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HUMM GROUP LIMITED
ANNUAL REPORT 2023

FOR THE YEAR ENDED 30 JUNE 2023
humm Group Limited
ABN 75 122 574 583

CONTENTS

CHAIRMAN'S LETTER

Dear Shareholders

FY23 followed a difficult period with 2 years of COVID lockdowns and a failed corporate transaction. However, **humm**group has successfully navigated the ongoing challenges and complexity of the last 12 months taking proactive steps to ensure that the business is well positioned as we embark on financial year 2024. Our profitable and diversified business model is a key differentiator from those in the industry that were simply the beneficiaries of a benign and low-cost funding environment, and the "BNPL" fad.

humm (trading as **flexicommercial**®) is also winning market share in our Commercial business, as SME Asset Finance continues to shift from the banks to the broker channel.

This disruptive period has confirmed the merit of our strategy to focus on larger transactions in the SME and Consumer sectors, ensuring that we are in the strongest position to continue to grow in a profitable and competitive manner despite significant macroeconomic headwinds.

We have continued to expand our funding platform with strong support from Banks and Investment Managers. We have substituted mezzanine debt into the warehouse facilities, thereby optimising access to our capital and releasing it back to the Company to fund receivables growth.

Our interim results in February saw the introduction of Normalised cash profit (after tax). The Board and management believe this metric more closely represents cash performance and eliminates volatility from non-cash items, particularly depreciation and movement in AASB9 provision, given the material receivables growth that is occurring in the business. To ensure transparency and consistency for our investors, we have included a reconciliation to our previous metric, Cash Net Profit After Tax ("Cash NPAT").

Normalised cash profit (after tax) was $75.0m, slightly down on last year's result with Cash NPAT of $24.1m a reduction of 53% to the prior year.

The business has continued to invest and enhance its superior credit decision engine during the year, which delivered a net loss to ANR of just 1.8% in FY23, a 60 basis points ("bps") improvement on the prior year.

Capital Management

hummgroup determined a fully franked final dividend of 1.0 cent per share, bringing the FY23 dividend to 2.0 cents per share. We will continue to pay dividends where there is sufficient capital and liquidity to fund growth, with the target range of 30%–40% of Free Cash Flow. The Company will conduct an on-market share buy-back of up to $10.0m in capital in FY24, subject to market conditions and will be buying shares on market to satisfy the FY23 equity grant and executive long-term incentive plans.

Our balance sheet position is strong and remains one of our key differentiators in the market, with $112m of unrestricted cash, $983m in warehouse headroom and a well-diversified and sophisticated funding platform.

Board and Management Changes

After almost five years leading **humm**group, Rebecca James advised the Board of her intention to step down as Chief Executive Officer to take up a new job opportunity in New Zealand, in order to be closer to family.

On behalf of the Board, I would like to sincerely thank Rebecca for her significant contribution to the business, and I am personally very grateful to her for her leadership, resilience, and strength of character through a period of unprecedented challenge.

In a seamless transition, **humm**group appointed Stuart Grimshaw, a non-Executive Director of the Board, to the role of Managing Director and Chief Executive Officer, effective 1 June 2023. Stuart brings a wealth of financial services experience and expertise to the role, and we are confident that he will continue to drive the Company's success in the years ahead.

Mr Grimshaw has been a member of the **humm**group Board since June 2022, bringing over 35 years of experience in the financial services sector. With an impressive track record in the banking and finance industry, including CEO of the Bank of Queensland from 2012 to 2014 and Executive Chairman (and then Managing Director and Chief Executive Officer) of EZCorp, he is ideally positioned to lead **humm**group in its next phase of growth and development.

During the first quarter of FY23 we welcomed to the Board Mr Anthony Thomson, Mr Robert Hines and Ms Terry Fleming as independent Non-Executive Directors of **humm**group. Mr Thomson has a deep and extensive background in financial services in both Australia and the United Kingdom, most notably as Co-Founder and Chairman of neo bank 86 400 which was acquired by National Australia Bank in 2021. Mr Hines brings over 35 years' experience in banking, finance and funds management services, agriculture and energy sectors with senior executive roles focusing on finance, retail and operations. Ms Fleming was a tax consultant with PWC, has broad corporate experience and has been the Chair of Humm's Irish Board for seven years.

I welcome Anthony, Robert, Terry and Stuart to the team and look forward to working closely with them over the coming years.

Outlook

hummgroup is well positioned to navigate the current economic environment, with a strong balance sheet, profitable products and leading credit capabilities. As a business that provides finance in both regulated and unregulated segments, **humm**group is ready to lead the industry, following the proposed introduction of new responsible lending requirements for buy now pay later companies.

