this report for the year ended 30 June 2021.

About hummgroup

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

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

The Group's principal activities continue to be in:

> BNPL products.

> Consumer revolving finance and cards.

> Commercial Leasing and SME financing services.

Directors

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

> **Andrew Abercrombie**
Chairman, Chair Nomination Committee, Member Technology Committee

> **Christine Christian AO**
Deputy Chair, Chair Risk and Compliance Committee, Member Audit Committee, Member Nomination Committee

> **Rajeev Dhawan**
Chair People and Remuneration Committee, Member Risk and Compliance Committee, Member Nomination Committee

> **Carole Campbell**
Chair Audit Committee, Member People and Remuneration Committee

> **John Wylie AM**

> **Alistair Muir**
Chair Technology Committee

> **Jodie Leonard**
Formerly Chair Remuneration Committee, Member Audit Committee

Company secretaries

> **Isobel Rogerson**

> **Belinda Hannover**

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

CUSTOMERS RATE OUR HUMM APP AN AVERAGE OF 4.8 OUT OF 5, WITH OVER 26K RATINGS.

Meetings of Directors

	Board		Audit Committee		Nomination Committee		People and Remuneration Committee		Risk and Compliance Committee		Technology Committee	
	A	B	A	B	A	B	A	B	A	B	A	B
Andrew Abercrombie	16	16	+	+	1	1	+	+	+	+	DNM	DNM
Christine Christian AO	16	16	8	8	1	1	+	+	6	6	+	+
Rajeev Dhawan	16	16	+	+	1	1	7	7	6	6	+	+
Jodie Leonard[1]	8	8	3	3	+	+	4	4	+	+	+	+
Carole Campbell	16	16	8	8	+	+	7	7	+	+	+	+
John Wylie AM	16	16	+	+	+	+	+	+	+	+	+	+
Alistair Muir[2]	5	5	+	1	+	+	+	+	+	+	DNM	DNM

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

1. Retired 19 November 2020.
2. Commenced 31 March 2021.

Review of operations

We have provided on pages 30-43 above, Review of Operations, an update on the key performance measures and financial position of the Group for the year ended 30 June 2021, including an update on the **humm**group strategy, and summary of the key risks and challenges facing the Group.

Remuneration report

We have presented in the Remuneration Report (pages 44-65 above) information on **humm**group's remuneration policies and practises insofar as they relate to our key management personnel ("KMP"), including in respect of the relationship between remuneration and the Company's performance.

Declaration of interests

Other than as disclosed in the financial statements, no Director of the Company has received or become entitled to receive a benefit other than remuneration by reason of a contract made by the Company or a related corporation with a Director or with a firm of which he or she is a member, or with a company in which he or she has a substantial financial interest except that FlexiRent Capital Pty Limited has rented premises in Melbourne owned by a company associated with Mr Andrew Abercrombie. The lease is on standard market terms. Three months' notice of termination of the lease was provided on 6 July 2021.

Dividends and options

During the year the Company did not declare any dividend in respect of the half year ended 31 December 2020. No dividend was declared for the full year ended 30 June 2021.

185%

HUMMGROUP REPORTED A 185% INCREASE IN HUMM E-COMMERCE VOLUMES IN FY21.

Environmental regulation

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

Proceedings on behalf of Company

No person has applied to the court under section 237 of the *Corporations Act 2001* for leave of the court to bring proceedings on behalf of the Company, or intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings. The Company was not a party to any such proceedings during the year.

No proceedings have been brought or intervened in on behalf of the Company with leave of the court under section 237 of the *Corporations Act 2001*.

Auditor

PricewaterhouseCoopers continues to act as the Company's auditor in accordance with section 327 of the *Corporations Act 2001*.

Indemnity of auditors

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

Non-audit services

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

Details of the amounts paid to the auditor for audit and non-audit related services provided during the year are set out in note 33 of the financial statements.

The Board has considered the position and, in accordance with advice received from the Audit Committee, is satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the provision of non-audit services by the auditor, as set out in note 33, did not compromise the auditor independence requirement of the *Corporations Act 2001* for the following reasons:

> All non-audit services have been reviewed by the Audit Committee to ensure they do not impact the impartiality and objectivity of the auditor; and

> None of the services undermines the general principle relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants.

Insurance

During the year ended 30 June 2021 **humm**group paid insurance premiums in respect of a contract for Directors' and Officers' Liability insurance. The policy prohibits **humm**group from disclosing the total amount of the premium and the nature of the liabilities covered by the insurance.

HUMMGROUP IS ON A MISSION TO REVOLUTIONISE THE WAY PEOPLE BUY.

REBECCA JAMES
HUMMGROUP CHIEF EXECUTIVE OFFICER

Auditor's Independence Declaration

A copy of the auditor's independence declaration, as required by section 307C of the *Corporations Act 2001*, is set out below.

Rounding of amounts

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

Matters subsequent to the end of the financial year

Other than the matters discussed in note 38, there are no other matters or circumstances that have arisen since 30 June 2021 which have significantly affected, or may significantly affect:

a. The Company's operations in future financial years;
b. The results of those operations in future financial years; or
c. The Company's state of affairs in future financial years.

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

Andrew Abercrombie
Chairman
Sydney

19 August 2021

pwc

Auditor's Independence Declaration

As lead auditor for the audit of humm group limited for the year ended 30 June 2021, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

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

Marcus Laithwaite
Partner
PricewaterhouseCoopers

Sydney
19 August 2021

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ANNUAL FINANCIAL STATEMENTS 2021.

hummgroup and its Controlled Entities

Annual Financial Statements

30 June 2021

ABN 75 122 574 583

These financial statements are the consolidated financial statements for the Group consisting of humm group limited ("the Company") and its subsidiaries (collectively "**humm**group" or the "Group"). A list of subsidiaries is included in note 30. The financial statements are presented in Australian dollars.

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

Level 1, 121 Harrington Street, Sydney NSW 2000

At 30 June 2021 the principal place of business was Level 7, 179 Elizabeth Street, Sydney NSW 2000.

A description of the nature of the consolidated entity's operations and its principal activities is included in the Review of Operations on page 30, which is not part of these financial statements.

The financial statements were authorised for issue by the Directors on 19 August 2021. The Directors have the power to amend and reissue the financial statements.

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

CONTENTS.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

As at 30 June 2021

A$m	Notes	2021	2020 Restated
Interest revenue	4	340.6	364.0
Fee and other income	5	103.3	114.9
Gross income		**443.9**	478.9
Cost of origination		(26.8)	(28.6)
Interest expense		(74.2)	(89.3)
Net operating income		**342.9**	361.0
Employment expenses		(81.1)	(86.0)
Receivables and customer loan impairment expenses	25(b)	(58.7)	(145.2)
Impairment of other intangible assets	6(a)	–	(1.5)
Depreciation and amortisation expenses	6(b)	(25.8)	(19.0)
Marketing expenses		(30.0)	(23.7)
Operating expenses	6(c)	(65.4)	(58.5)
Profit before income tax		**81.9**	27.1
Income tax expense	7(a)	(21.8)	(4.0)
Profit for the year attributable to shareholders of humm group limited		**60.1**	23.1
Other Comprehensive Income			
Items that may be reclassified to profit and loss:			
Exchange differences on translation of foreign operations		(2.5)	(5.2)
Changes in the fair value of cash flow hedges, net of tax		13.7	(15.1)
Items that will not be reclassified to profit and loss:			
Changes in fair value of equity investments at fair value through other comprehensive income		(1.4)	–
Other comprehensive income/(loss) for the year, net of tax		9.8	(20.3)
Total comprehensive income for the year attributable to shareholders of humm group limited		**69.9**	2.8
Earnings per share for profit attributable to the ordinary equity holders of the Company:		**Cents**	**Cents**
Basic earnings per share	22(a)	12.0	5.3
Diluted earnings per share	22(a)	12.0	5.3

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

A$m	Notes	30 June 2021	30 June 2020 Restated
Assets			
Cash and cash equivalents	23	218.2	157.5
Receivables	8	870.0	638.2
Customer loans	8	1,783.1	1,814.4
Inventories	9	1.0	1.9
Current tax receivable		–	1.7
Assets classified as held for sale	10	8.5	–
Investment in associate and other investments	11	1.1	14.3
Plant and equipment	12	5.2	7.4
Right-of-use assets	12	15.9	12.5
Other intangible assets	14	110.9	102.3
Goodwill	13	239.2	239.9
Deferred tax asset	7(e)	46.3	48.2
Total assets		**3,299.4**	3,038.3
Liabilities			
Trade and other payables	15	56.2	67.3
Contract liabilities		7.8	7.5
Lease liabilities		18.6	16.5
Borrowings	16	2,406.5	2,295.1
Current tax liabilities		6.4	14.8
Provisions	17	21.8	20.5
Derivative financial instruments	18	18.3	38.2
Deferred tax liabilities	7(e)	4.7	–
Total liabilities		**2,540.3**	2,459.9
Net assets		**759.1**	578.4
Equity			
Contributed equity	19(a)	507.6	393.1
Reserves	20(a)	(7.4)	(17.8)
Retained earnings	20(b)	258.9	203.1
Total equity		**759.1**	578.4

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2021

2020

A$m	Notes	Contributed equity	Reserves	Retained earnings	Total
Balance at the beginning of the year		390.1	2.8	223.2	**616.1**
Initial application of IFRIC guidance on Cloud Computing Costs	37			(9.8)	(9.8)
Re-stated balance at the beginning of the year		390.1	2.8	213.4	**606.3**
Profit for the year		–	–	23.1	23.1
Other comprehensive income		–	(20.3)	–	(20.3)
Total comprehensive income for the year		–	(20.3)	23.1	**2.8**
Transfer to share capital from share-based payment reserve		0.3	(0.3)	–	–
Dividends provided for or paid	21	2.7	–	(33.4)	(30.7)
Balance at the end of the year		393.1	(17.8)	203.1	**578.4**

2021

A$m	Notes	Contributed equity	Reserves	Retained earnings	Total
Balance at the beginning of the year		393.1	(17.8)	203.1	**578.4**
Profit for the year		–	–	60.1	60.1
Other comprehensive income		–	9.8	–	9.8
Total comprehensive income for the year		–	9.8	60.1	**69.9**
Issuance of shares	19(b)	112.4	–	–	112.4
Transfer to share capital from share-based payment reserve	20	2.1	(2.1)	–	–
Share-based payment expense (net of tax)	20	–	2.7	–	2.7
Dividends provided for or paid	21	–	–	(4.3)	(4.3)
Balance at the end of the year		507.6	(7.4)	258.9	**759.1**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2021

A$m	Notes	2021	2020 Restated
Cash flows from operating activities			
Interest income received from customers		349.7	374.5
Fee and other income received from customers less cost of origination		76.9	89.9
Payment to suppliers and employees		(176.8)	(176.1)
Borrowing costs		(73.2)	(86.4)
Income taxes paid		(24.0)	(6.5)
Net movement in:			
Customer loans		(51.8)	21.2
Receivables		(211.4)	(78.1)
Net cash (outflow)/inflow from operating activities	23	**(110.6)**	138.5
Cash flows from investing activities			
Payment for equity investment		(2.2)	–
Payment for purchase of plant and equipment and software		(29.1)	(31.7)
Net cash outflow from investing activities		**(31.3)**	(31.7)
Cash flows from financing activities			
Dividends paid		(19.5)	(15.2)
Proceeds from equity raising, net of transaction costs		111.3	–
Cash payments relating to lease liabilities		(5.4)	(3.1)
Drawdown of corporate borrowings		84.9	341.6
Repayment of corporate borrowings		(152.3)	(371.5)
Net movement in:			
Non-recourse borrowings		157.8	(43.3)
Loss reserve on non-recourse borrowings		26.6	–
Net cash inflow/(outflow) from financing activities		**203.4**	(91.5)
Net increase in cash and cash equivalents		61.5	15.3
Cash and cash equivalents at the beginning of the year		157.5	143.1
Effects of exchange rate changes on cash and cash equivalents		(0.8)	(0.9)
Cash and cash equivalents at the end of the year	23	**218.2**	157.5

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This financial report of **humm**group and its subsidiaries for the year ended 30 June 2021 were authorised for issue by the Board of Directors on 19 August 2021. The Directors have the power to amend and reissue the financial report. The principal accounting policies adopted in the preparation of this financial report are set out below or in the accompanying notes to the financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

These general-purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. humm group limited (formerly FlexiGroup Limited) is a for-profit entity for the purpose of preparing the financial statements.

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

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

In the current reporting period **humm**group has amended the presentation of Consolidated statement of comprehensive income by adding the sub-totals gross income and net operating income. Gross income comprises of interest and fee and other income and net operating income comprises of gross income less cost of origination and interest expense. Cost of origination, previously referred to as cost of sales, was disclosed as part of fee and other income. This expands and better defines profitability of the Group. Marketing expenses have also been shown separately on the face of the Consolidated statement of comprehensive income. Prior comparative figures have been updated in line with new disclosure line items.

In the current year the Consolidated statement of cash flows has been restated to include cash flows from customer loans and receivables as part of cash flows from operating activities; previously presented as part of cashflows from investing activities in prior year published financial statements. Prior comparatives have been restated to align with the presentation in the current year. This better presents the operating cashflow activities of the Group as a diversified financial services business.

The disaggregation of amounts receivable and payable in the next 12 months and beyond is outlined in the 38 accompanying notes to the financial statements and the maturity profile of financial liabilities is outlined in note 25.

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

New Australian Accounting Standards and amendments to Accounting Standards that are either effective in the current financial year or have been early adopted

(i) Interpretations Committee guidance on Cloud Computing costs

The Group has changed its accounting policy for cloud computing costs as a result of the adoption of the March 2021 IFRS Interpretations Committee agenda decision on Configuration or Customisation Costs in a Cloud Computing Arrangements. The impact of the adoption is disclosed in note 37. The Group has adopted this change retrospectively from 1 July 2019 and prior year comparatives for the year ended 30 June 2020 have been restated.

(ii) AASB Revised Conceptual Framework for Finance Reporting

The revised AASB Conceptual Framework was effective for the annual financial reporting period beginning on 1 July 2020. The AASB Framework provides the AASB with a base of consistent concepts upon which future accounting standards will be developed. The AASB Framework will also assist financial report preparers to develop consistent accounting policies when there is no specific or similar standard that addresses an issue.

The AASB Framework includes amendments to the definition and recognition criteria for assets, liabilities, income and expenses, guidance on measurement and derecognition, and other relevant financial reporting concepts. The application of the revised AASB Framework did not have a material impact on **humm**group's financial statements.

(iii) Other amendments made to existing standards

Other amendments made to existing standards that were mandatorily effective for the annual reporting period beginning on 1 July 2020 did not result in a material impact to **humm**group's financial statements.

Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred, and the equity interests issued by the Group. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquired entity and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired, and after the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

Parent entity financial information

The financial information for the parent entity, **humm**group, disclosed in note 35 has been prepared on the same basis as the consolidated financial statements.

Investments in subsidiaries

Investments in subsidiaries are accounted for at cost less allowance for impairment in the financial statements of **humm**group.

Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using average exchange rates for the respective month. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are recognised in the Consolidated statement of comprehensive income.

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

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

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

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

(c) Group companies

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

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

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

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

Indirect taxes

Indirect taxes comprise of the below:

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

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

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

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

Cost of origination

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

Government grants

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

Australian JobKeeper subsidies of $6.1m (2020: $2.8m) are included in the 'Employment expenses' line item. There are no unfulfilled conditions or other contingencies attaching to these grants. The Group did not benefit directly from any other forms of government assistance.

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

From early 2020, COVID-19 has had a significant impact on the economies in which **humm**group operates and led to material interventions by federal governments. Though positive signs of returning to pre-pandemic life are emerging, snap lockdowns continue to occur in some of the key markets in which **humm**group operates, which significantly impact the customers and businesses **humm**group services. As with the 2020 financial year, while the specific areas of judgement as noted below did not change due to COVID-19, in some cases this resulted in the application of further judgement within those identified areas. Given the dynamic and evolving nature of COVID-19 and the limited recent experience of the economic and financial impacts of such a pandemic, changes to the estimates and outcomes that have been applied in the measurement of the Group's assets and liabilities may arise in the future.

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

The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below.

ECL/Provision for doubtful debts

The Group estimates expected losses on its customer loans and receivables in accordance with the policy set out in note 25.

ECL models are expected to be subject to a higher than usual level of uncertainty during this period. In this environment the application of judgement is required in order to reflect evolving uncertainties and risks.

This judgement has been applied in the form of the re-assessment of macro-economic model overlays including scenario weightings and COVID-19 hardship and watchlist overlays. Refer note 25 for ECL judgemental inputs and overlays.

Assessment of impairment of goodwill, acquired intangibles, investments in subsidiaries, investment in associates and capitalised software

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

Estimation of unguaranteed residuals on leases

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

Acquired intangible assets

The assets and liabilities of businesses acquired through a business combination are to be measured at their acquisition date fair values. The Group applies judgements in selecting valuation techniques and setting valuation assumptions to determine the acquisition date fair values and to estimate the useful lives of these assets as set out in note 14.

Share-based payment expense

In determining the share-based payments expense for the period, the Group makes various assumptions in determining the fair value of the instruments, the probability of non-market vesting conditions being met, and the likelihood of employees meeting tenure conditions. Refer note 24.

Taxation

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

Provision for customer remediation and legal matters

Judgement is required in determining provisions held in respect of customer remediation obligations and other legal matters. The Group estimates these provisions based on its understanding of likely outcome, considering expert opinions and on-going discussions with regulatory bodies. Refer note 17.

3. SEGMENT INFORMATION

a. Description of segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision makers. The chief operating decision makers, who are responsible for allocating resources and assessing performance of the operating segments, have been identified as the Board of Directors.