I am resolute in my belief that the hard work done over prior years has positioned the Company to grow profitably as we enter the new financial year. This confidence is reflected in my increased shareholding in **humm**group, which has grown by 1.8% in the last 12 months to 25.0%. Competitors in the sector are struggling and only the strong and experienced will weather the economic storm.

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. With a reinvigorated Board and management team, we enter FY24 with a clear focus on improving total shareholder returns and deliver sustainable, profitable growth in the years ahead.

Andrew Abercrombie
Chairman

24 August 2023

CHIEF EXECUTIVE'S REPORT

Dear Shareholders

I joined the Board of **humm**group a little over a year ago as a Non-Executive Director and it is now my pleasure to write to you for the first time as Chief Executive Officer, having taken on the role at the beginning of June 2023. My immediate focus has been on getting to know our customers in greater detail, ensuring that our capital is allocated to the right areas, and reviewing our operations and cost base to ensure it is fit for purpose.

FY23 Performance

In FY23, the Company made good progress in executing its strategy to streamline operations and reduce costs, while focussing on improving profitability and loans and advances growth across key businesses.

hummgroup FY23 volume of $4.0b was up 14% on the prior year (FY22: $3.5b), a result of the disciplined approach the business is taking to growing its core business in larger transactions in both Commercial and Consumer Finance:

- Commercial loans and advances of $2.4b, up 56% on prior comparative period ("pcp") (FY22: $1.5b).
- Consumer Finance volume of $2.4b, flat on pcp (FY22: $2.4b).

This volume growth has been achieved while improving credit quality, with Net Loss/Average Net Receivables ("ANR") of 1.8% down 60bps on pcp. This is a testament to hummgroup's disciplined underwriting standards and its commitment to maintaining a high-quality and well diversified portfolio.

As **humm**group committed, non-core lower transaction value products **humm**® NZ and **humm**®pro AU and NZ, **bundll**®, and BPAY have closed with all loans and advances in run-off, systems switching-off and the majority of costs removed by 30 June 2023.

The Company has also delivered on its cost out initiatives and removed $18.6m of cost and is on track to deliver $20m-$25m of annualised cost savings going forward. Since taking on the role of CEO, I have identified further opportunities to focus on the customer and simplify the business, which will further reduce our cost base going forward.

Despite unprecedented material central bank tightening driving a rapid increase in funding costs of between 300-400bps, depending on geography, the Company successfully executed several pricing initiatives to minimise the impact of this on the business.

This resulted in a Normalised cash profit (after tax) of $75.0m in the year.

Commercial

hummgroup's Commercial business is the leading provider of specialist asset finance in the market and a standout performer this year for the Group. We consider that we are experiencing a structural shift in SME Asset Finance originations from banks to brokers which will allow **humm**group to continue to originate loans and advances while growing the business profitably. Our leading broker proposition, speed to yes and speed to cash settlement means that we are taking market share from established players.

flexicommercial continued its strong growth driven by market demand, differentiated service proposition and speed to decision and cash settlement. In New Zealand, Commercial loans and advances and volumes have also grown strongly as the business continues to build a broker originated equipment finance proposition.

flexicommercial continues to retain strong credit quality, with FY23 Net Loss/ANR reducing by 20bps to 0.5%. The benefits of pricing initiatives introduced in the prior period are beginning to flow through with front book Net Interest Margin at a higher level than the prior 12-month period.

The business has also worked diligently to establish new funding facilities to support growth of the commercial book over the next 12 months.

Consumer Finance

Consumer Finance which comprises of NZ Cards, AU Cards and **humm** Point of Sale Payment Plans ("PosPP") are all point of sale instalment products enabling purchases of goods or services. Combined, total volumes for these products were $2.4b for FY23, flat on pcp (FY22: $2.4b) driven by the deliberate reduction in volume of small ticket (non-core) transactions due to product closures and an increase in volume of larger transactions which have longer tenor and better unit economics.

PosPP volumes for **humm** AU 'Big things' were up 20% and were offset by a reduction in volume for **humm** AU 'Little things', following the strategy to align this product purely as a companion product for 'Big things'. We see strong growth in Solar, Home Improvement and Health verticals with low historic credit losses.

New Zealand Cards volume of $747.6m in FY23 was up 8% on pcp (FY22: $693.8m). Loans and advances were 4% higher on pcp with growth in loan balances experienced in the final quarter of the 2023 financial year.

Australia Cards volume of $514.9m in FY23 was up 8% on pcp (FY22: $478.3m). Loans and advances of $434.2m were flat on pcp, driven by higher spend volume which was offset by higher paydowns, particularly in legacy products which are in run-off and closed to new transactions.

Net Loss/ANR across Consumer Finance increased 40bps to 3.5%, more in line with normalised loss rates and still a remarkable performance given credit decisions are made within minutes of application.

Conclusion

It is a great privilege to be responsible for delivering **humm**group's next phase of profitable growth. I look forward to providing a more detailed review of the business and where I believe the key areas of focus are moving forward, at our AGM in November.

I want to convey to you that I am acutely aware of the challenges that the Company has encountered over the prior 24 months. I am focused on driving sustainable, profitable growth within the business and, in doing so, restoring confidence and shareholder value.

I would like to thank our shareholders and team members for their kind words of welcome and their shared long-term commitment to our business. I am excited to work with the team in FY24, and beyond, to serve our customers, brokers and partners and deliver long term value creation for our shareholders.

Stuart Grimshaw
Chief Executive Officer

24 August 2023

THE BOARD OF DIRECTORS

ANDREW ABERCROMBIE
LLB, BEc, MBA

Chair,
Non-Independent,
Non-Executive

Appointed November 2006

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

Andrew is an experienced commercial and tax lawyer and was a founding partner in a legal firm operating in both Sydney and Melbourne. Andrew left 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.

STUART GRIMSHAW
BComm, MBA

Independent,
Non-Executive
(to 31 May 2023)

Managing Director,
Chief Executive Officer
(from 1 June 2023)

Appointed 30 June 2022

Stuart Grimshaw joined the Board in June 2022 and was appointed Managing Director and Chief Executive Officer in June 2023. Stuart has over 35 years experience in financial services. Stuart was a director at Millennium Services Group Ltd (ASX: MIL) (from November 2020 – June 2023), Cash Converters International Limited (ASX: CCV) (from November 2014 – August 2020) and Raiz Invest Limited (ASX: RZI) (from December 2021 – May 2023).

Stuart has extensive senior leadership experience, having been CEO and Board Member of EZCORP, a Nasdaq listed company, and Managing Director and CEO of Bank of Queensland Limited (ASX: BOQ). Stuart has also held a wide variety of senior executive roles at various financial services entities including Caledonia Investments Pty Ltd, Commonwealth Bank of Australia, National Australia Bank and the ANZ Bank.

TERESA (TERRY) FLEMING
BA, AITI

Independent,
Non-Executive

Appointed 30 June 2022

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

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

ANTHONY THOMSON

Independent,
Non-Executive

Appointed 29 September 2022

Anthony Thomson joined the Board in September 2022. He has a deep and extensive background in financial services in both Australia and the United Kingdom, most notably as co-founder and Chair of neo bank 86 400. In 2008 he founded and chaired Metro Bank, the first new High Street Bank in the UK for over 150 years, stepping down from this role in 2012. Following this, he founded and chaired Europe's first mobile-only bank, Atom Bank PLC. He is the former Chairman of Zip Co's UK business.

Anthony is an independent non-executive director of Wio, a digital bank based in the UAE, and an advisory board member of Bank ABC, operating in Bahrain and Jordan.

ROBERT HINES
B.Fin.Admin, Grad.Dip.Adv.Acc, Grad Dip App Fin, FAICD, SF Fin, FCPA, FCA

Independent, Non-Executive

Appointed 29 September 2022

Robert Hines joined the Board in September 2022 with over 35 years' experience in banking, finance and funds management services, agriculture and energy sectors and senior executive roles in finance, retail and operations. He has held executive positions of Chief Financial Officer and Chief Operating Officer at some of Australia's leading companies including Queensland Sugar Limited, QIC, Bank of Queensland Limited and Suncorp Group Limited. Robert is a non-executive director of Cash Converters International Limited (ASX: CCV) (since April 2020) and Mackay Sugar Limited.

THE EXECUTIVE LEADERSHIP TEAM

STUART GRIMSHAW
BComm, MBA

Independent,
Non-Executive
(to 31 May 2023)

Managing Director,
Chief Executive Officer
(from 1 June 2023)

Stuart Grimshaw joined the Board in June 2022 and was appointed Managing Director and Chief Executive Officer in June 2023. Stuart has over 35 years experience in financial services. Stuart was a director at Millennium Services Group Ltd (ASX: MIL) (from November 2020 – June 2023), Cash Converters International Limited (ASX: CCV) (from November 2014 – August 2020) and Raiz Invest Limited (ASX: RZI) (from December 2021 – May 2023).

Stuart has extensive senior leadership experience, having been CEO and Board Member of EZCORP, a Nasdaq listed company, and Managing Director and CEO of Bank of Queensland Limited (ASX: BOQ). Stuart has also held a wide variety of senior executive roles at various financial services entities including Caledonia Investments Pty Ltd, Commonwealth Bank of Australia, National Australia Bank and the ANZ Bank.