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

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

- BNPL (a consolidation of **humm** Australia and New Zealand, Ireland FlexiFi business and legacy Flexirent Ireland, **bundll** and **humm**pro);
- New Zealand Cards (including Farmers, Q Card and Flight Centre Mastercard);
- Australia Cards (including **humm**90 (formerly Skye), Lombard and Once); and
- Commercial and Leasing (consisting of Australia and New Zealand Commercial Lending and the discontinued Consumer Leasing product).

The Group operates predominately in Australia, New Zealand and Ireland and has recently expanded into the UK and Canada. The operating segments are identified according to the nature of the products and services provided, with New Zealand Cards disclosed separately (based on its product offering) and Ireland included within BNPL. Ireland, the UK and Canada contributed less than 5% to the Group's Cash NPAT and net receivables at 30 June 2021.

bundll and **humm**pro products have been represented in the BNPL segment for the year ended 30 June 2021. In the published financial statements for the year ended 30 June 2020, **bundll** was represented in AU Cards and NZ Cards, and **humm**pro was represented in Commercial and Leasing. In order to enhance comparability, the segment information for the year ended 30 June 2020 has been restated with **bundll** and **humm**pro included in the BNPL segment. Operating expenses for **bundll** and **humm**pro in the published financial statements for the year ended 30 June 2020 of $5.6m in AU Cards, $2.4m in NZ Cards and $2.3m in Commercial and Leasing have been reclassified and recognised in the BNPL segment, with a corresponding increase in operating expenses by $10.3m. Impairment losses on loans of $1.6m have also been reclassified from AU Cards to BNPL. As a result, the restated Cash NPAT in BNPL for the year ended 30 June 2020 reduced by $8.7m, with corresponding increases in AU Cards of $5.3m, NZ Cards of $1.8m and Commercial and Leasing of $1.6m.

The segment information provided to the Board of Directors for the reportable segments for the year ended 30 June 2021 is as below:

b. Operating segments

Year ended 30 June 2021

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

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

3. SEGMENT INFORMATION CONTINUED

Year ended 30 June 2020 Restated

A$m	BNPL	AU Cards	NZ Cards	Commercial and Leasing	Total
Interest income	93.9	86.9	120.8	62.4	364.0
Fee and other income	27.8	27.9	25.3	33.9	114.9
Gross income	121.7	114.8	146.1	96.3	**478.9**
Cost of origination	(6.6)	(11.8)	(10.2)	–	(28.6)
Interest expense	(20.3)	(20.1)	(27.7)	(21.2)	(89.3)
Net operating income	94.8	82.9	108.2	75.1	**361.0**
Marketing expense	(11.3)	(3.2)	(8.0)	(1.2)	(23.7)
Operating expenses	(39.3)	(37.9)	(39.3)	(43.7)	(160.2)
Receivables and customer loan impairment expenses	(50.5)	(33.9)	(33.8)	(27.0)	(145.2)
Amortisation of acquired intangible assets	(0.2)	–	(2.5)	(0.6)	(3.3)
Impairment of other intangible assets	(0.5)	(0.1)	(0.2)	(0.7)	(1.5)
Statutory profit before income tax	(7.0)	7.8	24.4	1.9	**27.1**
Income tax expense	2.6	(1.6)	(5.3)	0.3	(4.0)
Statutory (loss)/profit after income tax	(4.4)	6.2	19.1	2.2	**23.1**
Non-cash adjustments:					
Amortisation of acquired intangible assets	0.1	–	1.8	1.4	3.3
Impairment of other intangible assets	0.4	0.1	0.1	0.5	1.1
Redundancy and restructure	0.9	0.9	0.9	0.8	3.5
Other[1]	0.3	0.4	(0.1)	(0.7)	(0.1)
Cash net (loss)/profit after tax	(2.7)	7.6	21.8	4.2	**30.9**
Total segment receivables at 30 June 2020[2]	633.9	578.4	700.7	649.4	**2,562.4**
ECL provision, unamortised direct transaction costs, contract liabilities and other debtors					(109.8)
Total receivables and customer loans per the Statement of financial position					**2,452.6**
Fee and other income:					
Account servicing fees	17.1	11.7	11.9	0.8	41.5
Transaction processing fees	9.0	15.1	7.3	3.8	35.2
Leasing related income	–	–	–	28.8	28.8
Share of loss after tax from investment in associate	–	–	–	0.5	0.5
Other fees and income	1.7	1.1	6.1	–	8.9
Total fee and other income	**27.8**	**27.9**	**25.3**	**33.9**	**114.9**

1. Other includes costs associated with customer remediation matters and the reversal of tax liabilities as historical tax matters are resolved.
2. Total segment receivables at 30 June 2020 include contract liabilities.

4. INTEREST INCOME

ACCOUNTING POLICY

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

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

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

A$m	2021	2020
Interest income	340.6	364.0
Total other portfolio income	**340.6**	364.0

5. FEE AND OTHER INCOME

ACCOUNTING POLICY

hummgroup has adopted AASB 15 Revenue from Contracts with Customers ("AASB 15") as the primary accounting standard for revenue recognition. AASB 15 uses a single, principle-based five-step recognition and measurement model. The five steps are:

1. Identify the contract with a customer;
2. Identify the separate performance obligations;
3. Determine the transaction price;
4. Allocate the transaction price to each performance obligation identified in Step 2; and
5. Recognise revenue when a performance obligation is satisfied.

Where there is variable consideration in calculating a transaction price, revenue will only be recognised if it is highly probable that a significant revenue reversal will not subsequently occur. AASB 15 applies to contracts with customers except for revenue arising from items such as financial instruments, insurance contracts and leases. The majority of the Group's revenue arises from financial instruments and leases. Revenue earned by the Group from its contracts with customers primarily consists of the following categories of income.

Account servicing fee

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

Transaction processing fee

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

Leasing related income

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

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

5. FEE AND OTHER INCOME CONTINUED

Other income

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

Fee and other income is summarised in the table below:

A$m	2021	2020
Account servicing fees	46.4	41.5
Transaction processing fees	25.2	35.2
Leasing related income	25.1	28.8
Share of (loss)/profit after tax from investment in associate held for sale (refer notes 10 and 11)	(0.5)	0.5
Other income	7.1	8.9
Total fee and other income	**103.3**	114.9

6. EXPENSES

ACCOUNTING POLICY

Expenses are recognised in the Consolidated statement of comprehensive income as and when goods or the provision of services is received.

Employment expenses are recognised when incurred and are accrued to period end.

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

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

a. Impairment of intangible assets

A$m	2021	2020
Impairment of other intangible assets	–	1.5
Total impairment of other intangibles	**–**	1.5

b. Depreciation and amortisation expenses

A$m	2021	2020
Depreciation of plant and equipment	5.5	5.4
Amortisation of other intangible assets	20.3	13.6
Total depreciation and amortisation expenses	**25.8**	19.0

c. Operating and other expenses

A$m	Notes	2021	2020
Customer remediation programme		–	0.9
Information technology and communication		23.2	22.0
Insurance and other occupancy costs		5.6	4.7
Outsourced operations		5.0	6.0
Professional, consulting and other service provider costs		12.8	16.0
Insurance claims		3.4	4.6
Profit on sale adjustment and impairment – held for sale investment in associate	10	5.0	–
Other[1]		10.4	4.3
Total operating expenses		**65.4**	58.5

1. Other includes:
   - Incremental GST payments and accruals relating to historical non-recoverable amounts of $3.4m (2020: $Nil) and GST non-recoverable operating expenses of $2.7m (2020: $0.5m).
   - Miscellaneous expenses such as travel, administration, office expenses and professional fees.

7. INCOME TAX EXPENSE

ACCOUNTING POLICY

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

The current income tax charge is calculated based on the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate based on amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised, or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and liabilities are offset when there is a legally enforceable right to offset and an intention to either settle the liability simultaneously.

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

Tax consolidation legislation

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

7. INCOME TAX EXPENSE CONTINUED

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

The head entity, **humm**group, and the controlled entities in the Tax Consolidated Group, account for their own current and deferred tax accounts. These tax amounts are measured as if each entity were a stand-alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, **humm**group also recognises the current tax liabilities (assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the Tax Consolidated Group.

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

The Tax Consolidated Group recognises its current and deferred taxes using the 'group allocation approach' detailed in AASB Interpretation 1052 Tax Consolidation Accounting'. Assets or liabilities arising under the Tax Funding Agreement with the members of the Tax Consolidated Group are recognised as amounts receivable from or payable to other entities in the Group. Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) members of the Tax Consolidated Group.

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

a. Income tax expense

A$m	2021	2020 Restated
Current tax	24.0	22.0
Deferred tax expense	(0.2)	(14.5)
Over-provision in prior years	(2.0)	(3.5)
Total income tax expense	**21.8**	4.0

b. Numerical reconciliation of income tax expense

A$m	2021	2020 Restated
Profit before income tax expense	81.9	27.0
Tax at the Australian tax rate of 30%	24.6	8.1
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Permanent differences[1]	(0.1)	(0.9)
Effect of differences in tax rates in a foreign jurisdiction	(0.7)	0.3
Adjustment of current tax of prior periods	(2.0)	(3.5)
Income tax expense	**21.8**	4.0

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

c. Amount recognised directly in equity

A$m	2021	2020
Share-based payments	0.1	(0.1)
Cash flow hedge	6.0	(6.2)
Equity raising costs	(1.0)	–
Others	2.6	–
Deferred income tax expense related to items taken directly to equity	**7.7**	(6.3)

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

A$m	2021	2020 Restated
Difference between lease principal to be returned as assessable income and depreciation on leased assets to be claimed as a tax deduction	(7.5)	(4.1)
Initial direct transaction costs	(1.0)	(1.8)
Other intangible assets	(2.1)	(2.7)
Plant and equipment	0.6	0.4
Payables and provisions	(0.9)	2.3
Expected credit allowance	8.7	(10.4)
Lease liabilities	(0.7)	(4.3)
Software	1.6	3.0
Unearned income	0.9	(0.1)
Right-of-use assets	1.1	3.2
Others	(0.9)	–
Deferred tax expense	**(0.2)**	(14.5)

e. Deferred tax assets and liabilities

Deferred tax assets

A$m	2021	2020 Restated
Payables and provisions	11.6	11.5
Expected credit allowance	37.2	44.2
Lease liabilities	5.0	4.3
Derivative financial instruments	5.4	11.2
Software	2.3	7.2
Unearned income	2.3	3.2
Others	3.5	1.0
Total deferred tax assets	**67.3**	82.6

7. INCOME TAX EXPENSE CONTINUED

Deferred tax liabilities

A$m	2021	2020 Restated
Difference between lease principal to be returned as assessable income and depreciation on leased assets to be claimed as a tax deduction	6.8	14.3
Initial direct transaction costs	2.0	3.0
Plant and equipment	2.4	1.8
Other intangible assets	10.2	12.1
Right-of-use assets	4.3	3.2
Total deferred tax liabilities	**25.7**	34.4
Net deferred tax assets	**41.6**	48.2
Deferred tax assets/liabilities as disclosed on balance sheet:		
Deferred tax assets	46.3	48.2
Deferred tax liabilities	(4.7)	–
Net deferred tax assets	**41.6**	48.2
Amounts expected to be settled within 12 months	13.9	14.7
Amounts expected to be settled after more than 12 months	27.7	33.5
Net deferred tax assets	**41.6**	48.2

f. Carry forward tax losses

As at 30 June 2021, the Group is carrying a deferred tax asset of $1.3m (2020: $1.3m) in respect of $10.1m (2020: $10.7m) of carry forward tax losses in the Ireland business.

g. Significant estimates – uncertain tax position

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

8. RECEIVABLES AND CUSTOMER LOANS

ACCOUNTING POLICY

Receivables and customer loans are grouped into the following classes:

1. Amortised cost

A financial asset will be measured at amortised cost if both of the following conditions are met:

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

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

i) Customer loans

Customer loans are measured at amortised cost. Initial direct costs incurred in the origination of the loan are included as part of receivables in the Consolidated statement of financial position and form part of the effective interest rate calculation.

ii) Chattel loans

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

2. Finance lease receivables

The Group enters into lease agreements as lessor where substantially all of the risks and rewards incidental to ownership are transferred to the lessee. Lease assets are initially recognised at the net investment in the lease and comprise of fixed payments due from customers and guaranteed residual values. Initial direct costs are included in the initial measurement of the net investment in the lease and form part of the effective interest rate calculation.

3. Fair value through profit and loss (“FVTPL”)

All financial assets that are not measured at amortised cost or fair value through other comprehensive income (“FVTOCI”) will be measured at FVTPL. All financial assets that are equity instruments will be measured at FVTPL unless the Group irrevocably elects to present subsequent changes in the fair value in other comprehensive income.

The Group had no assets in this category as at 30 June 2021 (30 June 2020: $Nil).

Receivables and customer loans comprised of:

A$m	2021	2020
Finance lease receivables	858.4	621.0
Other debtors	11.6	17.2
Total receivables	**870.0**	638.2
Customer loans (BNPL, credit cards, consumer leases)	1,783.1	1,814.4
Total receivables and customer loans	**2,653.1**	2,452.6

8. RECEIVABLES AND CUSTOMER LOANS CONTINUED

Finance lease receivables and chattel loans

A$m	2021	2020
Gross investment in finance lease receivables	236.9	343.8
Guaranteed residuals	3.8	4.6
Unguaranteed residuals	23.7	29.3
Gross investment in finance lease receivables	**264.4**	377.7
Gross investment in chattel loans	**791.5**	407.8
Gross finance lease receivables and chattel loans	**1,055.9**	785.5
Unamortised initial direct transaction costs	6.6	10.2
Unearned future income	(170.6)	(133.5)
Net investment in finance lease receivables and chattel loans before expected credit allowance	**891.9**	662.2
Expected credit allowance	(33.5)	(41.2)
Net investment in finance lease receivables and chattel loans	**858.4**	621.0

Maturity profile of net investment in finance lease receivables before provision for doubtful debts or expected credit allowance:

A$m	2021	2020
Less than 1 year	128.5	187.3
Between 1 and 2 years	70.8	102.4
Between 2 and 3 years	31.1	47.3
Between 3 and 4 years	12.0	15.8
Between 4 and 5 years	4.4	5.0
More than 5 years	0.5	0.8
Unguaranteed residual value	23.7	29.3
Unearned future income	(39.2)	(60.5)
Net investment in finance lease receivables	**231.8**	327.4

Chattel loans

A$m	2021	2020
Due within one year	216.1	111.5
Due after one year	575.4	296.3
Unearned future income	(131.4)	(73.0)
Net investment in chattel loans before expected credit allowances	**660.1**	**334.8**

Customer loans

A$m	2021	2020
Gross customer loans	1,959.3	2,020.0
Unearned future income	(94.2)	(100.2)
Net customer loans before credit allowance	**1,865.1**	1,919.8
Expected credit allowance	(82.0)	(105.4)
Net investment in customer loans	**1,783.1**	1,814.4

Maturity profile of net customer loans before provision for doubtful debts or expected credit allowance:

A$m	2021	2020
Due within one year	1,458.0	1,472.3
Due after one year but not later than five years	501.2	547.5
Due greater than five years	0.1	0.2
Unearned future income	(94.2)	(100.2)
Net customer loans	**1,865.1**	1,919.8

The following table shows receivables and customer loans presented based on their industry classification:

A$m	2021	2020
Accommodation and food services	28.0	33.8
Administrative and support services	11.1	5.8
Agriculture, forestry and fishing	39.8	5.6
Arts and recreation activities	13.2	14.5
Construction	189.6	44.6
Consumer leasing	14.0	48.8
Education and training	2.3	4.8
Electricity, gas, water and waste services	10.5	4.1
Financial and insurance services	14.2	23.5
Government	68.2	77.3
Healthcare and social assistance	23.2	16.8
Information media and telecommunications	11.2	16.1
Manufacturing	31.2	23.9
Mining	20.5	1.3
Other services	130.9	198.6
Professional, scientific and technical services	28.3	44.2
Rental, hiring and real estate services	20.6	16.7
Retail trade	14.2	19.2
Transport, postal and warehousing	200.6	39.3
Wholesale trade	20.3	23.3
Net investments in finance lease receivables and chattel loans before expected credit allowance	**891.9**	662.2

8. RECEIVABLES AND CUSTOMER LOANS CONTINUED

The following table shows finance lease receivables, chattel loans and customer loans presented based on the location of origination:

A$m	Australia	New Zealand	Ireland	Total
Receivables	752.9	138.7	0.4	891.9
Customer Loans	1,137.4	650.3	77.4	1,865.1
Finance lease receivables, chattel loans and customer loans before expected credit allowances	**1,890.3**	**789.0**	**77.8**	**2,757.0**

Disclosures of the Group's credit impairment models and ECL provisions are outlined in note 25.

Movement in ECL allowance/provision for doubtful debts:

A$m	Receivables	Customer Loans	Total
2020			
Balance as at 1 July 2019	29.5	80.4	109.9
Provided for during the year, less write-offs previously provided for and movements in macro overlays	11.7	25.0	36.7
Carrying amount as at 30 June 2020	41.2	105.4	146.6
2021			
Balance as at 1 July 2020	41.2	105.4	146.6
Provided for during the year, less write-offs previously provided for and movements in macro overlays	(7.7)	(23.4)	(31.1)
Balance as at 30 June 2021	**33.5**	**82.0**	**115.5**

9. INVENTORIES

ACCOUNTING POLICY

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

A$m	2021	2020
Rental equipment	1.0	1.9
Total inventories	**1.0**	1.9

10. ASSETS CLASSIFIED AS HELD FOR SALE

ACCOUNTING POLICY

The following assets were reclassified as held for sale as at 30 June 2021, due to management's intention to dispose of the investment. The assets have been re-measured to the lower of fair value less costs to sell and the carrying amount.