REBECCA JAMES

Chief Executive Officer
(to 31 May 2023)

Rebecca was Chief Executive Officer of **humm**group from October 2018 to May 2023. Prior to this Rebecca held roles as Chief Marketing and Enterprise Officer for Prospa and Chief Marketing Officer for ME Bank where she led the product and customer experience teams and was voted #12 in the top 50 CMOs in Australia. Prior to joining ME, Rebecca had a successful career at customer experience agency Lavender, including seven years as Managing Director.

ADRIAN FISK
BEC, MEC, ACA

Chief Financial Officer

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

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

He has served in Board roles including with 86 400 Group an Australian neo bank.

CHRISTINA SEPPELT
BEcon, LLB, MLM

Chief Legal & Commercial
Officer, Company Secretary

Christina joined the **humm** Executive Team in March 2022.

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

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

ROB WRIGHT

Group Executive Commercial Australia & New Zealand

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

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

TIM LORD

Group Chief Credit Officer

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

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

VAUGHAN DIXON

Chief Information Officer

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

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

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

ANDREW MURRELL

Chief Operations Officer

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

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

COMPANY SECRETARIES

CHRISTINA SEPPELT
BEcon, LLB, MLM

Chief Legal & Commercial Officer, Company Secretary

Christina joined the **humm** Executive Team in March 2022.

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

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

LISA-ANNE CAREY
LLB, Grad.Dip.Corp.Gov

Company Secretary & Senior Legal Counsel

Appointed 29 September 2022

Lisa-Anne joined **humm**group in September 2022.

Lisa-Anne's experience extends over 20 years in ASX-listed in-house legal and private practice roles in the property and finance sectors.

REVIEW OF OPERATIONS

1. GROUP PERFORMANCE

For the year ended 30 June 2023, the Group reported a Normalised cash profit (after tax) of $75.0m, a 2% decline on the prior year.

Normalised cash profit (after tax) is calculated as statutory profit after tax adjusted for material infrequent items (such as legal provision, transaction costs, restructure and redundancy costs) that were previously adjusted for in Cash NPAT and operating losses of suspended products. Also excluded from Normalised cash profit (after tax) is non-cash depreciation and AASB9 provision movement, with actual credit losses remaining in the result.

The Directors believe Normalised cash profit (a key metric used by leadership to manage the business) is the best indicator of maintainable earnings of the Group and therefore best reflects the core drivers and ongoing influences upon earnings.

Normalised cash earnings per share ("Cash EPS")[1] of 13.7 cents represents a 3% decrease from pcp of 14.1 cents per share.

SUMMARY FINANCIAL RESULTS

A$m	FY23	FY22	Change $m	Change %
Gross income	**510.4**	**440.4**	**70.0**	**16%**
Net operating income	**308.8**	**328.7**	**(19.9)**	**(6%)**
Credit impairment charge	(94.3)	(63.4)	(30.9)	49%
Marketing expenses	(13.7)	(21.2)	7.5	(35%)
Operating expenses	(172.0)	(177.1)	5.1	(3%)
Tax expense	(4.7)	(15.9)	11.2	(70%)
Cash NPAT[1]	**24.1**	**51.1**	**(27.0)**	**(53%)**
Movement in AASB9 provision (excluding suspended products shown below)	9.2	(7.3)	16.5	(226%)
Suspended products and related costs[2]	33.2	20.1	13.1	65%
Depreciation and amortisation	8.5	13.0	(4.5)	(35%)
Normalised cash profit (after tax)	**75.0**	**76.9**	**(1.9)**	**(2%)**

1. Cash NPAT is the previous measure used by the Board which is included for transparency and comparative purposes to reflect the reported net profit after tax adjusted for material infrequent items and the amortisation of acquired intangibles.
2. Suspended products include the Cash NPAT of products previously announced as being wound down, including **bundll**, **humm** NZ, **humm** UK, **humm**pro and BPAY (within **humm** Australia).

NORMALISED CASH PROFIT (AFTER TAX) TO STATUTORY PROFIT RECONCILIATION

A$m (after tax)	FY23	FY22
Normalised cash profit (after tax)	**75.0**	**76.9**
Movement in AASB9 provision	9.2	(7.3)
Suspended products and related costs	33.2	20.1
Depreciation	8.5	13.0
Cash NPAT	**24.1**	**51.1**
Legal provision	(0.7)	(10.9)
Amortisation and impairment of intangibles	(8.1)	(202.1)
Other[1]	(12.4)	(8.4)
Statutory NPAT	**2.9**	**(170.3)**

1. Other includes onerous contract provision, redundancy, remediation, prior year tax adjustments.

KEY PERFORMANCE METRICS

Transaction volume ($m)

Full-year to 30 June

2023	2022	Change %
3,979.8	3,521.1	13%

New business volumes of $4.0b increased 13% on pcp. Commercial volumes increased by 43%, benefiting from our competitive service offering and dominant market position, complemented through our loyal and dedicated broker channel with small and medium enterprise ("SME") lending.