The holding in Thinkex Holdings Pty Limited, included in the Commercial and Leasing segment, was disclosed as an investment in associate as at 30 June 2020, refer note 11.

Entity name	Country of incorporation	Percentage of share held 2021	2020
Investment in associate entity Thinkex Holdings Pty Limited	Australia	30.0%	–

A$m	Notes	2021	2020
Investment in associate classified as held for sale		8.5	–
Dividends received from investment in associate classified as held for sale		0.3	–
Recognised in the Consolidated statement of comprehensive income:			
Held for sale investment – earnings in associate		(0.5)	–
Adjustment to initial profit on sale, as a result of reduced shareholding in Thinkex Holdings Pty Limited, from 35% to 30%, closing out dispute in relation to net assets transferred	6	(1.2)	–
Impairment of investment in associate classified at held for sale	6	(3.8)	–
Total comprehensive income		**(5.5)**	–

The investment carrying amount of $8.5m has been determined based on fair value less cost to sell and aligns with a written offer received from the majority shareholder. Transaction costs are expected to be insignificant.

11. INVESTMENT IN ASSOCIATES AND OTHER INVESTMENTS

ACCOUNTING POLICY

Investments in associates

Associates are entities in which the Group has significant influence, but not control, over the operating and financial policies. The Group accounts for associates using the equity method. The investments are initially recognised at cost (except where recognised at fair value due to a loss of control of a subsidiary) and increased (or decreased) each year by the Group's share of the associates' profit (or loss). Dividends received from the associate reduce the investment in the associate. Investments in associates are considered to be non-current.

Fair value through other comprehensive income ("FVTOCI")

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

The Group held a minority investment in an ASX listed fintech, Douugh Limited, carried at fair value based on quoted market price at 30 June 2021 of $1.1m (30 June 2020: $Nil).

The Group held the following investments:

Entity name	Country of incorporation	Percentage of shares held 2021	2020
Thinkex Holdings Pty Limited[1]	Australia	–	35.0%
Investment at FVTOCI	Australia	**1.8%**	–

1. Thinkex Holdings Pty Limited was recognised as Assets classified as held for sale as at 30 June 2021 (refer note 10).

A$m	Notes	2021	2020
Investment in associate		–	14.3
Investments at FVTOCI		1.1	–
Equity and other investments		1.1	14.3
Earnings from investment in associate		–	0.5
Total comprehensive income		–	0.5

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

ACCOUNTING POLICY

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

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

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

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

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

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

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

Right-of-use assets and lease liabilities

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

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

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

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

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

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases have a lease term of 12 months or less. Low-value assets with a value of less than $20,000 comprise IT equipment and small items of office furniture.

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

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

A$m	2021	2020
Plant and equipment – Cost	16.4	16.2
Plant and equipment – Accumulated depreciation	(11.2)	(8.8)
	5.2	7.4
Right-of-use assets – Cost	22.0	15.5
Right-of-use assets – Accumulated depreciation	(6.1)	(3.0)
	15.9	12.5
Net total book amount	**21.1**	19.9

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

2020

A$m	Notes	Plant and equipment	Right-of-use assets	Total
Balance at the beginning of the year		8.7	–	8.7
Additions		1.1	–	1.1
First time adoption of AASB 16		–	15.5	15.5
Depreciation	6	(2.4)	(3.0)	(5.4)
Balance at the end of the year		7.4	12.5	**19.9**

2021

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

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

A$m	2021	2020
Property	15.7	12.2
Vehicles	0.2	0.3
Total	**15.9**	12.5

Additions to the right-of-use assets during the current financial year were $6.7m (2020: $Nil).

Lease liabilities

A$m	2021	2020
Current	2.5	4.1
Non-current	16.1	12.4
Total	**18.6**	16.5

Amounts recognised in the Statement of comprehensive income

A$m	2021	2020
Depreciation	3.1	3.0
Interest expense	1.0	1.1
Total	**4.1**	4.1

13. GOODWILL

ACCOUNTING POLICY

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows, which are largely independent of the cash inflows from other assets or groups of assets' cash-generating units ("CGUs"). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting period.

Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

a. Carrying value

A$m	2021	2020
Cost	239.2	239.9
Net book amount	**239.2**	239.9
Movement in goodwill at net book amount		
Balance at the beginning of the year	239.9	244.3
Effect of movements in exchange rates	(0.7)	(4.4)
Balance at the end of the year	**239.2**	239.9

13. GOODWILL CONTINUED

b. Impairment testing for cash-generating units containing goodwill

A$m	2021	2020
BNPL – **humm** AU	30.7	30.7
AU Cards	18.9	18.9
NZ Commercial	17.8	17.9
NZ Cards	171.8	172.4
Total	**239.2**	239.9

The carrying amount of goodwill of each CGU is tested for impairment annually and whenever there is an indicator that the asset may be impaired. If an asset is impaired, it is written down to its recoverable amount. The recoverable amount is based on a value in use calculation using cash flow projections based on the Board approved three-year plan. The cash flow projections incorporate a probability weighted assessment of a potential downside scenario to arrive at the most likely outcome. Cash flows for a further two-year period are extrapolated using declining growth rates appropriate for the industries and jurisdictions in which the business resides, which do not exceed the long-term average for the sectors and economies in which the CGUs operate.

The key assumptions used in determining value in use for 30 June 2021 are:

Assumption	How determined
Forecast revenues and expenses	Forecast revenues and expenses for FY25 and FY26 beyond the financial year forecast period have been extrapolated using declining growth rates such that the long-term terminal growth rates are as follows: • BNPL **humm** AU: 1.7% (2020: 2.5%) • AU Cards: 1.7% (2020: 2.5%) • NZ Cards: 1.7% (2020: 2.5%) • NZ Commercial: 1.7% (2020: 2.5%)
Long-term growth rate	The above long-term growth rate for each of the CGUs does not exceed the long-term average growth rate for the sector/industry in which the CGU operates.
Cost of Equity Capital	The discount rate applied to the cash flows of each CGU is based on the risk free rate for 10-year Commonwealth Government bonds, adjusted for a risk premium to reflect both the increased risk of investing in equities and the risk of the specific Group operating company. In making this adjustment, inputs required are the equity markets risk premium (that is the required increased return required over and above a risk free rate by an investor who is investing in the market as a whole) and the risk adjustment, beta, applied to reflect the risk of the specific Group operating company relative to the market as a whole, giving rise to the CGU-specific Cost of Equity Capital. Geared cash flows are used to calculate recoverable amounts for all CGUs. The post-tax discount rates used for impairment testing are as follows: • BNPL **humm** AU: 11.8% (2020: 12.5%) • AU Cards: 11.8% (2020: 12.5%) • NZ Cards: 11.1% (2020: 11.4%) • NZ Commercial: 10.4% (2020: 9.5%)

Discount rate

If the post-tax discount rate applied to the cash flow projections of the NZ cards CGU had been adjusted by a reasonable possible amount of up to 1.55% higher than management's estimate (12.65% instead of 11.10%), the Group would have had to recognise an impairment against NZ Cards goodwill. The point at which the NZ Cards goodwill starts to be impaired would be at a 12.65% discount rate.

Sensitivity conclusion

The directors and management have considered and assessed reasonably possible changes for other key assumptions and have not identified any instances that could cause the carrying amounts of all CGUs to exceed their respective recoverable amounts.

14. OTHER INTANGIBLE ASSETS

ACCOUNTING POLICY

a. IT development and software

Costs incurred on software development projects (relating to the design and testing of new or improved software products) are recognised as intangible assets when it is probable that the project will be a success considering its commercial and technical feasibility and its costs can be measured reliably. The expenditure capitalised comprises all directly attributable costs, including direct labour. Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Capitalised development costs are recorded as an intangible asset and amortised using the straight-line method from the point at which the asset is ready for use over its useful life from 3 to 7 years. Software maintenance costs are expensed as incurred.

Configuration or customisation costs in a Cloud Computing Arrangement are recognised as an intangible asset only if the implementation activities create an intangible asset that the entity controls and the intangible asset meets the recognition criteria. Costs that do not result in the creation of intangible assets are expensed as incurred, unless they are paid to the suppliers of the Software-as-a-Service ("SaaS") arrangement to significantly customise the cloud-based software for the Group, in which case the costs are recorded as a prepayment for the service and amortised over the expected renewable term of the arrangement. Refer to note 37 for further information.

b. Merchant and customer relationships

Merchant and customer relationships acquired as part of a business combination are recognised separately from goodwill. The assets are measured at fair value at the date of acquisition less accumulated amortisation and impairment losses. Amortisation is calculated based on the timing of the projected cash flows of the relationships.

- Merchant relationships: from 3 to 27 years.
- Customer relationships: from 3 to 15 years.

14. OTHER INTANGIBLE ASSETS CONTINUED

A$m	Notes	IT development and software	Merchant and customer relationships and other rights	Brand name	Total
At 1 July 2019		62.3	35.2	4.5	102.0
Initial application of IFRIC guidance on Cloud Computer Costs	37	(13.9)	–	–	(13.9)
Restated balance at 1 July 2019		48.4	35.2	4.5	**88.1**
Additions		30.4	–	–	30.4
Impairment[1]		(1.5)	–	–	(1.5)
Amortisation	6	(10.3)	(3.3)	–	(13.6)
Effect of movements in exchange rates		(0.5)	(0.2)	(0.4)	(1.1)
At 30 June 2020		66.5	31.7	4.1	102.3
At 1 July 2020		66.5	31.7	4.1	**102.3**
Additions		29.1	–	–	**29.1**
Amortisation	6	(17.4)	(2.9)	–	**(20.3)**
Effect of movements in exchange rates		–	(0.1)	(0.1)	**(0.2)**
At 30 June 2021		78.2	28.7	4.0	**110.9**

1. Impairment relates to the write-down of capitalised software as assets are replaced by future state architecture.

15. TRADE AND OTHER PAYABLES

ACCOUNTING POLICY

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method. The amounts are due within the next 12 months.

A$m	2021	2020
Trade and other payables	56.2	67.3
Total trade and other payables	**56.2**	67.3

16. BORROWINGS

ACCOUNTING POLICY

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the Consolidated statement of comprehensive income over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities, which are not an incremental cost relating to the actual draw-down of the facility, are recognised as prepayments and amortised on a straight-line basis over the term of the facility.

Borrowings are removed from the Consolidated statement of financial position when the obligation specified in the contract is discharged, cancelled, or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in the Consolidated statement of comprehensive income.

Secured loans, which comprise of wholesale public and private debt facilities, are secured against underlying pools of receivables and customer loans. The term of these debt facilities varies depending on the nature of the facility and the type of receivables and customer loans held in these facilities. These facilities provide for the ultimate repayment of outstanding loans through receipts from customers in respect of the relevant receivables and customer loans held in these facilities. Private debt facilities are typically structured to include a revolving period where funding can be drawn and receipts from customers can be used to fund originations of new receivables and customer loans, ahead of the repayment of outstanding debt. It is typical for these revolving periods to continue to be extended, as required, by agreement between the Group and the relevant funder. The revolving periods in respect of $455.2m of secured loans outstanding as at 30 June 2021 are due for extension within 12 months.

Public debt facilities are structured to provide for repayment of outstanding loans in line with the repayment of the receivables and customer loans held in these facilities or alternatively are structured to include a revolving period ahead of a soft-bullet date. In the event outstanding loans are not refinanced at the relevant soft-bullet date, outstanding loans are repaid through repayments on the underlying receivables and customer loans.

A$m	2021	2020
Secured		
Corporate debt	–	66.7
Secured loans	2,406.5	2,255.0
Total secured borrowings	**2,406.5**	2,321.7
Loss reserve	–	(26.6)
Total borrowings	**2,406.5**	2,295.1
Expected maturity profile of secured borrowings, net of loss reserve:[1]		
Due within one year	684.0	1,073.4
Due after one year but not later than five years	1,722.5	1,221.7
Total borrowings	**2,406.5**	2,295.1

1. Expected maturity profile of secured loans presented based on the expected repayment profile of the underlying receivables and customer loans or, in the case of Australia Cards and New Zealand Cards, taking into consideration the contractual amortisation from soft bullet dates and/or revolving periods. Comparative maturity profiles have been restated and presented on a consistent basis.

Assets pledged as security

The loans subject to recourse funding arrangements are secured by payments receivable in respect of the underlying lease and loan receivable contracts. Under the terms of some of the recourse funding arrangements, the funders retain a part of the gross amount funded as security against credit losses on the underlying loans. This amount is referred to as a 'loss reserve' and represents a reduction in the amount borrowed. There were no loss reserves held at 30 June 2021 (2020: $26.6m).

16. BORROWINGS CONTINUED

Financing arrangements

Unrestricted access was available at balance date to the following lines of credit before loss reserves:

A$m	2021	2020
Total loan facilities available	3,381.2	3,099.8
Loan facilities used at balance date	(2,406.5)	(2,321.7)
Loan facilities unused at balance date	**974.7**	778.1

17. PROVISIONS

ACCOUNTING POLICY

Provisions for legal claims, service warranties and make good obligations are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

Employee benefit provisions include:

i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months after the end of the period in which the employees render the related service, are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave is recognised as a provision in the Consolidated statement of financial position. All other short-term employee benefit obligations are presented as payables.

ii) Other long-term employee benefit obligations

The liability for long service leave and annual leave which is not expected to be settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method.

Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on government bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows.

iii) Profit-sharing and bonus plans

The Group recognises a liability and an expense for bonuses that takes into consideration the Group's Cash NPAT and other short-term incentive scorecard hurdles. The Group recognises a provision where contractually obliged to settle the liability, where Board approval for payment has been obtained prior to the release of the Group's results or where there is a past practice that has created a constructive obligation for settlement.

A$m	Notes	2021	2020
Annual leave		4.5	4.3
Long service leave		1.9	1.8
Outstanding claims liability		0.5	0.5
Unearned premium liability		0.2	0.5
Customer remediation		1.3	1.5
Make good provision		0.9	0.6
Undrawn credit commitments included in EDL provisions	25	12.5	11.3
Total provisions		**21.8**	20.5

$7.4m (30 June 2020: $7.4m) of provisions are due for settlement in the next 12 months, including annual leave liabilities, premium and claim liabilities, customer remediation and make good provisions.

18. DERIVATIVE FINANCIAL INSTRUMENTS

ACCOUNTING POLICY

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

The Group designates all derivatives held as at 30 June 2021 and 30 June 2020 as hedges of a particular risk associated with the cash flows of recognised liabilities and highly probable forecast transactions (cash flow hedges) or hedges of a net investment in a foreign operation (net investment hedges).

At the inception of the hedging transaction, the Group documents the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of derivative financial instruments used for hedging purposes are disclosed below. Movements in the hedging reserve in shareholders' equity are shown in note 20.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in reserves in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss within other income or other expense.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for instance when the interest payment that is hedged takes place). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in profit or loss within interest expense.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately reclassified to profit or loss.

Changes in the fair value of any derivative instrument that do not qualify for hedge accounting are recognised immediately in profit or loss and are included in other income or other expenses.

FlexiRent Capital Pty Limited, an Australian functional currency entity in the Australian Group, hedges an intercompany loan to the New Zealand foreign operation, denominated in New Zealand dollars, using forward exchange contracts. These are designated in hedge relationships as cash flow hedges of foreign exchange rates.

Hedges of net investment in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument related to the effective portion of the hedge is recognised in other comprehensive income and accumulated in reserves in equity. The gain or loss relating to the ineffective portion is recognised immediately in the Consolidated statement of comprehensive income within other income or other expenses. Gains and losses accumulated in equity are reclassified to the Consolidated statement of comprehensive income when the foreign operation is partly disposed or sold.

A$m	2021	2020
Interest rate swaps used for hedging	18.9	38.2
Forward exchange contracts	(0.6)	–
Total	**18.3**	38.2

Risk exposures and fair value measurements

Information about the Group's exposure to credit risk, foreign exchange and interest rate risk is provided in note 25 and about the methods and assumptions used in determining fair values is provided in note 26. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of derivative financial liabilities mentioned above.

19. CONTRIBUTED EQUITY

ACCOUNTING POLICY

Ordinary shares and subordinated perpetual notes are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any Group company purchases the Company's equity instruments, for example as the result of a share buy-back or a share-based payment plan, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the owners of **humm**group as treasury shares until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the owners of **humm**group.

a. Share capital

	2021 # Shares	2020 # Shares	2021 A$m	2020 A$m
Ordinary shares – fully paid	495,211,065	394,333,872	454.0	339.5
Subordinated perpetual notes	49,129,075	49,129,075	53.6	53.6
Total share capital	**544,340,140**	443,462,947	**507.6**	393.1

b. Movement in ordinary share capital and number of shares on issue

	Number of shares	A$m
Balance at 1 July 2019	394,286,499	339.2
Treasury shares purchased on-market	–	–
Transfer from treasury shares on vesting of options	47,373	0.1
Transfer from share-based payment reserve	–	0.2
Balance at 30 June 2020	**394,333,872**	**339.5**
Balance at 1 July 2020	394,333,872	339.5
Transfer from share-based payment reserve	–	2.1
Issuance of shares	100,877,193	112.4
Balance at 30 June 2021	**495,211,065**	**454.0**

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of, and amounts paid on, the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy is entitled to one vote, and upon a poll each share is entitled to one vote. There is no current on-market buy-back of shares, other than shares purchased by the Share Plan Trust to satisfy vested share-based payments.

19. CONTRIBUTED EQUITY CONTINUED

c. Movement in treasury shares

Treasury shares are shares in **humm**group that are held by the **humm**group Tax Deferred Employee Share Plan Trust for the purposes of issuing shares under the **humm**group Long Term Incentive Plan (see note 24).

	Number of shares	A$m
Balance at 1 July 2019	104,626	0.4
Transfer from treasury shares on vesting of options	(47,373)	(0.1)
Balance at 30 June 2020	**57,253**	**0.3**
Balance at 1 July 2020	57,253	0.3
Transfer from treasury shares on vesting of options	–	–
Balance at 30 June 2021	**57,253**	**0.3**

d. Subordinated perpetual notes

hummgroup issued unsecured subordinated perpetual notes as part of the consideration for the acquisition of Fisher & Paykel Finance. The face value of the notes issued were $49.1m, the A$ equivalent of NZ$55.0m. Interest is payable on the perpetual notes at the sole and absolute discretion of the issuer commencing on 18 March 2018. Prior to 18 March 2021 interest was capitalised as part of the notes, and from 18 March 2021 interest payments have been made in cash. Interest payable or capitalised has been accounted for as a dividend in equity. In the unlikely event that no interest is paid or capitalised on the perpetual notes in any given year, the Group may not pay or declare any dividends or make any other distributions to shareholders.

The issuer continues to have full discretion as to the payment of interest on the perpetual notes; however if the Group elects to pay or declare any dividends or make any distributions to shareholders in the future, interest accrued must be paid to the noteholder in cash.

In limited circumstances upon a change of control, the noteholder may elect to convert the perpetual notes having an aggregate principal amount equal to the face value into 28.5 million ordinary shares. Prior to conversion, the perpetual notes have no right to share in any surplus assets, profits or ordinary dividends and have no voting rights.

e. Performance shares, options and sign-on incentive rights

Information relating to the **humm**group Employee Options and Performance Rights Plan, including details of performance and sign-on incentive rights exercised and lapsed during the financial year and performance and sign-on incentive rights outstanding at the end of the financial year, is set out in note 24.

f. Capital risk management

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can continue to provide returns for shareholders and to maintain an optimal capital structure to facilitate growth in the business. Consistent with others in the industry, the Group monitors capital on the basis of its gearing ratio. In order to maintain or adjust its capital structure, the Group considers the issue of new capital, return of capital to shareholders and its dividend policy as well as its plans for acquisition and disposal of assets.

20. RESERVES AND RETAINED EARNINGS

ACCOUNTING POLICY

Share-based payment reserve

The share-based payment reserve is used to recognise:

- The fair value of options and rights issued to employees but not exercised;
- The fair value of shares issued to employees; and
- Other share-based payment transactions.

Foreign currency translation reserve

Foreign currency translation of the foreign controlled entities is taken to the foreign currency translation reserve as described in note 1. The reserve is recognised in profit or loss when the net investment is disposed of.

Cash flow hedge reserve

The hedging reserve is used to record gains or losses on a hedging instrument in a cash flow hedge that are recognised in other comprehensive income as described in note 18. Amounts are reclassified to profit or loss when the associated hedge transaction affects profit or loss.

Equity investment revaluation reserve

The equity investment revaluation reserve is used to record gains or losses on investments carried at fair value through OCI as described in note 11. Amounts will be transferred to retained earnings on disposal.

a. Reserves

A$m	2021	2020
Share-based payment reserve	1.0	0.4
Foreign currency translation reserve	6.5	9.0
Cash flow hedge reserve	(13.5)	(27.2)
Equity investment revaluation reserve	(1.4)	–
	(7.4)	(17.8)

Movements: Share-based payment reserve

A$m	2021	2020
Balance at 1 July	0.4	0.7
Share-based payment expense	2.7	0.2
Transfer to share capital	(2.1)	(0.3)
Other charges	–	(0.2)
Balance at 30 June	**1.0**	0.4

Movements: Foreign currency translation reserve

A$m	2021	2020
Balance at 1 July	9.0	14.2
Other comprehensive income	(2.5)	(5.2)
Balance at 30 June	**6.5**	9.0

20. RESERVES AND RETAINED EARNINGS CONTINUED

Movements: Cash flow hedge reserve

A$m	2021	2020
Balance at 1 July	(27.2)	(12.1)
Other comprehensive income	13.7	(15.1)
Balance at 30 June	**(13.5)**	(27.2)

Movements: Equity investments revaluation reserve

A$m	2021	2020
Balance at 1 July	–	–
Other comprehensive income	(1.4)	–
Balance at 30 June	**(1.4)**	–

b. Retained earnings

Movements in retained earnings were as follows:

A$m	Notes	2021	2020
Balance at 1 July		203.1	213.4
Net profit for the year		60.1	23.1
Dividends	21	(4.3)	(33.4)
Balance at 30 June		**258.9**	203.1

21. DIVIDENDS

ACCOUNTING POLICY

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the Group, on or before the end of the financial year but not distributed at balance date.

Final dividends accrued or paid

	Parent entity	
A$m	**2021**	**2020**
Ordinary shares		
2020 final dividend of $Nil cents (2019 final dividend paid on 11 October 2019: 3.85 cents) per ordinary share franked to 100%	–	15.2

Interim dividends accrued or paid

	Parent entity	
A$m	**2021**	**2020**
Ordinary shares		
2021 interim dividend of $Nil cents (2020 interim dividend accrued at 30 June 2020 paid on 14 October 2020: 3.85 cents per ordinary share franked to 100%)	–	15.2
Preference shares		
Unsecured subordinated perpetual notes	4.3	3.0
Total dividends accrued and paid	**4.3**	33.4

Final dividends proposed but not recognised at year end

	Parent entity	
A$m	**2021**	**2020**
2021: $Nil cents (2020: Nil cents) per ordinary share franked to 100%	–	–

Franked dividends

Franking credits available at 30 June 2021 comprised:

	Consolidated		Parent entity	
A$m	**2021**	**2020**	**2021**	**2020**
Franking credits available for subsequent financial years based on a tax rate of 30% (2020: 30%)	50.4	55.9	50.4	55.9

The above amounts are calculated from the balance of the franking account as at the end of the reporting period, adjusted for franking credits and debits that will arise from the settlement of liabilities or receivables for income tax and dividends after the end of the year. The consolidated amounts include franking credits that would be available to the parent entity if distributable profits of subsidiaries were paid as dividends.

22. EARNINGS PER SHARE

ACCOUNTING POLICY

Basic earnings per share

Basic earnings per share is calculated by dividing:

- The profit attributable to equity holders of the Company less preference dividends accrued or paid,
- By the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- The after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- The weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

a. Earnings per share

Cents	2021	2020
Total basic earnings per share attributable to the ordinary equity shareholders of the Company	12.0	5.3
Total diluted earnings per share attributable to the ordinary equity shareholders of the Company	**12.0**	5.3

b. Reconciliation of earnings used in calculating earnings per share

A$m	2021	2020
Profit attributable to the ordinary equity shareholders of the Company used in calculating basic and diluted earnings per share		
Profit for the year	60.1	23.1
Less: preference share dividend (net of tax)	(3.0)	(2.1)
Profit after preference share dividend	**57.1**	21.0

c. Weighted average number of ordinary shares

	2021	2020
Weighted average number of ordinary shares used in calculation of basic earnings per share	475,538,907	394,324,164
Add: potential ordinary shares considered dilutive	–	–
Weighted average number of ordinary shares used in calculating diluted earnings per share	**475,538,907**	394,324,164

Information concerning the classification of securities

Options, performance rights and deferred STI rights

Options and performance rights granted to employees under the Group's LTIP, disclosed in note 24, are considered to be potential ordinary shares. They have not been included in the determination of diluted earnings per share as the required market and non-market hurdles are unlikely to be met based on the Group's performance up to the reporting date. The options and performance rights have also not been included in the determination of earnings per share.

No deferred STI rights granted to employees under the **humm**group incentive plan were on issue at 30 June 2021 (2020: $Nil).

23. CASH FLOW INFORMATION

ACCOUNTING POLICY

For the purpose of presentation in the Consolidated statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash.

Included in cash at bank was $110.6 million (2020: $143.0 million) which is held as part of the Group's funding arrangements and is not available to the Group. The restricted cash balances are distributed to various parties at a future date and are not available to the Group for any other purpose.

A$m	2021	2020
Restricted cash at bank on hand	110.6	143.0
Non-restricted cash at bank and on hand	107.6	14.5
Total cash at bank and on hand	**218.2**	157.5

a. Reconciliation of profit after income tax to net cash inflow from operating activities

A$m	2021	2020
Net profit for the year after tax	60.1	23.1
Receivables and loan impairment expenses	58.7	145.2
Depreciation and amortisation	25.8	19.0
Impairment of other intangible assets	–	1.5
Held for sale investment in associate: earning, impairment and profit on sale adjustment	5.5	–
Share-based payment expense	2.7	0.2
Exchange differences	–	1.0
Other non-cash movements	1.6	0.3
Net cash inflows from operating activities before changes in operating assets and liabilities	**154.4**	190.4
Change in operating assets and liabilities:		
Increase in receivables and customer loans	(263.2)	(56.9)
Decrease/(increase) in other receivables	0.1	9.8
Decrease/(increase) in current tax receivables	1.7	13.5
(Decrease)/increase in payables	(3.1)	(2.2)
Decrease/(increase) in inventories	0.9	(0.1)
Increase/(decrease) in current tax assets/liabilities	(3.3)	9.9
Increase/(decrease) in net deferred tax	1.9	(25.8)
Net cash (outflows)/inflow from operating activities	**(110.6)**	138.5

23. CASH FLOW INFORMATION CONTINUED

b. Net debt reconciliation

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented.

A$m	2021	2020
Cash and cash equivalents	218.2	157.5
Borrowings – repayable within 1 year	(684.0)	(1,253.9)
Borrowings – repayable after 1 year	(1,722.5)	(1,067.8)
Lease liabilities – repayable within 1 year	(3.6)	(4.1)
Lease liabilities – repayable after 1 year	(15.2)	(12.4)
Net debt	**(2,207.1)**	(2,180.7)
Cash and liquid investments	218.2	157.5
Gross debt – fixed interest rates	(18.8)	(74.6)
Gross debt – variable interest rates	(2,406.5)	(2,263.6)
Net debt	**(2,207.1)**	(2,180.7)

A$m	Cash at bank	Borrowings and lease liabilities due within 1 year	Borrowings and lease liabilities due after 1 year	Total
Net debt as at 1 July 2019	143.1	(1,439.0)	(993.3)	**(2,289.2)**
Cash flows	15.3	332.7	(258.1)	89.9
Foreign exchange adjustments	(0.9)	10.4	9.1	18.6
Net debt as at 30 June 2020	157.5	(1,095.9)	(1,242.3)	**(2,180.7)**
Cash flows	61.5	406.7	(499.4)	(31.2)
Foreign exchange adjustments	(0.8)	1.6	4.0	4.8
Net debt as at 30 June 2021	218.2	(687.6)	(1,737.7)	**(2,207.1)**

24. SHARED-BASED PAYMENTS

ACCOUNTING POLICY

The fair value of share-based compensation arrangements are recognised as employment expenses in the Consolidated statement of comprehensive income with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the relevant party becomes unconditionally entitled to the instruments.

Fair values at grant date are independently determined using a Monte Carlo or Binomial Tree option pricing methodology that takes into account the exercise price, the term of the options or share rights, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the options.

The fair value of the instruments granted is adjusted to reflect market vesting conditions but excludes the impact of any non-market vesting conditions (for example, earnings per share and return on equity targets). Non-market vesting conditions are included in assumptions about the number and value of instruments that are expected to become exercisable. The share-based payment expense recognised each period takes into account the most recent estimate. Upon the exercise of instruments, the balance of the share-based payments reserve relating to those instruments is transferred to share capital and the proceeds received (if any), net of any directly attributable transaction costs, are credited to share capital.

The Group's share-based payment arrangements are considered equity settled plans, as they are fulfilled through the delivery of a fixed number of equity instruments.

Long-Term Incentive Plan

hummgroup's LTIP was approved by the founding shareholders on 20 November 2006, and subsequently updated on 4 October 2019. The LTIP is designed to provide relevant employees with an incentive for future performance, with conditions for the vesting and exercise of options and performance rights under the LTIP encouraging participants to remain with **humm**group and contribute to the future performance of the Group. Under the plan, participants are granted either an option or right, which only vests if certain performance standards are met.

The Board may determine which persons will be eligible to participate in the LTIP from time to time. Eligible persons are invited to apply to participate in the LTIP. The Board may in its discretion accept such applications.

Due to the COVID-19 crisis and anticipated impact to **humm**group's results over the performance period, it became apparent to the Board that the FY22 hurdles, set as part of the 2020 Transformation Long Term Incentive Plan ("TIP"), were highly unlikely to be achieved and the plan no longer served as a retention tool for participants. Following consideration of a number of options, the Board determined it was appropriate to cancel the TIP. The Board approved a new plan ("2021 LTIP"), which was issued to a larger pool of participants with a two-year performance period with one performance hurdle, being absolute share price ("ASP"). In the current uncertain economic environment, the Board determined that smaller annual grants were a more suitable incentive tool than a mega-grant.

The table below shows options, performance rights, sign on incentive and deferred STI rights granted under the different plans:

24. SHARE-BASED PAYMENTS CONTINUED

Consolidated and Parent Entity: 2021

Tranche	Grant date	Expiry date	Exercise price	Balance at start of the period	Granted during the period	Forfeited during the period	Cancelled during the period	Balance at end of the period	Vested and exercisable at the end of the period
				Number	Number	Number	Number	Number	Number
Performance rights									
Tranche 5	27/11/2017	15/03/2022	$0.00	502,612	–	(210,017)	–	292,595	–
Tranche 6	15/11/2018	15/03/2020	$0.00	528,846	–	–	–	528,846	–
Tranche 6	16/05/2019	15/03/2023	$0.00	520,026	–	(179,506)	–	340,520	–
Share options									
Transformation LTIP (TIP) – EPS	18/11/2019	18/11/2025	$2.00	5,171,766	–	(1,469,854)	(3,701,912)	–	–
	06/03/2020	18/11/2025	$2.00	935,363	–	(133,623)	(801,740)	–	–
	23/03/202	18/11/2025	$2.00	60,002	–	–	(60,002)	–	–
	21/07/2020	18/11/2025	$2.00	–	356,328	–	(356,328)	–	–
TIP – ASP	18/11/2019	18/11/2025	$2.00	6,895,692	–	(1,959,805)	(4,935,887)	–	–
	06/03/2020	18/11/2025	$2.00	1,247,148	–	(178,164)	(1,068,984)	–	–
	23/03/202	18/11/2025	$2.00	79,998	–	–	(79,998)	–	–
	21/07/2020	18/11/2025	$2.00	–	475,104	–	(475,104)	–	–
TIP – ROE	18/11/2019	18/11/2025	$2.00	5,171,771	–	(1,469,854)	(3,701,917)	–	–
	06/03/2020	18/11/2025	$2.00	935,361	–	(133,623)	(801,738)	–	–
	23/03/202	18/11/2025	$2.00	60,000	–	–	(60,000)	–	–
	21/07/2020	18/11/2025	$2.00	–	356,328	–	(356,328)	–	–
2021 LTIP	19/11/2020	19/11/2025	$1.38	–	2,000,000	–	–	2,000,000	–
	30/11/2020	30/11/2025	$1.38	–	6,634,047	–	–	6,634,047	–
Total				**22,108,585**	**9,821,807**	**(5,734,446)**	**(16,399,938)**	**9,796,008**	**–**
Weighted average exercise price				$1.86	$1.38	$1.86	$2.00	$1.22	

Consolidated and Parent Entity: 2020

Tranche	Grant date	Expiry date	Exercise price	Balance at start of the period	Granted during the period	Exercised during the period	Forfeited during the period	Balance at end of the period	Vested and exercisable at the end of the period
				Number	Number	Number	Number	Number	Number
Deferred shares									
2018 Deferred STI	05/09/2018	13/09/2019	$0.00	52,286	–	(47,373)	(4,913)	–	47,373
Performance rights									
Tranche 5	27/11/2017	15/03/2022	$0.00	815,516	–	–	(312,904)	502,612	–
Tranche 6	15/11/2018	15/03/2023	$0.00	528,846	–	–	–	528,846	–
Tranche 6	16/05/2019	15/03/2023	$0.00	785,962	–	–	(265,936)	520,026	–
Share options									
Transformation LTIP (TIP) – EPS	18/11/2019	18/11/2025	$2.00	–	5,439,013	–	(267,247)	5,171,766	–
	06/03/2020	18/11/2025	$2.00	–	935,363	–	–	935,363	–
	23/03/2020	18/11/2025	$2.00	–	60,002	–	–	60,002	–
TIP – ASP	18/11/2019	18/11/2025	$2.00	–	7,252,020	–	(356,328)	6,895,692	–
	06/03/2020	18/11/2025	$2.00	–	1,247,148	–	–	1,247,148	–
	23/03/2020	18/11/2025	$2.00	–	79,998	–	–	79,998	–
TIP – ROE	18/11/2019	18/11/2025	$2.00	–	5,439,017	–	(267,246)	5,171,771	–
	06/03/2020	18/11/2025	$2.00	–	935,361	–	–	935,361	–
	23/03/2020	18/11/2025	$2.00	–	60,000	–	–	60,000	–
Total				**2,182,610**	**21,447,922**	**(47,373)**	**(1,474,574)**	**22,108,585**	**47,373**
Weighted average exercise price				$0.00	$2.00	$0.00	$1.04	$1.86	

The weighted average remaining contractual life of performance, deferred STI and sign on incentive rights outstanding at the end of the year was 1.19 years (2020: 3.08 years).