Growth across active PosPP products, Cards, Ireland and **humm** Australia has been offset by lower volumes from business written in suspended products. **humm** Australia 'Big things' grew 20% compared to pcp across the key verticals of Solar, Home improvement and Health with the international business comprising Ireland and Canada growing volumes at 26%. Both AU Cards and NZ Cards grew by 8% over pcp due to increased card spend particularly in the travel sector which has seen spend increase as the sector returns. Everyday spend volume in both Cards segments increased against pcp.

Gross loans and advances ($m)[1]

As at 30 June

2023	2022	Change %
4,229.8	3,306.8	28%

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

Gross loans and advances increased 28% driven by 57% growth in Commercial, 7% growth in PosPP and 2% growth in Cards. This growth was impacted by the run-down of loans and advances balances for suspended products which reduced by $35.0m over the year.

Commercial leveraged its strong position in the lending market with its superior instant credit decisioning and speed to settlement to drive growth in the broker led SME Australian business. Commercial New Zealand saw growth in its loans and advances balances through the year as the business grew its lending book through broker channels.

Increased customer loan growth for PosPP came from the **humm** AU and Ireland businesses. **humm** AU delivered gross loans and advances growth of 10% in 'Big things' with reductions in 'Little things' as the strategy for this product transitioned to a companion product to 'Big things'. Gross loans and advances for Ireland grew 38%.

Gross loans and advances for the Cards business grew 2% over pcp with NZ Cards up 4% and AU Cards flat on pcp. Cards gross loans and advances were impacted by lower average balances which prevailed for most of the year due to higher prepayments, with increased volumes resulting in higher closing loans and advances balances at the end of the year.

Gross income ($m)

Full-year to 30 June

2023	2022	Change %
510.4	440.4	16%

Gross income grew 16% on pcp due to 63% growth in gross income for Commercial of $74.7m from the increase in gross loans and advances by $856.6m. AU Cards gross income grew 6.8%, primarily the result of pricing initiatives and higher revolve to interest bearing balances in this book.

Gross income for NZ Cards was impacted by lower average loans and advances which prevailed for most of the year with increased volumes resulting in higher closing loans and advances balances at the end of the year. Gross income for PosPP was lower on pcp due to a $11.4m reduction in income from the run-off of legacy books and the run-down from suspended products.

Net interest income ($m)

Full-year to 30 June

	2023	2022	Change %
Interest income	413.7	341.2	21%
Interest expense	(168.1)	(84.1)	100%
Net interest income	**245.6**	**257.1**	**(4%)**
Average net receivables	3.8b	3.0b	26%
Gross yield	**11.1%**	**11.6%**	**(50bps)**
Net yield	**6.6%**	**8.7%**	**(210bps)**

Net interest income reduced by 4% on pcp driven by unprecedented pace and quantum of increases to base interest rates and credit spreads during the year and the lead time to pass on these increases to customers and merchants, especially in the Consumer business. Front book net interest margin in our Commercial business is ahead of margins written 12 months prior and management continues to review merchant pricing across the Consumer business.

Gross yield reduced to 11.1% due to competitive pricing pressures in the Consumer business. Management have undertaken pricing initiatives in the current period to improve gross yield across the business to respond to cost of funds increases. Gross yield in the Commercial book remained steady as we have passed on cost of funds increase.

Net yield reduced to 6.6% due to the combination of gross yield compression and higher funding costs. Approximately 57% of the higher funding costs was attributed to higher interest rates with the remaining 43% driven by the growth in net loans and advances.

Higher funding costs were also the result of a strategic initiative to optimise the usage of capital by introducing additional mezzanine funding into the warehouse facilities, thereby releasing capital to fund the growth in loans and advances. The result of this optimisation is higher funding costs through an increase in debt funding coupled with the cash rate increases observed through this period.

Credit impairment charge ($m)

Full-year to 30 June

	2023	2022	Change %
Net losses	85.1	82.0	4%
AASB9 provision	9.2	(18.6)	(150%)
Credit impairment charge	**94.3**	**63.4**	**49%**

Credit impairment charge increased 49% to $94.3m driven by increased AASB9 provisioning required for the Commercial, PosPP and NZ Cards portfolios and the unwind of credit provisioning in the prior period related to the release of macro credit overlays.