2021 LTIP – Share options

The LTIP options issued to the CEO were approved at the Annual General Meeting on 19 November 2020. The terms of the grant are outlined in the Remuneration Report, section 3.1.3. The share options will vest based on the 20 trading-day VWAP of **humm**group following the FY22 annual results announcement in accordance with the following tranches:

- < $1.50: $Nil
- $1.50 to $2.00: 33% – 50%
- $2.00 to $2.50: 50% – 100%
- > $2.50: 100%

50% of the options awarded were eligible to vest if **humm**group's share price reached $2.00 (Early Share Price Target) at any time before 30 June 2021, based on a 20-trading day VWAP. If the early share price target was met during FY21, half of the eligible options (25% of the total number of options) would vest immediately. The remaining half of the eligible options (25% of the total number of options) would vest at the end of the performance period, subject to continued employment with **humm**group until the vesting date.

The fair value at grant date (19 November 2020) for the CEO was determined as $0.23, and the fair value granted to other participants (19 November 2020) was determined as $0.31. Fair value was independently determined using a Monte Carlo simulation for market-based hurdles that takes into account the strike price, the term of the performance options, the impact of dilution, the share price at grant date and the expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the performance options.

24. SHARE-BASED PAYMENTS CONTINUED

The model inputs for 2021 LTIP options granted during the year ended 30 June 2021 included:

- Exercise price: $1.38
- Grant date: 19 November 2021, 30 November 2021
- Expiry date: 19 November 2025 and 30 November 2025
- Share price at grant date: 19 November 2021: $1.13; 30 November 2021: $1.265
- Expected price volatility of the Company's shares: 53%
- Expected dividend yield: 0%
- Risk-free interest rate: 0.15%

2020 TIP – Share options

The model inputs for TIP options granted in FY20 and July 2020 and cancelled in November 2020:

- Exercise price: $2.00
- Grant date: 18 November 2019, 6 March 2020, 23 March 2020, 21 July 2020
- Expiry date: 18 November 2025
- Share price at grant date: $2.08, $1.46, $0.40, $1.25
- Expected price volatility of the Company's shares: between 45% and 51%
- Expected dividend yield: 4.6% for FY20 grants and 1.8% for FY21 grants
- Risk-free interest rate: 0.87% (November 2019), 0.43% (March 2020) and 0.42% (July 2020)

Shares provided on exercise of performance rights

Refer to section 3.1.3 and 8.1 of the Remuneration Report, included in the Directors' report, for vesting conditions associated with outstanding options for 2021 LTIP and performance rights for Tranches 5 and 6.

Sign on incentive rights

In 2020 and 2021 nil ordinary shares in the Company were issued as a result of the exercise of any remuneration performance and sign on incentive rights.

Employee share plan

The Employee Share (Taxed Upfront) Plan ("ESP") is a general employee share plan pursuant to which grants of shares may be offered to employees of **humm**group on terms and conditions as determined by the Board from time to time. Nil shares were issued under this plan in 2021 and 2020.

The Board is responsible for administering the ESP in accordance with the ESP Rules and the terms and conditions of specific grants of shares to participants in the ESP. The ESP Rules include the following provisions:

Eligibility

The Board may determine which persons will be eligible to be offered the opportunity to participate in the ESP from time to time. The Board may make offers to eligible persons for participation in the ESP.

Terms of offer

The Board has the discretion to determine the specific terms and conditions applying to each offer, provided that the terms of the offer do not vary the disposal restrictions imposed on shares under the ESP Rules under which shares acquired under the ESP cannot be transferred, sold or otherwise disposed of until the earlier of:

- The time when the participant is no longer employed by the Group or by the company that was the employer of the participant as at the time the shares were acquired; or
- The third anniversary of the date on which the shares were acquired; and
- The offer does not include any provisions for forfeiture of shares acquired under the ESP in any circumstances.

Consideration for grant

The Board may determine the price at which the shares will be offered to an employee. Shares may be granted at no cost to the employee or the Board may determine that market value or some other price is appropriate.

Allocation of shares

Shares allocated under the ESP may be existing shares or newly issued shares. Allocated shares must be held in the name of the employee. Any shares that are issued under the ESP will rank equally with those traded on the ASX at the time of issue. A participant under the ESP is entitled to receive distributions/dividends made in respect of, and exercise voting rights attaching to, shares held under the ESP (whether or not the shares are subject to disposal restrictions).

Restrictions on shares

Shares acquired under the ESP will be subject to the disposal restrictions described above. **humm**group will implement such arrangements (including a holding lock) as it determines are necessary to enforce this restriction.

Once the restriction is removed, and subject to **humm**group's Securities Trading Policy, shares acquired under the ESP may be dealt with freely. Details of **humm**group's Securities Trading Policy are contained in the Corporate Governance Statement.

Employee gift offer

There were no employee gift offers in the year ended 30 June 2021 (2020: $Nil).

Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the period as part of employee benefit expense were as follows:

A$m	2021	2020
Options, performance, deferred STI rights issued under LTIP	**2,729,164**	199,643

25. FINANCIAL RISK MANAGEMENT

Overview

The Group's activities expose it to a variety of financial risks, being credit risk, liquidity risk and market risk (including foreign exchange risk and interest rate risk).

The Board is responsible for approving **humm**group's Risk Management Framework and strategy and determining the risk appetite within this. The Board is also responsible for monitoring the effectiveness of risk management within the framework.

The Board has delegated responsibility for financial and operational risk management to the Risk and Compliance Committee which assigns responsibility to the following committees to oversee the management of financial risk.

- Australia Consumer Credit Committee, New Zealand Credit Committee and Group Commercial Credit Committee – responsible for overseeing credit risk; and
- Asset and Liability Committee ("ALCO") – responsible for managing liquidity and market risk.

hummgroup uses policies, risk limits and stress testing as a mechanism of managing risks within appetite. Monthly reporting of risk exposure against designated limits is reported to the designated credit committees and ALCO. Risk exposures outside of appetite are reported to the Risk and Compliance Committee and the Board.

a. Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its financial liabilities, including payments to customers, suppliers and other third parties, as required. The Group Risk and Compliance Committee oversees liquidity risk and delegates day to day responsibility to Group Treasury, under the responsibility of the Chief Financial Officer. Group Treasury ensures the Group has continuous access to funds in accordance with policies established and monitored by the Board.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities at all times and ensuring the availability of funding through an adequate amount of committed credit facilities. Surplus funds are only invested with highly rated banks in the countries in which the Group operates.

hummgroup's liquidity risk management is executed under its risk management policy which is designed to ensure that the Group maintains sufficient liquidity to meet its obligations as they fall due and ensure that cash liquidity is maintained and managed to prevent disruption to business activities. **humm**group's liquidity risk appetite is designed to ensure that the Group is able to meet all of its liquidity obligations during a period of liquidity stress over a 12 month period and under a range of operating circumstances.

hummgroup develops a funding strategy for the Group on an annual basis and monitors progress against the strategy on an ongoing basis. The funding strategy aims to maintain a diversity of current and projected funding sources, ensure ongoing compliance with all risk management policy requirements and support forecast asset growth. The funding strategy is reviewed by ALCO, endorsed by the Risk and Compliance Committee and approved by the Board.

On 19 March 2020, the Australian government announced an initial A$15bn Structured Finance Support Fund ("SFSF") to be administered by the Australian Office of Financial Management ("AOFM") to support small and medium enterprises financing loan originations through securitisation to ensure continued access to funding markets. In accordance with the objective of diversifying funding sources, the Group has successfully obtained committed funding lines under the SFSF to support its Australian wholesale funding facilities. A$53m of committed funding from the SFSF was obtained during the prior financial year with a further committed funding line of A$61m secured from the SFSF during the reporting period.

During the second half of the financial year, the Group also secured commitments of A$110m under a new syndicated revolving loan facility to replace the existing bilateral corporate debt facilities which were undrawn at year end. A reduced facility size was targeted on account of the Group's forecast cashflow requirements, and updated funding strategy with a view to reducing the Group's weighted average cost of funds. The new facility will provide committed funding to June 2024 and will support management of the Group's liquidity.

Undrawn credit lines

To mitigate against liquidity risk, the Group maintains cash reserves and committed undrawn credit facilities to meet anticipated funding requirements for new business and unexpected commitments. In addition, the Group can redraw against its committed credit limits if the principal outstanding is reduced including, in the case of recourse funding arrangements, through receipt of contractual amortisation payments. Details of unused available loan facilities are set out in note 16. Amounts due to funders are repaid directly through repayments received from the Group's customers.

Equity and debt capital markets issuance

In September 2020 the Group undertook a retail and institutional equity raise, raising $112.4m, net of transaction costs. The funds have strengthened the balance sheet enabling the pay down of the Group's corporate debt facilities during this period and support of the Group's growth strategies.

The Group also took advantage of the constructive debt capital market conditions over the course of the financial year, accessing markets frequently and in greater volume as compared to previous years. This enabled the Group to raise funding of $911.8m (2020: $251.8m) through the Australian asset backed securitisation programme and NZ$89.5m (2020: NZ$290.0m) through the New Zealand asset backed securitisation programme.

Loan covenants

The Group had no corporate debt outstanding at 30 June 2021 and has complied with all corporate debt covenants throughout the reporting period.

Contractual maturity of financial liabilities on an undiscounted basis

The table below shows cash flows associated with financial liabilities including derivative financial liabilities within relevant maturity groupings based on the earliest date on which the Group may be required to pay.

Borrowings before loss reserves, which relate to corporate debt and wholesale debt facilities, have been presented based on the contractual obligations under the structures and expected repayment profile of receivables and customer loans. Prior comparative contractual maturities of borrowings before loss reserves have been restated and are presented on a consistent basis.

25. FINANCIAL RISK MANAGEMENT CONTINUED

The balances in the table will not agree to amounts presented in the Consolidated statement of financial position as amounts incorporate net cash flows on an undiscounted basis and include both principal and associated future interest payments.

It should be noted this is not how the Group manages its liquidity risk, which is detailed above.

A$m	Less than 1 year	1 to 2 years	2 to 5 years	5 years+	Total
At 30 June 2021					
Non-derivative financial liabilities					
Trade and other payables	56.2	–	–	–	56.2
Borrowings before loss reserves	725.9	946.0	824.0	5.6	2,501.5
Derivative financial instruments					
Interest rate swaps and foreign exchange contracts	7.6	6.1	4.4	0.2	18.3
Total undiscounted financial liabilities	**789.7**	**952.1**	**828.4**	**5.8**	**2,576.0**
At 30 June 2020					
Non-derivative financial liabilities					
Trade and other payables	67.3	–	–	–	67.3
Borrowings before loss reserves	1,101.1	523.2	688.1	50.8	2,363.2
Derivative financial instruments					
Interest rate swaps	13.2	10.4	14.3	0.1	38.0
Total undiscounted financial liabilities	**1,181.6**	**533.6**	**702.4**	**50.9**	**2,468.5**

b. Credit risk

Credit risk management

Credit risk is the risk that a contracting party will not complete its obligations under a financial instrument and, as a result, cause the Group to incur a financial loss. The Group has exposure to credit risk on all financial assets included in the Consolidated statement of financial position.

To manage credit risk, the Group has developed a comprehensive credit assessment process. Receivables and customer loans consist of lease and loan contracts provided to consumer and commercial customers. Credit underwriting typically includes the use of either an application scorecard and credit bureau report or a detailed internal risk profile review for each application, including a review of the customer against a comprehensive credit database. Internal credit review and verification processes are also used depending on the applicant.

A primary measure of delinquency used by the Group is the proportion of contracts with an outstanding payment that is 30, 60, 90+ days past due. The total principal owing on the contract is defined as the past due amount.

Counterparty risk is where the Group incurs credit exposures to banks as a consequence of hedging of interest rate risks. Credit limits for counterparties are based on external ratings and the Group manages and controls its credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and by monitoring exposures in relation to such limits. Determination of the fair value of the derivatives includes credit valuation adjustment ("CVA") to reflect the credit worthiness of the counterparty.

ACCOUNTING POLICY

The impairment requirements of AASB 9: Financial Instruments apply to the Group's finance lease receivables, chattel and customer loans measured at amortised cost. The model applies to on balance sheet financial assets, as well as off-balance sheet items such as undrawn loan commitments and undrawn committed credit facilities for the Group's revolving products. The carrying amount of the Group's financial assets represents the maximum credit exposure.

Model inputs

The Group has developed credit models at a product or sub-product level based on shared risk characteristics using a collectively assessed approach. Individually assessed provisions are considered for larger single-name exposures.

The key model inputs used in measuring the ECL include:

- **Exposure at Default ("EAD"):** represents the estimated exposure in the event of a default. The EAD is estimated taking into consideration drawn position at reporting date, expected repayments and future drawdowns of unutilised commitments up to when the exposure is expected to default.
- **Probability of Default ("PD"):** the development of PDs for retail and wholesale exposures is developed at a product or sub-product level considering shared credit risk characteristics. In calculating the PD, three to five years of historical delinquency transition matrices are used to develop a point in time PD estimate.
- **Loss Given Default ("LGD"):** the LGD is the magnitude of the ECL in a default event. The LGD is estimated using three years of historical recovery and three to five years of cure rate experience.

Three-stage approach

Under the ECL model, the Group applies a three-stage approach to measuring the ECL based on credit migration between the stages. ECL is modelled collectively for portfolios of similar exposures (products or sub-products). It is measured as the product of the PD, the LGD and the EAD and includes forward-looking or macroeconomic information. The calculation of ECL requires judgement, and the choice of inputs, estimates and assumptions used involves uncertainty at the time that they are made. Outcomes within the next financial period that are different from management's assumptions and estimates could result in changes to the timing and amount of ECL to be recognised.

Stage 1: 12-month ECL – No significantly increased credit risk

Financial instruments that have not had a significant increase in credit risk ("SICR") since initial recognition require, at initial recognition, a provision for ECL associated with the PD events occurring within the next 12 months ("12-month ECL"). For those financial assets with a remaining maturity of less than 12 months, a PD is used that corresponds to the remaining maturity.

Stage 2: Lifetime ECL – Significantly increased credit risk

In the event of a SICR since initial recognition, a provision is required for the Lifetime ECL representing losses over the life of the financial instrument ("lifetime ECL"). Lifetime ECL references exposures that are at least 30 days past due. For revolving facilities, the Group exercises judgement based on the behavioural maturity, rather than contractual characteristics of the facility type.

Stage 3: Lifetime ECL – Defaulted

Financial instruments that move into Stage 3 once credit impaired will require a lifetime provision. This stage references exposures that are at least 90 days past due and where there is no reasonable likelihood of recovery including bankruptcy, fraud, compliance issues.

Macroeconomic scenarios

The assessment of credit risk, and the estimation of ECL, will be unbiased and probability weighted, and incorporate all available information relevant to the assessment, including information about past events, current conditions and reasonable and supportable information about future events and economic conditions at the report date. The Group has established a process whereby forward-looking macroeconomic scenarios and probability weightings are developed for ECL calculation purposes. The final probability weighted ECL amount will be calculated from a Central estimate, Best Case and a Worst Case scenario.

Method of determining Significant Increase in Credit Risk ("SICR")

A financial asset moves from Stage 1 to Stage 2 when there is a SICR since initial recognition.

The Group applies a combination of quantitative and qualitative factors to assess whether a SICR has occurred. These include:

- Forbearance status; including requests for repayment relief coupled with risk indicators in bureau data and relevant application attributes such as employment type, employment tenure and disposable income that indicate higher risk of default;
- Watch list status; loans on the watch list are individually assessed for Stage 2 classification; and
- more than 30 days past due backstop for Stage 1 to Stage 2 transfers.

SICR, which requires judgement, is used to determine whether an exposure's credit risk has increased significantly and requires higher PD factors.

25. FINANCIAL RISK MANAGEMENT CONTINUED

ACCOUNTING POLICY (CONTINUED)

Definition of default

Default is generally defined as the point when the borrower is unlikely to pay its credit obligations in full or the borrower is more than 90 days past due.

Modification of financial assets

The Group sometimes modifies the terms of leases, chattels or customer loans provided to customers due to commercial renegotiations with a view to maximising recovery.

Such restructuring activities include extended payment term arrangements, payment holidays, and payment forgiveness and are based on indicators or criteria which, in the judgement of management, indicate the payments will most likely continue. The policies are kept under continuous review.

Write-off policy

The Group writes off financial assets in whole or in part when it has exhausted all practical recovery efforts and/or the assessed cost of further recovery action is considered prohibitive or uneconomical. The Group has a pre-defined work-out strategy for late stage arrears including insourced collection activities, outsourced collection activities and debt sales.

Indicators that there is no reasonable expectation of recovery include:

- Ceasing enforcement activity due to, for example, bankruptcy, fraud, compliance issues, debt being uneconomical to pursue; and
- Realisation of the security to recover remaining outstanding amounts beyond which amounts are deemed unrecoverable; and
- Sale of debt to external parties beyond earlier work-out strategies.

Products are written off at pre-defined points of late stage arrears, except where further investigation is underway or opportunities for recovery still exist. These are:

- Revolving cards products: 180 days in arrears.
- BNPL products: 120 days in arrears.
- Commercial chattel and leasing products: 120 days in arrears.

Forward-Looking Information ("FLI")

The inclusion of FLI in calculating ECL allowances adjusts PD factors market-based macro-overlays. The Group has identified a number of key indicators that are considered in modelling the ECL, the most significant of which are unemployment rates, gross domestic product, and interest rates. The predicted relationships between these key indicators and the key model inputs in measuring the ECL have been developed by analysing historical data as part of the model build, calibration and validation process. These indicators are assessed at least semi-annually with input from Group Treasury who recommend scenarios and the probability weighted assessment of these. Three possible scenarios are applied in FLI, Central estimate, Best Case, Worst Case. The forward-looking inputs and model scenarios are applied either to the product specific PD factors or incorporated in a market specific macro-overlay provision. Final determination of FLI is based on a combination of publicly available data (range of market economists and official data sources) and internal forecasts/judgements. The Group's ALCO provides ultimate approval for FLI inputs and the Group Credit Risk Committees endorse all provision overlays for final approval by the Group Audit Committee.

ECL measurement uncertainties

hummgroup has followed a consistent approach to FLI to previous years, incorporating Central estimate, Best Case and Worst-Case scenarios using external consensus on forecast economic metrics assembled from key sources to arrive at the macro-economic overlay. Probability weighted scenarios and scalar factors have remained unchanged from 30 June 2020. Though conditions have improved since 30 June 2020, uncertainty still remains in relation to COVID-19 due to delays in vaccine roll out and on-going lock downs with potential deeper or more prolonged impacts to the economies in which **humm**group operates. This results in higher FLI provision overlays than those modelled under the Base Case, and applied prior to the on-set of COVID-19.

The key assumptions applied for Australia and New Zealand macro-economic overlays are set out below:

Expected Credit Losses

Scenario	Weighting	Expectation
Central Estimate A 100% weighting to this scenario would result in a decrease to total ECL provision on balance sheet at the reporting date of ~$17.5m	50% probability	The base case scenario uses forecasts from five reputable economists and reflects an up-to-date macroeconomic view. Forecasts consider both the economic and societal impacts of COVID-19, and any government stimulus measures implemented to cushion the impacts. In the key markets **humm**group operates unemployment increased in the first half of the year, peaking in the first quarter, and continued to decline in the second half of the year. The current base case economic forecast sees unemployment reducing slightly over the next 18 – 24month period. We see on-going monetary policy support over the forecast period with the cash rate expected to remain at or above current levels in Australia and NZ. NZ monetary policy authorities have indicated their willingness to commence increasing the overnight cash rate to cool a strongly performing economy. We expect this to be executed in a controlled manner so as not to give rise to any economic shocks and significant increases in unemployment. **Australia:** The Australian economy has proved resilient to date, with unemployment rates continue to fall from a peak of 7.4% in mid-2020 forecast to decline to ~4.6% by the end of 2022. **New Zealand:** The New Zealand economy has also proven resilient to date, with unemployment rates continue to fall from a peak of 5.3% in the first half of 2021 declining to ~4.3% by the end of 2022.
Best Case A 100% weighting to this scenario would result in a decrease to total ECL provision on balance sheet at the reporting date of ~$16.7m	10% probability	The scenario assumes a faster removal of current restrictions and an accelerated vaccine roll out with majority of the population in the key markets **humm**group operates in, vaccinated by 1H22. We see a gradual reduction in government support programs without triggering any significant economic shocks. We see a small reduction in unemployment rates from current levels in both Australia and New Zealand. We see a sharper recovery in Europe.
Worst Case A 100% weighting to this scenario would in an increase to total ECL provision on balance sheet at the reporting date of ~$24.5m	40% probability	The downside scenario sees COVID-19 recovery more protracted with renewed lockdown measures implemented. This would see a return to recession in key markets during the forecast period. The scenario assumes households increase spending more gradually, hence resulting in a sluggish increase in activity and low consumer confidence, which in turn triggers delays in investment plans, holding off hiring decisions and laying off additional workers. Excess capacity in the labour market also impacts wage recovery. This translates to unemployment rising to peak levels experienced in the last 10 years in the key markets in which **humm**group operates. Worst case sees unemployment peaking at ~6.5% for AU and NZ. House prices would also correct sharply in this scenario. Central banks would maintain cash rates at current levels and continue quantitative easing programs. This scenario translates to higher expected credit losses than those under the current base case scenario, though the impact is still expected to be less severe than the Worst Case assumed in FY20. The assumptions in this scenario and relativities to the base case scenario will be monitored having regard to the emerging economic conditions and updated where necessary.

25. FINANCIAL RISK MANAGEMENT CONTINUED

Commercial exposures

The Group updated its baseline provision model in the year to reference external customer level origination PD data, replacing long run historical PD experience. This is deemed to be a better fit for the commercial exposures on balance sheet as the business mix has changed in recent years. Consistent with prior year, the Group individually reviews the ECL for Commercial customers showing signs of stress with exposure over $75,000 and determines a watchlist overlay provision required. The Group also considers any high-risk specific portfolio exposures and recognises ECL provision overlays based on expected outcomes over the remaining loan term.

With economic outlook improving from June 2020 and a reduction in customers on repayment relief arrangements in FY21, COVID-19 overlays have reduced. The current lockdowns being experienced in New South Wales and Victoria are triggering an increase in requests for repayment relief, but significantly less than the peak levels experienced in the first half of 2021. Arrears and losses have continued to decline compared to FY20.

As part of the work out strategy for impaired lease receivables, **humm**group has a right to recover the leased asset. For chattel mortgages **humm**group has access to the collateral equipment being financed. In certain circumstances, guarantees are also provided by Directors and Related parties to the financial arrangement.

Given the portfolio contains a large number of small accounts, it is not practical to assess the value of the collateral.

Drivers of loan impairment charge

The table below disaggregates Receivables and Customer loan impairment expense, disclosed in the Consolidated statement of comprehensive income, including both ECL provision movements and net write-offs (gross bad debt less recoveries):

Drivers of loan impairment charge

A$m	2021	2020
Net loss[1]	**88.9**	**109.0**
Macro and watchlist overlay movement	(18.9)	34.8
Hardship overlay movement	(1.5)	7.2
Model overlay movement	(1.5)	(0.4)
Baseline provision movement	(8.3)	(5.4)
ECL provision movement	**(30.2)**	36.2
Receivables and customer loan impairment expenses	**58.7**	145.2

1. Net loss comprises of gross write offs less bad debt recoveries.

ECL provision at balance date

Expected Credit Losses

The table below presents the gross exposure and related ECL allowance for each class of asset and off-balance sheet item subject to impairment requirements of AASB 9:

	As at 30 June 2021			As at 1 July 2020		
A$m	Gross	ECL allowance	Net	Gross	ECL allowance	Net
Finance lease receivables	891.9	(33.5)	858.4	662.2	(41.2)	621.0
Customer loans	1,865.1	(82.0)	1,783.1	1,919.8	(105.4)	1,814.4
Undrawn credit commitments	–	(12.5)	(12.5)	–	(11.3)	(11.3)
Total	**2,757.0**	**(128.0)**	**2,629.0**	2,582.0	(157.9)	2,424.1

Loans and receivables

The majority of the Group's lease and loan receivable balances are high volume low value lease and loan receivables advanced to individual customers and small businesses. In the vast majority of cases no externally assessed credit rating is available for these counterparties. The ECL allowance as a percentage of gross carrying amount was determined as follows:

30 June 2021

A$m	Stage 1	Stage 2	Stage 3	Total
Finance lease receivables				
Expected loss rate	2%	31%	81%	3%
Gross carrying amount	982.1	7.4	11.3	1,000.8
Loss allowance	**22.0**	**2.3**	**9.2**	**33.5**
Customer loans				
Expected loss rate	2%	44%	78%	5%
Gross carrying amount	1,872.4	57.8	29.1	1,959.3
Loss allowance	**46.7**	**25.2**	**22.6**	**94.5**

30 June 2020

A$m	Stage 1	Stage 2	Stage 3	Total
Finance lease receivables				
Expected loss rate	4%	37%	67%	6%
Gross carrying amount	714.6	9.3	18.7	742.6
Loss allowance	25.1	3.5	12.6	41.2
Customer loans				
Expected loss rate	3%	44%	73%	6%
Gross carrying amount	1,902.9	80.0	37.1	2,020.0
Loss allowance	54.7	34.8	27.2	116.7

25. FINANCIAL RISK MANAGEMENT CONTINUED

The following table explains the movement in gross carrying amount between the beginning and the end of the annual period:

A$m	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Gross carrying amount as at 1 July 2019	**2,732.6**	**60.5**	**51.3**	**2,844.4**
Movements with P&L impact				
Transfers:				
Transfer from Stage 1 to Stage 2	(65.9)	65.9	–	–
Transfer from Stage 1 to Stage 3	(21.9)	–	21.9	–
Transfer from Stage 2 to Stage 1	14.6	(14.6)	–	–
Transfer from Stage 2 to Stage 3	–	(4.9)	4.9	–
Transfer from Stage 3 to Stage 1	4.5	–	(4.5)	–
Transfer from Stage 3 to Stage 2	–	1.4	(1.4)	–
Net of new financial assets and repayments during the year	111.5	(15.5)	(13.4)	82.6
FX movements	(21.4)	(0.5)	(0.4)	(22.3)
Write-offs	(136.5)	(3.0)	(2.6)	(142.1)
Gross carrying amount as at 30 June 2020	**2,617.5**	**89.3**	**55.8**	**2,762.6**

The following table explains the changes in loss allowance between the beginning and the end of the annual period:

A$m	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Loss allowance as at 1 July 2020	**2,617.5**	**89.3**	**55.8**	**2,762.6**
Movements with P&L impact				
Transfers:				
Transfer from Stage 1 to Stage 2	(61.3)	61.3	–	–
Transfer from Stage 1 to Stage 3	(18.6)	–	18.6	–
Transfer from Stage 2 to Stage 1	28.7	(28.7)	–	–
Transfer from Stage 2 to Stage 3	–	(5.3)	5.3	–
Transfer from Stage 3 to Stage 1	9.5	–	(9.5)	–
Transfer from Stage 3 to Stage 2	–	3.1	(3.1)	–
Net of new financial assets and repayments during the year	334.5	(23.1)	5.1	316.5
FX movements	2.7	0.1	0.1	2.9
Write-offs	(58.5)	(31.5)	(31.9)	(121.9)
Gross carrying amount as at 30 June 2021	**2,854.4**	**65.2**	**40.4**	**2,960.1**

The following table explains the changes in loss allowance between the beginning and the end of the annual period:

A$m	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Loss allowance as at 1 July 2019	**66.1**	**23.6**	**33.3**	**123.0**
Movements with P&L impact				
Transfers:				
Transfer from Stage 1 to Stage 2	(1.7)	33.3	–	31.6
Transfer from Stage 1 to Stage 3	(0.7)	–	17.0	16.3
Transfer from Stage 2 to Stage 1	0.5	(7.3)	–	(6.8)
Transfer from Stage 2 to Stage 3	–	(1.8)	3.1	1.3
Transfer from Stage 3 to Stage 1	0.2	–	(4.0)	(3.8)
Transfer from Stage 3 to Stage 2	–	0.8	(1.3)	(0.5)
New financial assets originated or purchased	26.7	6.6	5.8	39.1
Changes in PDs/LGDs/EADs	(21.9)	(20.5)	4.8	(37.6)
Macro, watchlist and hardship overlays	26.4	15.6	–	42.0
FX movements	(0.4)	(0.1)	(0.2)	(0.7)
Write-offs	(15.5)	(11.8)	(18.7)	(46.0)
Loss allowance as at 30 June 2020	**79.7**	**38.4**	**39.8**	**157.9**

A$m	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Loss allowance as at 1 July 2020	**79.7**	**38.4**	**39.8**	**157.9**
Movements with P&L impact				
Transfers:				
Transfer from Stage 1 to Stage 2	(1.0)	13.7	–	12.7
Transfer from Stage 1 to Stage 3	(0.6)	–	12.7	12.1
Transfer from Stage 2 to Stage 1	0.9	(11.0)	–	(10.1)
Transfer from Stage 2 to Stage 3	–	(2.2)	4.0	1.8
Transfer from Stage 3 to Stage 1	0.3	–	(6.3)	(6.0)
Transfer from Stage 3 to Stage 2	–	1.1	(2.1)	(1.0)
New financial assets originated or purchased	28.6	7.0	2.2	37.8
Changes in PDs/LGDs/EADs	(15.8)	10.6	3.9	(1.3)
Macro, watchlist and hardship overlays	(5.5)	(14.9)	–	(20.4)
FX movements	(0.1)	–	–	(0.1)
Write-offs	(17.8)	(15.2)	(22.4)	(55.4)
Loss allowance as at 30 June 2021	**68.7**	**27.5**	**31.8**	**128.0**

25. FINANCIAL RISK MANAGEMENT CONTINUED

c. Market risk

Market risk is the risk of an adverse impact on Group earnings resulting from changes in market factors, such as interest rates and foreign exchange rates.

The Group uses interest rate swaps to hedge interest rate exposures from borrowings. Derivatives are exclusively used for hedging purposes and in no circumstances are used as trading or other speculative instruments. The Group uses forward exchange contracts to hedge foreign exchange exposure from intercompany borrowings in non-functional currencies. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate and foreign exchange risk, and ageing/credit scorecard analysis for credit risk.

Market risk management is overseen by the Risk and Compliance Committee, with day-to-day responsibility assigned to Group Treasury, under the management of the Chief Financial Officer.

i. Interest rate risk

Interest rate risk results principally from the repricing risk or differences in the repricing characteristics of the Group's receivable portfolio and borrowings.

The Group's lease receivables, chattels and customer loans consist of:

- Fixed rate consumer and commercial instalment lease contracts. The interest rate is fixed for the life of the contract. Lease contracts and chattel loans are typically originated with maturities ranging between one and five years and generally require the customer to make equal monthly payments over the life of the contract. The majority of leases and chattel loans are funded within two weeks of being settled with the rental stream discounted at a fixed rate of interest to determine the borrowing amount;
- An interest free consumer loan portfolio where the payments are fixed for the term of the loan; and/or
- Revolving credit card portfolios where the payments may vary for the term of the loan.

Borrowings to fund the receivables are predominately variable rate borrowings where the rates are reset regularly to current market rates. Interest rate risk is managed on these borrowings by entering into interest rate swaps, whereby the Group pays a fixed rate and receives a floating rate.

The contracts require settlement of net interest receivable or payable monthly. The settlement dates coincide with the dates on which interest is payable on the underlying debt. The gain or loss from remeasuring the hedging instruments at fair value is recognised in Other comprehensive income and deferred in equity in the hedging reserve, to the extent that the hedge is effective. It is reclassified into the Consolidated statement of comprehensive income if the hedging relationship ceases. In the year ended 30 June 2021, nil amounts were reclassified into profit or loss (2020: $Nil) and included in interest expenses. There was no material hedge ineffectiveness in the current or prior year.

At the end of the reporting period, the Group had the following variable rate borrowings outstanding:

A$m	Weighted average interest rate %	2021	Weighted average interest rate %	2020
Floating rate borrowings	1.93	2,404.7	2.08	2,263.6
Interest rate swaps (notional principle amount)	1.03	(1,389.0)	1.68	(1,594.1)
Unhedged variable borrowings		**1,015.7**		**669.5**

Interest rate risk sensitivity analysis

The analysis demonstrates the impact of 100 basis point change in interest rates, with all other variables held constant. A sensitivity level of +/-100 basis point change is determined considering the range of interest rates applicable to the following variable rate financial assets and financial liabilities in the Group:

A$m	2021	2020
Credit card customer loans	636.0	813.5
Cash and cash equivalents	218.2	157.5
Loss reserve on borrowings	–	26.6
Floating rate borrowings	2,404.7	2,263.6
Interest rate swaps (notional principal amount)	**(1,389.0)**	(1,594.1)

Based on the variable rate financial assets and financial liabilities held at 30 June 2021, if interest rates had changed by +/- 100 basis points from the year-end rates with all other variables held constant, the impact on the Group's after-tax profits and equity on above exposures would have been $10.3m lower/$10.3m higher (2020: $8.9m lower/$8.9m higher) and $9.7m higher/$9.7m (2020: $11.2m higher/$11.2m lower) lower respectively.

Cash flow hedges

The Group hedges a portion of the variability in future cash flows attributable to the interest rate risk on floating rate borrowings 58% (2020: 71%) using interest rate swaps. There were no forecast transactions for which cash flow hedge accounting had to be ceased as a result of the forecast transaction no longer highly probable to occur in the current or prior period.

ii. Foreign exchange risk

Foreign exchange risk results from an impact on the Group's profit after tax and equity from movements in foreign exchange rates.

Changes in value would occur in respect of translating the Group's capital invested in overseas operations into Australian dollars at the reporting date (translation risk).

Currently the Group's only material exposure to this risk arises from its investment in its New Zealand and Ireland businesses. The foreign exchange gain or loss on translation of the investment in foreign subsidiaries to Australian dollars at the end of the reporting period is recognised in Other comprehensive income and accumulated in the foreign currency translation reserve, in shareholders' equity. The Group had small investments in newly established foreign operations being the UK and Canada at 30 June 2021.

The Australian Group designated NZ$30m (2020: $Nil) of NZ$ intercompany loan in a cash flow hedge relationship, hedged with forward exchange contracts of AUD:NZ$30m, hedging foreign currency exposure.

26. FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Fair value reflects the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Quoted prices or rates are used to determine fair value where an active market exists. If the market for a financial instrument is not active, fair values are estimated using present value or other valuation techniques, using inputs based on market conditions prevailing on the measurement date.

Financial instruments measured at fair value are categorised under a three-level hierarchy as outlined below:

- **Level 1:** quoted prices (unadjusted) in active markets for identical assets or liabilities.
- **Level 2:** inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- **Level 3:** inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Group has assessed its financial instruments recorded at fair value and categorised these as per below under fair value hierarchy.

The table below summarises the carrying amount and fair value of financial assets and financial liabilities held at amortised cost. The methodology and assumptions used in determining fair values are as follows:

Cash and cash equivalents

The carrying amount of cash and cash equivalents is an approximation of fair value as they are short-term in nature or are receivable on demand.

Receivables and customer loans

The fair values of receivables and customer loans are estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group. The nominal value (including unamortised initial direct transaction costs) less estimated credit adjustments of lease receivables and customer loans are assumed to approximate their fair values.

Payables

The carrying amount of payables is an approximation of fair values as they are short-term in nature.

Borrowings and derivative financial instruments

The fair value of borrowings and derivatives are estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group.