Net losses (debts written off less loss recoveries) were only 4% higher than pcp equating to a net loss to ANR ratio of 1.8% compared to 2.4% in the pcp. The improved net loss position as a percentage of ANR represents the strong credit quality, credit control processes and settings and portfolio diversification of the underlying business.

The outcome is a result of risk management that focusses on balanced sector and geographical concentration in our Commercial business with higher exposure to Solar, Home Improvement and Health verticals which have lower loss rates in our Consumer business. The Group continues to monitor arrears and losses closely and remains well provisioned for the future.

30+ days arrears

Full-year to 30 June

2023	2022	Change %
1.7%	1.9%	(20bps)

30+ day arrears reduced by 20bps due to improving credit quality across the portfolio with the consistently low loss rates against ANR of 0.5% in the Commercial business and a 50bps reduction in loss rates to 2.3% for the group.

The NZ Cards loss rate was flat while AU Cards normalised from a low FY22 increasing from 2.4% to 3.6%. PosPP benefited from lower losses, although these were off lower loans and advances balances following the run-down of suspended products.

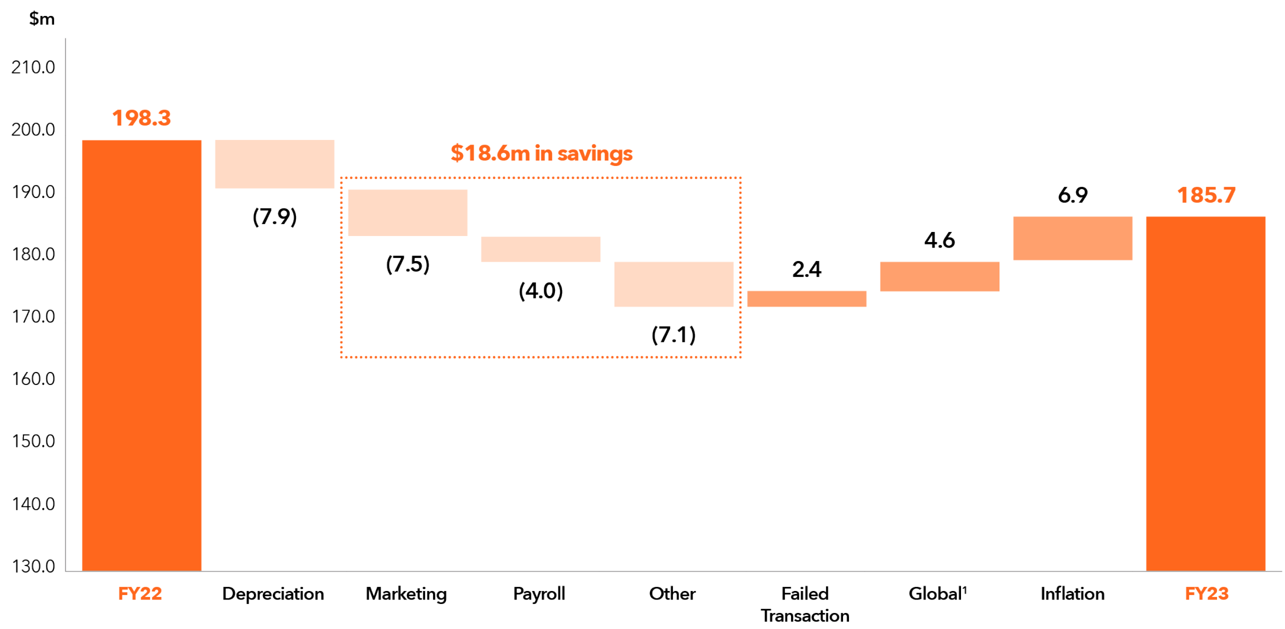
Operating expenses ($m)[1]

Full-year to 30 June

2023	2022	Change %
(185.7)	(198.3)	(6%)

1. Presented on a Cash NPAT basis.

The chart below sets out the key areas driving the $18.6m in cost savings for the year:



1. Global includes investments in Irish and Canadian businesses.

Operating expenses were down 6% due to lower marketing spend of $7.5m, lower employment costs $4.0m and lower other expenses of $7.1m over the year. These net savings were after taking into consideration higher regulatory compliance costs, increases in data security costs, higher technology operating costs relating to replatforming key systems in our PosPP business and increased costs associated with executive long-term incentive programs.

Depreciation savings of $7.9m, due to the impairment of assets in the prior period, were offset by higher insurance and other costs following the failed transaction in the prior year and the impact of higher inflation on operating costs.