2021

A$m	Notes	Carrying amount	Fair value
Financial assets			
Cash and cash equivalents	23	218.2	218.2
Receivables	8	870.0	870.0
Customer loans	8	1,783.1	1,783.1
Financial liabilities			
Trade and other payables	15	56.2	56.2
Borrowings[1]			
Floating interest rate[1]		2,404.7	2,404.7
Fixed interest rate		1.8	1.7
Total borrowings before loss reserves	16	**2,406.5**	**2,406.4**
Derivative financial instruments	18	**18.3**	**18.3**

1. Refer to note 25 for further information on how the Group manages its interest rate risk.

2020

A$m	Notes	Carrying amount	Fair value
Financial assets			
Cash and cash equivalents	23	157.5	157.5
Receivables	8	638.2	638.2
Customer loans	8	1,814.4	1,814.4
Financial liabilities			
Payables	15	67.3	67.3
Borrowings[1]			
Floating interest rate[1]		2,263.6	2,263.6
Fixed interest rate		58.1	46.1
Total borrowings before loss reserves	16	**2,321.7**	**2,309.7**
Derivative financial instruments	18	**38.2**	**38.2**

1. Refer to note 25 for further information on how the Group manages its interest rate risk.

Fair value hierarchy

The fair value hierarchy is determined by reference to observability of inputs into the fair value models.

a. Receivables and customer loans

Unobservable inputs such as historic and current product margins and credit risk are considered to determine the fair value. These are classified as Level 3.

b. Borrowings and derivative financial instruments

These are classified as Level 2 as the inputs into the fair value models used to determine fair value are observable. There are no Level 1 or Level 3 borrowings.

27. COMMITMENTS

hummgroup has a call centre service agreement under which it receives call centre services. At 30 June 2021, the contract had a remaining term of one and a half years with minimum spend conditions.

Additionally, in the normal course of the business at 30 June 2021 the Group has approved customer loan and lease receivable accounts, which have not been drawn at year end. Committed amounts are typically drawn within a short period of the loan or lease being approved. Refer note 17 for ECL provision for undrawn credit commitments.

28. CONTINGENT LIABILITIES

hummgroup disclosed to the market on the 9 July 2021 that it had potential historical exposure in relation to customer contracts arranged by Forum Finance, which were originated through its decommissioned managed services business between 2016 and 2018. Following the shutdown of this business the majority of these assets were sold to a third party. **humm**group may have potential exposure to the third party as part of the conditions of sale of the loans. At this point, no claim has been lodged against **humm**group and the amount of any potential exposure cannot be reliably measured.

On 10 January 2020 FlexiRent Capital Pty Limited ("FlexiRent") commenced action before the Supreme Court of NSW against M2 Commander Pty Limited ("Commander") in relation to historical alleged breaches by Commander under a commercial program agreement entered between the parties on 17 September 2010. Under the terms of the program agreement, Commander and its dealers were able to request that FlexiRent purchase certain office equipment and lease it to third parties. A defence and counterclaim was filed by Commander on 28 June 2021. The parties anticipate that a mediation will occur in this matter during September 2021. The potential outcomes and total costs associated with this matter remain uncertain.

hummgroup and its wholly owned consumer leasing subsidiary FlexiRent, have resolved the matters with AFCA, previously disclosed in the 2020 Annual Report, in relation to historic responsible lending practices and the liquidation of Viewble Media Pty Ltd.

Other than the matters outlined above, the Group does not have any further material contingent liabilities.

29. INSURANCE

The Group conducts insurance business through its controlled entity in New Zealand, Consumer Insurance Services Limited ("CISL"). CISL's primary insurance activities are the development, underwriting and management of non-life insurance products under *The Insurance (Prudential Supervision) Act 2010*. The non-life insurance products are in respect of Payment Protection. The solvency capital of CISL was NZ$4.3m at 30 June 2021 (A$4.0m) (2020: NZ$4.6m (A$4.3m)), greater than the minimum required solvency capital of NZ$3.0m (A$2.8m) (2020: NZ$3.0m (A$ 2.8m)). The insurance business of CISL comprises less than one percent of the total assets of the Group. No new products have been sold or renewed since June 2019.

30. INVESTMENTS IN SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities and results of the following controlled entities in accordance with the accounting policy described in note 1:

			Percentage of shares/units	
Entity name	**Footnote**	**Country of incorporation**	**2021**	**2020**
humm BNPL Pty Ltd	2,4	Australia	**100%**	100%
The Trustee for Flexi ABS Trust 2010-2		Australia	**100%**	100%
The Trustee for Flexi ABS Trust 2015-1		Australia	**100%**	100%
The Trustee for Flexi ABS Trust 2015-2	3	Australia	**100%**	100%
Flexi ABS Trust 2016-1		Australia	**100%**	100%
The Trustee for Flexi ABS Trust 2017-1		Australia	**100%**	100%
The Trustee for Flexi ABS Trust 2018-1		Australia	**100%**	100%
The Trustee for Flexi ABS Trust 2019-1		Australia	**100%**	100%
The Trustee for Flexi ABS Trust 2019-2		Australia	**100%**	100%
The Trustee for Flexi ABS Trust 2020-1		Australia	**100%**	–
The Trustee for flexicommercial ABS Trust 2021-1		Australia	**100%**	–
The Trustee for humm ABS Trust 2021-1		Australia	**100%**	–
The Trustee for Flexi ABS Warehouse Trust No.2		Australia	**100%**	100%
The Trustee for Flexi ABS Warehouse Trust No.3		Australia	**100%**	100%
flexicommercial pty ltd	5	Australia	**100%**	–
The Trustee for FlexiGroup Employee Share Plan Trust		Australia	**100%**	100%
FlexiGroup Management Pty Limited		Australia	**100%**	100%
FlexiGroup SubCo Pty Limited	2	Australia	**100%**	100%
humm global pty limited	2,6	Australia	**100%**	100%
Flexirent Horizon SPV Pty Ltd		Australia	**100%**	100%
Flexirent SPV Number 2 Pty Ltd		Australia	**100%**	100%
Flexirent SPV Number 4 Pty Ltd		Australia	**100%**	100%
FlexiRent Capital Pty Ltd	2	Australia	**100%**	100%
FlexiRent SPV Number 7 Pty Ltd	3	Australia	**100%**	100%
Flexirent SPV Number 8 Pty Ltd	3	Australia	**100%**	100%
humm cards pty ltd	2,7	Australia	**100%**	100%
The Trustee for Helix Trust		Australia	**100%**	100%
The Trustee for Lighthouse Warehouse Trust No.9		Australia	**100%**	100%
The Trustee for Lombard Warehouse Trust No.1		Australia	**100%**	100%
Once Credit Pty Limited	2	Australia	**100%**	100%
OxiPay Pty Ltd		Australia	**100%**	100%
RentSmart Finance Limited	2,3	Australia	**100%**	100%
RentSmart Pty Ltd	2,3	Australia	**100%**	100%
RentSmart Servicing Pty Ltd	2,3	Australia	**100%**	100%
The Trustee for the RentSmart Unit Trust	3	Australia	**100%**	100%
SmartCheck Pty Ltd	2,3	Australia	**100%**	100%

30. INVESTMENTS IN SUBSIDIARIES CONTINUED

Entity name	Footnote	Country of incorporation	Percentage of shares/units 2021	2020
The Trustee for ThinkSmart Trust	3	Australia	**100%**	100%
humm pro pty ltd	8	Australia	**100%**	100%
FlexiFi Europe Limited		Ireland	**100%**	100%
FlexiFi Europe Holdings Limited		Ireland	**100%**	100%
Flexirent Ireland Limited		Ireland	**100%**	100%
FlexiFi Europe Services Limited		Ireland	**100%**	100%
Flexi Orlaigh SPV DAC	1	Ireland	**–**	–
bundll (NZ) limited (established 6 July 2021)		New Zealand	**100%**	–
Columbus Financial Services Limited		New Zealand	**100%**	100%
Columbus Trust		New Zealand	**100%**	100%
Consumer Finance Limited		New Zealand	**100%**	100%
Consumer Insurance Services Limited		New Zealand	**100%**	100%
humm (NZ) limited	9	New Zealand	**100%**	100%
flexicommercial limited	10	New Zealand	**100%**	–
Flexi Finance Limited		New Zealand	**100%**	100%
Flexi Financial Services Limited		New Zealand	**100%**	100%
FlexiGroup (New Zealand) Limited		New Zealand	**100%**	100%
FlexiGroup NZ SPV1 Limited		New Zealand	**100%**	100%
FlexiGroup NZ SPV2 Limited		New Zealand	**100%**	100%
FlexiGroup NZ SPV3 Limited		New Zealand	**100%**	100%
humm pro limited	11	New Zealand	**100%**	–
Q Card Trust		New Zealand	**100%**	100%
Retail Financial Services Limited		New Zealand	**100%**	100%
RFS Trust 2016-1		New Zealand	**100%**	100%
TRL Leasing Limited	12	New Zealand	**100%**	100%
Humm Group Limited	13	United Kingdom	**100%**	–
Humm Group Limited	14	Canada	**100%**	–

1. hummgroup consolidates the entity by nature of its interest in the risks and rewards of the entity.
2. These controlled entities have entered into a deed of cross guarantee (refer note 33) with the Company pursuant to ASIC Class order 98/1418 dated 13 August 1998. These controlled entities and the Company form a closed group (closed group is defined as a group of entities comprising a holding entity and its related wholly owned entities). Relief was granted to these controlled entities from the *Corporations Act 2001* requirements for preparation, audit and publication of an Annual Financial Report.
3. These are in the process of being wound up.
4. Name changed from Certegy Ezi-Pay Pty Ltd effective 12 July 2021.
5. Established 25 September 2020, name change from FlexiGroup Commercial Pty Ltd effective 4 March 2021.
6. Name change from FlexiGroup Australia Holdings Pty Limited effective 12 March 2021.
7. Name change from Flexicards Australia Pty Ltd effective 13 October 2020.
8. Name change from wiired (Australia) Pty Ltd effective 16 October 2020.
9. Name change from Flexi Cards Limited effective 31 May 2021.
10. Established 2 October 2020, name changed from FlexiGroup Commercial Limited effective 18 May 2021.
11. Name change from wiired (NZ) limited effective 30 September 2020.
12. Amalgamated with flexicommercial limited effective 13 August 2021.
13. Incorporated in the United Kingdom (Northern Ireland) 8 January 2021.
14. Incorporated in Canada 8 December 2020.

31. KEY MANAGEMENT PERSONNEL DISCLOSURES

a. Directors

The following persons were Directors of **humm**group during the financial year:

Andrew Abercrombie	Non-Executive Director and Chairman
Christine Christian AO	Non-Executive Director and Deputy Chairman
Rajeev Dhawan	Non-Executive Director
Jodie Leonard (retired 19 November 2020)	Non-Executive Director
Carole Campbell	Non-Executive Director
John Wylie AM	Non-Executive Director
Alistair Muir (appointed 31 March 2021)	Non-Executive Director

b. Other Key Management Personnel

KMP in the current year

The following persons had authority and responsibility for planning, directing and controlling the activities of the Group during the financial year:

Rebecca James	Chief Executive Officer
Chris Lamers	Chief Customer Growth Officer and Deputy Group Chief Executive Officer
Jason Murray[1]	Chief Financial Officer (appointed 9 July 2020)

1. Stepped down as CFO effective 18 July 2021 and will cease employment with **humm**group on 3 September 2021.

c. Key Management Personnel compensation

A$	2021	2020
Short-term employee benefits	3,951,907	2,730,275
Post-employment benefits	173,527	131,737
Long-term benefits	30,380	–
Share-based payments	127,691	271,717
Total	**4,283,505**	3,133,729

Further remuneration disclosures are provided in section 10.2 of the Remuneration Report on pages 44-64.

d. Other transactions with related parties

Rental of Melbourne premises

FlexiRent Capital Pty Limited has rented premises in Melbourne owned by entities associated with Mr Andrew Abercrombie. The rental arrangements for these premises are based on market terms.

A$	2021	2020
Rental expense for premises[1]	**237,776**	185,866

1. Notice of termination of lease was provided by FlexiRent Capital Pty Limited on 6 July 2021, effective 6 October 2021.

31. KEY MANAGEMENT PERSONNEL DISCLOSURES CONTINUED

Other investments carried at FVTOCI

Mr Andrew Abercrombie and Mr Alistair Muir, Directors of humm group limited, held minority interests in Douugh Limited, an ASX listed fintech, which humm group limited also held a minority interest in. Refer note 11.

Director shareholdings in hummgroup

John Wylie, Director of **humm**group is Chairman of Tanarra Capital Pty Limited, which holds 27,321,525, 5.5% interest in **humm**group's total shares on issue.

Refer section 10.6 of the Remuneration Report for other Directors and KMP shareholdings in **humm**group.

32. RELATED PARTY TRANSACTIONS

a. Parent entity

The parent entity of the Group is humm group limited.

b. Subsidiaries and associate

Interests in Group entities are set out in note 30.

c. Transactions with related parties

Refer note 31(d) for disclosure of transactions with related parties.

33. REMUNERATION OF AUDITORS

During the year the following fees were paid or payable for services provided by the auditor of the parent entity and its related parties.

a. Audit and assurance services

A$	2021	2020
Audit services		
PricewaterhouseCoopers ("PwC") Australian firm:		
Audit and review of financial statements	1,270,680	1,000,179
Related practices of PwC Australian firm	198,741	358,179
Other statutory assurance services	152,000	–
Total remuneration for audit and assurance services	**1,621,421**	1,358,358

b. Non-audit services

A$	2021	2020
Taxation services		
PwC Australian firm:		
Tax compliance and advice on transactions	72,400	77,234
Related practices of PwC Australian firm	80,256	302,651
Other assurance services		
PwC Australian firm	–	4,590
Total remuneration for audit and assurance services	**1,774,077**	1,742,834

It is the Group's policy to employ PwC on assignments additional to its statutory audit duties where PwC's expertise and experience with the Group are important. These assignments are principally regulatory audits, procedures performed as part of completing funding agreements, tax advice and due diligence reporting on acquisitions, or where PwC is awarded assignments on a competitive basis.

34. CLOSED GROUP

The table below presents the Consolidated pro forma statement of Comprehensive income and Statement of financial position for the Company and controlled entities, which are party to the deed of cross guarantee (referred to as a closed group). For further information, refer note 30, footnote 2. The effects of transactions between entities to the deed are eliminated in full in the Consolidated statement of comprehensive income and statement of financial position.

a. Statement of comprehensive income

A$m	2021	2020
Interest income	12.6	7.6
Interest expense	(1.9)	(4.2)
Other portfolio income	61.5	44.3
Dividend income	42.4	344.5
Net operating income	**114.6**	392.2
Employment expenses	(55.7)	(64.5)
Loan impairment expenses	(6.5)	(25.4)
Other intangible assets impairment	–	(1.0)
Depreciation and amortisation	(13.7)	(11.4)
Operating and other expenses	(55.8)	(33.5)
Profit before income tax	**(17.1)**	256.4
Income tax expense	17.9	26.4
Profit for the year	**0.8**	282.8
Other comprehensive income		
Items that may be reclassified to profit or loss		
Changes in the fair value of cash flow hedges, net of tax	–	0.1
Items that will not be reclassified to profit and loss		
Changes in the fair value of investment carried at fair value through other comprehensive income, net of tax	(1.4)	–
Other comprehensive (loss)/income for the year, net of tax	**(1.4)**	0.1
Total comprehensive (loss)/income for the year	**(0.6)**	282.9

b. Statement of financial position

A$m	2021	2020
Assets		
Cash and cash equivalents	68.4	7.3
Inventories	0.2	0.8
Receivables and customer loans	91.7	32.2
Current tax asset	12.4	–
Investment in associate	9.6	14.3
Plant and equipment	10.7	7.5
Goodwill	49.6	49.6
Other intangible assets	51.4	51.0
Deferred tax asset	5.5	14.9
Other financial assets	218.5	342.7
Total assets	**518.0**	520.3

A$m	2020	2019
Liabilities		
Payables	18.5	60.7
Borrowings	–	67.3
Provisions	6.2	5.0
Total liabilities	**24.7**	133.0
Equity		
Contributed equity	503.5	392.6
Reserves	(0.6)	0.8
Retained profits/(accumulated losses)	(9.6)	(6.1)
Total equity	**493.3**	387.3

35. PARENT ENTITY FINANCIAL INFORMATION

a. Summary financial information

The parent entity financial information is presented as follows:

A$m	2021	2020[1]
Balance sheet		
Non-current assets	760.7	667.7
Total assets	**760.7**	667.7
Current liabilities	1.6	53.3
Non-current liabilities	–	27.9
Total liabilities	**1.6**	81.2
Net assets	**759.1**	586.5
Issued share capital	913.6	801.0
Share-based payment reserve	5.1	4.9
Hedge Reserve of Net Investment	(2.1)	(2.0)
Accumulated losses	(157.5)	(217.4)
Shareholders' equity	**759.1**	586.5
Profit for the year	64.1	49.7
Exchange differences on hedged net investment	(0.1)	(0.6)
Total comprehensive income	**64.0**	49.1

1. In the prior year $32.6m of share capital has been restated to recognise all share capital issued sine initial public offering in the parent entity, humm group limited. This was previously booked in other entities in the Group and have been transferred via intercompany receivables. As all transactions between humm group limited and other entities in the Group are recognised via intercompany investment or intercompany receivables and payables, and the net assets of the parent entity cannot exceed the net assets of the Group, and a corresponding adjustment is recognised as impairment of investments in subsidiaries through Accumulated losses. The reclasses occurred prior to 30 June 2020, hence no change to Profit for the current and prior year.

b. Guarantees entered into by the parent entity

Pursuant to Australian Securities and Investment Commission Class Order 98/1418 dated 13 August 1998, relief was granted to certain controlled entities (note 30, footnote 2) from the *Corporations Act 2001* requirements for preparation, audit and publication of annual financial reports. It is a condition of the Class Order that the Company and each of the controlled entities are party to a deed of cross guarantee. The effect of the deed is that the Company guarantees to each creditor payment in full of any debt in the event of winding up of any of the controlled entities under certain provisions of the *Corporations Act 2001*.

No liability was recognised by the parent entity or the consolidated entity in relation to the above guarantee as the fair value of the guarantee is immaterial.

c. Contingent liabilities and contractual commitments of the parent entity

Other than as head entity of the tax consolidated group, disclosed in note 7, the parent entity has no contingent liabilities or contractual commitments as at 30 June 2021 (2020: $Nil).

d. Dividend income

The parent entity did not receive any dividend income from subsidiaries in the current year (2020: $295m).

e. Impairment of Investments in subsidiaries

The net assets of the parent entity were assessed against the recoverable amount of the consolidated Group's net assets and impairment reversal of $58.4m was recognised in the year (2020: net impairment of $3.4m, comprising of impairment in relation to intercompany loans relating prior years of $247.3m, offset by reversal of impairment of $244m).

f. Going concern considerations

The parent entity is a going concern. The Group has undrawn corporate debt facilities of $110m at 30 June 2021 (2020: $130.4m) and sufficient working capital and cash flows in order to fund all requirements arising from the net current assets deficiency of the parent entity of $1.6m (2020: $53.3m).

36. SECURITISATION AND SPECIAL PURPOSE VEHICLES

The Group sells receivables and customer loans to securitisation vehicles through its asset-backed securitisation programs and other special purpose vehicles. The securitisation and special purpose vehicles are consolidated as set out in note 30, as the Group is exposed or has rights to variable returns and has the ability to affect its returns through its power over the securitisation and special purpose vehicles. The Group may serve as a sponsor, servicer, manager, liquidity provider, purchaser of notes and/or purchaser of residual interest and capital units with respect to these securitisations and special purpose vehicles.

The table below presents assets securitised and the underlying borrowings as a result of the securitisations.

A$m	2021	2020
Receivables	795.4	576.9
Customer loans	1,724.0	1,814.9
Cash held by securitisation vehicles	110.6	143.0
Total	**2,630.0**	2,534.8
Borrowings related to receivables and customer loans	2,406.5	2,228.4

37. CHANGE IN ACCOUNTING POLICY

a. Capitalisation of SaaS

The Group previously capitalised costs incurred in configuring or customising SaaS arrangements as intangible assets, as the Group considered that it would benefit from those costs to implement the SaaS arrangements over the useful life and contract and expected renewable term of the arrangements. Following the IFRS Interpretations Committee agenda decision on Configuration or Customisation Costs in a Cloud Computing Arrangement in March 2021, the Group has reconsidered its accounting treatment and adopted the treatment set out in the IFRS IC agenda decision, which is to recognise those costs as intangible assets only if the implementation activities create an intangible asset that the entity controls and the intangible asset meets the recognition criteria. Costs that do not result in intangible assets are expensed as incurred, unless they are paid to the suppliers of the SaaS arrangement to significantly customise the cloud-based software for the group, in which case the costs are recorded as a prepayment for services and amortised over the expected renewable term of the arrangement.

As a result of this change in accounting policy, the Group has determined that costs incurred up to 30 June 2021 totalling $13.4m, relating to the implementation of SaaS arrangements would need to be expensed when they were incurred, as the amounts were paid to third parties and employees of the Group who did not create intangible assets for the Group. In addition the Group also reclassified costs of $4.3m, from intangible assets to prepayments, paid to the suppliers of the SaaS arrangements to significantly customise the cloud-based software for the Group.

37. CHANGE IN ACCOUNTING POLICY CONTINUED

The change in policy has been applied retrospectively and comparative information has been restated. This had the following impact on the amounts recognised in the financial statements:

Consolidated statement of financial position (extract)

A$m	2021	2020	2019
Intangible assets	(13.4)	(11.5)	(13.9)
Receivables	4.3	–	–
Deferred tax assets	2.7	3.4	4.1
Retained earnings	(6.4)	(8.1)	(9.8)

Consolidated statement of comprehensive income (extract)

A$m	2021	2020
Amortisation of intangible assets	(2.4)	(2.4)
Income tax expense	0.7	0.7
Profit after tax	**1.7**	1.7

The impact of the above change increased the basic EPS by 3 cents (2020: 3 cents) and diluted EPS by 3 cents (2020: 3 cents).

The accounting policy change did not impact actual cash outflows of the Group, disclosed in the Cash flow statement, but modified the non-cash items disclosed in note 23 due to reduced depreciation expense and associated income tax.

b. Hedge accounting

The Group adopted AASB 9 Financial Instruments for hedge accounting effective 1 July 2020. The new hedge accounting model prescribed by this standard more closely aligns hedge accounting with risk management activities. The adoption of this standard did not have a material impact on the financial statements.

38. EVENTS OCCURRING AFTER THE REPORTING PERIOD

As at the date of this report the Directors are not aware of any matter or circumstance that has arisen since 30 June 2021 that has significantly affected, or may significantly affect:

- The Group's operations in future financial years; or
- The results of those operations in future financial years; or
- The Group's state of affairs in future financial years.

INDEPENDENT AUDITOR'S REPORT.

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Independent auditor's report

To the members of humm group limited

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of humm group limited (the Company) and its controlled entities (together the Group) is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 30 June 2021 and of its financial performance for the year then ended

(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The Group financial report comprises:

- the consolidated statement of financial position as at 30 June 2021
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information
- the directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

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

Independence

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Group, its accounting processes and controls and the industry in which it operates.

Materiality	Audit scope
• For the purpose of our audit we used overall Group materiality of $3,950,000, which represents approximately 5% of the Group's profit before tax. • We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole. • We chose Group profit before tax because, in our view, it is the benchmark against which the performance of the Group is most commonly measured. • We utilised a 5% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds.	• Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events. • The Group is principally involved in the provision of finance to consumers and businesses. The accounting processes are structured around the Group's finance function at its Sydney head office.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context. We communicated the key audit matters to the Audit and Risk Committee.

Key audit matter	How our audit addressed the key audit matter
Provision for doubtful debts for receivables and customer loans (Refer to notes 8 and 25.b of the financial statements) This was a key audit matter because the determination of the provision under Australian Accounting Standard AASB 9 *Financial Instruments* (AASB 9) was driven by subjective judgements made by the Group in predicting expected credit losses (ECL). The impacts of the ongoing COVID-19 pandemic on economic and financial market remains uncertain, additional judgement was exercised by the Group in calculating the ECL. The majority of the receivables and customer loans balances were low value and therefore the provision was modelled and calculated on a collective basis. Key elements in determining the collective provision for doubtful debts under AASB 9 include: • Judgements applied in determining exposures that have had a significant increase in credit risk, which is assessed by the Group based on the delinquency or qualitative factors. • Judgements applied in setting the assumptions used in the ECL models, such as the probability of default (PD) and loss given default (LGD). • Judgements applied in implementing changes and refinement of collective provision models. • Judgements applied in assessing the impact of COVID-19 on expected losses of the Group's receivables. • Judgements applied in developing macroeconomic scenarios, use of forward looking information and their associated weightings given the wide range of potential economic outcomes and ongoing impacts from COVID-19 that may impact the future ECL. • Other post-model adjustments included to reflect emerging trends or particular situations	We have performed the following procedures, amongst others: • Together with PwC credit modelling experts, assessed the appropriateness of conclusions reached by the Group from model monitoring performed on key models. This included assessment of key model components and also replication of certain tests within the model monitoring performed. • Together with PwC credit modelling experts, examined and assessed the ECL model developed by the Group in considering the significant assumptions supporting the ECL against the requirements of AASB 9, focussing on changes and new developments. • Assessed the integrity of data used as inputs into the models by tracing a sample of inputs used in the models to source systems and calculations. • Together with PwC credit modelling experts, assessed the appropriateness of the COVID-19 overlays by assessing the methodology adopted by the Group, the reasonableness of the scenarios weightings, mathematical accuracy of the calculation and accuracy of key input data on a sample basis. • Together with PwC credit modelling experts, assessed the appropriateness of forward-looking information incorporated into the ECL calculations by assessing the reasonableness of the forecasts, assumptions and probability weightings applied in the multiple economic scenarios, and comparing on a sample basis against supporting evidence where applicable. • Assessed the other post-model adjustments in the context of key model and data limitations identified by the Group, considered their rationale and recalculated, where applicable. • For a sample of receivables which were identified and provisioned for individually,

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Key audit matter	How our audit addressed the key audit matter
which are not otherwise captured by the ECL model. Judgement is also applied by the Group in identifying certain Commercial exposures where subjective judgements are required to determine an individually assessed provision, separate to the collectively assessed provision.	considered the basis of measuring the individually assessed provisions by considering the latest information available to the Group. • Assessed the reasonableness of the Group's disclosures in the financial report in light of the requirements of Australian Accounting Standards.
Revenue recognition (Refer to note 4 and 5 of the financial statements) The Group has two main streams of revenue: interest income and fee and other income. This was a key audit matter because of the significance of interest income and fee and other income in the context of the profit of the Group.	We performed the following procedures, amongst others: • Re-performed the automated calculation of interest income on a sample basis. • Compared the balances between the product systems and the general ledger as of 30 June 2021. • Inspected and compared certain contract data inputs contained in the product system to the signed contract for a sample of finance leases. • For a sample of customer loans, compared the income recognised to the relevant signed contract, bank statements or other relevant supporting documentation.
Valuation of goodwill (Refer to note 13 of the financial statements) This was a key audit matter because the carrying value of goodwill was material for the Group and the determination of their recoverable amounts was impacted by subjective judgements and assumptions. The recoverable amount of goodwill was determined through a 'value in use' valuation model based on the Group's cash flow forecasts from the latest board approved business plans for each cash generating unit ("CGU"). • The most significant judgements related to the discount rate applied together with the key assumptions supporting the underlying forecast cash flows, in particular, the forecast revenues and expenses, long-term growth rate and cost of equity capital.	We inspected the Group's impairment analysis for all CGUs disclosed in note 13 of the financial statements and developed an understanding of the process by which they were developed. Together with PwC valuation experts, we assessed the appropriateness of the value in use ("ViU") model by performing the following procedures, amongst others: • Assessed the methodology used in the model is consistent with ViU approach and the requirements of Australian Accounting Standards. • Checked selected calculations for mathematical accuracy of valuation models. • Compared forecast cashflows used in the model to budgets approved by the Board • Assessed significant assumptions and, where relevant, compared them to available market data.

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Key audit matter	How our audit addressed the key audit matter
	We assessed the reasonableness of the Group's disclosures in the financial report in light of the requirements of Australian Accounting Standards.
IT general controls The Group is dependent on its IT systems for the processing and recording of significant volumes of transactions. This was a key audit matter because a number of key financial controls are related to IT systems and automated controls. Access rights to technology are important because they are intended to ensure changes to applications and data are appropriately implemented and authorised. Ensuring staff have appropriate access to IT systems and that access is monitored are key controls in mitigating the potential for fraud or error as a result of underlying changes to an application or data.	We evaluated the design and implementation of IT general controls, which included assessing: • The technology control environment: the governance processes and controls used to monitor and enforce control consciousness throughout the Group's technology teams. • Change management: the processes and controls used to develop, test and authorise changes to the functionality and configurations within systems. • Security: the access controls designed to enforce segregation of duties or evaluate that data is only changed through authorised means. • IT operations: the controls over key operations are used to assess that any issues that arise are managed appropriately. We have noted design issues with the controls around managing and monitoring access which impact our ability to rely on the key financial systems relevant to our audit approach. We carried out further tests of detail to evaluate the accuracy of selected calculations and the correct generation of certain reports.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2021, but does not include the financial report and our auditor's report thereon. Prior to the date of this auditor's report, the other information we obtained included About hummgroup, Review of Operations, Corporate Governance Principles and Recommendations, Directors' Report and Shareholder Information. We expect the remaining other information to be made available to us after the date of this auditor's report.

Our opinion on the financial report does not cover the other information and we do not and will not express an opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the other information not yet received, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and use our professional judgement to determine the appropriate action to take.

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 15 to 35 of the directors' report for the year ended 30 June 2021.

In our opinion, the remuneration report of humm group limited for the year ended 30 June 2021 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of *the Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

PricewaterhouseCoopers

PricewaterhouseCoopers

M. Laithwaite

Marcus Laithwaite
Partner

Sydney
19 August 2021

DIRECTORS' DECLARATION.

In the Directors' opinion:

a. The financial statements and notes set out on pages 72 to 142 are in accordance with the *Corporations Act 2001*, including:
   (i) complying with the Accounting Standards, the Corporations Regulations 2001, and other mandatory professional reporting requirements; and
   (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2021 and of its performance for the financial year ended on that date; and

b. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due and payable; and

c. At the date of this declaration, there are reasonable grounds to believe that the members of the closed group identified in note 30 will be able to meet any obligations or liabilities which they are, or may become, subject to by virtue of the deed of cross guarantee referred to in note 34.

Note 1 confirms that the financial statements also comply with the International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declaration by the Chief Executive Officer and Chief Financial Officer as required by s295A of the *Corporations Act 2001*.

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

Andrew Abercrombie
Chairman
Sydney

19 August 2021

SHAREHOLDER INFORMATION.

The shareholder information set out below was applicable as at 2 August 2021.

A. DISTRIBUTION OF EQUITY SECURITIES

Range	Number of holders	Number of shares	% of issued shares
1 to 1,000	5,449	3,283,785	0.7
1,001 to 5,000	6,527	17,980,123	3.6
5,001 to 10,000	2,552	19,985,988	4.0
10,001 to 100,000	3,082	85,104,246	17.2
100,001 and over	274	368,914,176	74.5
Total	**17,884**	**495,268,318**	**100.0**

There were 2,466 holders of less than a marketable parcel of ordinary shares.

B. EQUITY SECURITY HOLDERS

The names of the 20 largest holders of quoted equity securities are listed below:

	Ordinary Shares	
	Number of shares	% of issued shares
The Abercrombie Group Pty Ltd	66,683,314	13.46
HSBC Custody Nominees (Australia) Limited	51,395,349	10.38
J P Morgan Nominees Australia	43,734,354	8.83
Tefig Pty Ltd	32,662,227	6.59
Citicorp Nominees Pty Limited	30,803,278	6.22
BNP Paribas Noms Pty Ltd	19,140,515	3.86
National Nominees Limited	17,237,115	3.48
Tamorer Pty Ltd	10,986,790	2.22
UBS Nominees Pty Ltd	4,175,353	0.84
Behan Superannuation Pty Ltd	3,400,000	0.69
Brazil Farming Pty Ltd	3,313,709	0.67
HSBC Custody Nominees (Australia) Limited	3,206,032	0.65
BNP Paribas Nominees Pty Ltd	2,924,663	0.59
Brispot Nominees Pty Ltd	2,601,878	0.53
Nikesh Patel Pty Ltd	2,356,329	0.48
Investment Op No.1 Pty Ltd	2,011,395	0.41
B & R James Investments	2,000,000	0.40
Jakel Investments Pty Ltd	1,565,715	0.32
Mr Christopher John Francis	1,445,000	0.29
Mr Brendan Charles Behan & Mrs Dawn Helen Behan	1,385,000	0.28
Total	**303,028,016**	**61.19**

Unquoted equity securities

	Number on issue	Number of holders
Unissued ordinary shares of humm group limited subject to performance rights and options	9,796,008	19

The Company has no other unquoted equity securities.

C. SUBSTANTIAL HOLDERS

Substantial holder in the Company is set out below:

	Number held	Percentage %	Date of notice
The Abercrombie Group Pty Ltd	66,683,314	13.46%	12 May 2021
Tefig Pty Ltd	32,368,483	6.59%	12 May 2021
Tanarra Capital Australia Pty Ltd	27,321,525	5.52%	23 March 2021

Note: As disclosed in substantial holding notices provided to the Company.

D. VOTING RIGHTS

The voting rights attaching to equity securities are set out below:

a. Ordinary shares

On a show of hands, every member present at a meeting in person or by proxy and entitled to vote shall have one vote and upon a poll, each share shall have one vote.

b. Options, performance rights and subordinated perpetual notes

No voting rights.

CORPORATE DIRECTORY.

> BOARD OF DIRECTORS

Andrew Abercrombie (Chair)
Christine Christian AO (Deputy Chair)
Rajeev Dhawan
Carole Campbell
John Wylie AM
Alistair Muir (from 31 March 2021)
Jodie Leonard (retired 19 Nov 2020)

> COMPANY SECRETARIES

Isobel Rogerson
Belinda Hannover (from 28 July 2021)

> NOTICE OF ANNUAL GENERAL MEETING

The Annual General Meeting of humm group limited will be held as a virtual meeting on Thursday 18 November 2021 at 4:00pm (AEDT). Further details will be provided in the Notice of Meeting, scheduled for release on Tuesday 19 October 2021.

> PRINCIPAL REGISTERED OFFICE IN AUSTRALIA

humm group limited

Level 1
121 Harrington Street
The Rocks
Sydney NSW 2000
Australia

> SHARE REGISTRY

Link Market Services Limited

Level 12
680 George Street
Sydney NSW 2000
Australia

> AUDITOR

PricewaterhouseCoopers

One International Towers
Watermans Quay
Barangaroo NSW 2000
Australia

> BANKERS

Australia and New Zealand Banking Group

> AUSTRALIAN SECURITIES EXCHANGE LISTING

humm group limited shares are listed on the Australian Securities Exchange under the code HUM

> WEBSITE

shophumm.com

shophumm.com