Cost to income ratio (CTI)[1]

Full-year to 30 June

2023	2022	Change %
60%	60%	–

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

Setting aside the impact of higher funding costs, the adjusted CTI would improve from 60% to 52% compared to pcp (i.e. assuming no reduction to NOI from higher funding costs). The underlying business continues to benefit from a focus on reducing its core operational costs through automation, right-shoring and self-service models.

FUNDING AND CAPITAL

hummgroup maintains a well-established, mature funding platform with a funding plan designed to support the Company's growth and capital strategy. **humm**group's funding strategy is focused on retaining committed, capital efficient and cost-effective funding facilities to support products across all regions and increasing **humm**group's debt capital markets presence through regular issuance.

The Group has funding relationships across all geographies in which it operates with wholesale debt facilities in place with large local and international banks and wholesale fund managers providing both senior and mezzanine funding. **humm**group is also supported by domestic and offshore institutional investors through its well-established asset-backed securities ("ABS") programs. **humm**group issued over $1.0b of ABS during FY23 with further diversification introduced across its institutional investor base.

At balance sheet date, the Group had $4,923.8m of wholesale debt facilities, with $983.2m of facilities undrawn. The wholesale debt facilities include both public and private debt facilities which are secured against underlying pools of loans and advances including Finance lease receivables, Chattel loans and Customer loans. All facilities provide for the ultimate repayment of outstanding debt through collections received in respect of the relevant loans and advances including

Finance lease receivables, Chattel loans and Customer loans. In some cases, the Group's wholesale debt facilities are structured to include a revolving period during which time committed limits can be drawn and collections can be used to fund originations of new loans and advances including Finance lease receivables, Chattel loans and Customer loans, ahead of repayment of outstanding debt.

The balance of facilities provide for repayment of outstanding debt in line with repayment of the underlying loans and advances including Finance lease receivables, Chattel loans and Customer loans. The Group extended over $650m of existing revolving facilities and introduced $836.5m of additional, committed private wholesale funding during the reporting period. 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 funding capacity across its wholesale debt facilities.

This includes the introduction of private mezzanine funding to support improved capital efficiency, with an additional $132.6m of private mezzanine funding introduced into the Group's wholesale debt facilities during the reporting period.

CORPORATE DEBT FACILITY

In December 2022, the Group retired its $110.0m syndicated revolving loan facility and replaced it with a new corporate debt facility. The facility provides for funding of up to $150.0m with an initial commitment of $75.0m activated. The new corporate debt facility can be applied to manage liquidity and cashflow needs and towards higher growth capital requirements in connection with the Group's growing book of loans and advances including Finance lease receivables, Chattel loans and Customer loans.

As at 30 June 2023, the Group had $75.7m outstanding under the corporate debt facility, with $0.7m of accrued interest capitalised.

Wholesale debt and corporate borrowings ($m)

As at 30 June

	2023	2022	Change %
Secured loans	3,940.5	3,025.5	30%
Corporate debt	75.7	-	LRG

Secured debt facilities increased 30% reflecting an increase in loans and advances including Finance lease receivables, Chattel loans and Customer loans and the introduction of new funding to improve capital efficiency across the portfolios.

Normalised Return on Cash equity ("ROCE")[1]

Full-year to 30 June

2023	2022	Change %
13.0%	12.8%	20bps

1. ROCE is calculated as Normalised cash profit (after tax) in the year divided by average total cash equity (Total Equity excl Reserves).

ROCE of 13.0% increased 20bps compared to FY22. The higher ROCE in the current year highlights the efficient use of capital and is the result of the Group generating a normalised cash earnings result which was broadly in line with the prior year on a lower average equity balance for the current year.

SHAREHOLDER RETURNS

	2023	2022	2021	2020	2019
Dividends per share (cents)	2.00	3.10	–	3.85	7.70
Cash EPS (cents)	3.90	9.52	13.75	7.31	19.68
Share price (high)	$0.68	$1.08	$1.35	$2.47	$2.34
Share price (low)	$0.39	$0.40	$0.87	$0.46	$0.98
Share price (close)	$0.47	$0.41	$0.99	$1.13	$1.63

1. To better reflect the underlying performance of the business, **humm**group introduced Normalised cash profit (after tax) during FY23 to replace the previous result measure of Cash NPAT.

EARNINGS PER SHARE

	Year ended 30 June 2023 Cents	Year ended 30 June 2022 Cents
Basic earnings per share	(0.4)	(35.2)
Diluted earnings per share	(0.4)	(35.2)
Normalised cash earnings per share[2]	13.7	14.1

2. Normalised cash earnings per share is used for vesting of Long-term Incentive Plan ("LTIP") grants and is calculated as Normalised cash profit (after tax) as a percentage of weighted average total number of shares on issue.

DIVIDENDS ON ORDINARY SHARES

	2023		2022	
	Cents	$m	Cents	$m
Interim dividend	1.0	5.0	1.7	8.4
Final dividend	1.0	5.0	1.4	6.9
Total	**2.0**	**10.0**	**3.1**	**15.3**

2. SEGMENT PERFORMANCE

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

- PosPP (a consolidation of **humm** Australia, Canada and Ireland). Strategic decisions were taken during the year to discontinue **bundll**, **humm** NZ, **humm** UK, **humm**pro and BPAY (within **humm** Australia) in the current year;
- Australia Cards (**humm**®90 (formerly Skye)), Lombard and Once;
- New Zealand Cards (including Farmers Finance Card, Farmers Mastercard®, Q Card, Q Mastercard® and Flight Centre Mastercard®); and
- Commercial (consisting of Australia and New Zealand Commercial lending and the legacy Consumer Leasing product).

hummgroup's Normalised cash profit (after tax) performance for its four operating segments is summarised in the table below.

A$m	FY23	FY22	Change %
Commercial	42.3	35.2	20%
PosPP	6.7	7.5	(11%)
NZ Cards	20.6	29.6	(30%)
AU Cards	5.4	4.6	17%
Normalised cash profit (after tax)	**75.0**	**76.9**	**(2%)**

SEGMENT ANALYSIS

Commercial

A$m	FY23	FY22	Change %
Gross income	193.7	119.0	63%
Net operating income	101.6	89.4	14%
Credit impairment charge	(15.3)	(13.9)	10%
Marketing expenses	(0.4)	(0.5)	(20%)
Operating expenses	(37.1)	(36.4)	2%
Cash NPAT	**35.0**	**28.7**	**22%**
Movement in AASB9 provision	4.4	7.6	(42%)
Suspended products and related costs	1.0	(3.1)	132%
Depreciation	1.9	2.0	(5%)
Normalised cash profit (after tax)	**42.3**	**35.2**	**20%**
Volume	1,564.4	1,096.3	43%
Closing loans and advances	2,380.3	1,523.7	57%

Normalised cash profit (after tax) in Commercial of $42.3m in FY23 represents a 20% increase on pcp. The key movements are:

- Gross income increased 63% on pcp ahead of the 57% growth loans and advances balances.
- Net operating income grew 14% with higher interest expense reflecting increased loans and advances balances, higher base rate interest costs and increased costs from the higher percentage of mezzanine funding used during the year.
- Credit impairment charge increased 10% because of increased loans and advances. Net Loss as a percentage of loans and advances reduced from 0.7% to 0.5% in the current year.

- Marketing and operating expenses were relatively flat with a small increase of 1.6% demonstrating the operating leverage of the business as volumes continue to grow.
- New business volume was up 43% on the prior year, driven by AU Commercial as the business continued to increase its market share.
- Closing loans and advances up 57%, reflective of the strong volume performance.

PosPP

A$m	FY23	FY22	Change %
Gross income	119.9	124.7	(4%)
Net operating income	79.0	97.0	(19%)
Credit impairment charge	(42.1)	(38.8)	9%
Marketing expenses	(5.5)	(12.7)	(57%)
Operating expenses	(74.7)	(72.2)	3%
Cash NPAT	**(29.3)**	**(17.3)**	**69%**
Movement in AASB9 provision	2.7	(0.9)	400%
Suspended products and related costs	32.2	23.2	39%
Depreciation	1.1	2.5	(56%)
Normalised cash profit (after tax)	**6.7**	**7.5**	**(11%)**
Volume	1,152.9	1,252.7	(8%)
Closing loans and advances	820.2	775.5	6%

Normalised cash profit (after tax) in PosPP of $6.7m was a slight decline on the pcp. This performance is attributable to:

- PosPP gross income was down 4% on pcp primarily due to lower interest income, lower fee and other income from suspended products which were in run down during the year.
- Net operating income was down 19% due to margin compression from higher cost of funds in **humm** Australia which were progressively passed on to merchants throughout the year and the lower contribution from suspended products in the current year. The benefits from merchant service fee increases are realised over time as back book loans and advances roll off.
- Credit impairment charges increased by 9% due to higher macro overlay provisions, growth in loans and balances, as well as the one-off impact from the transition of collections to the offshore team.
- Marketing and operating expenses reduced 6% reflecting lower marketing spend, predominantly reduced spend on marketing of suspended products, lower depreciation and lower operating costs which were partially offset by regulatory related costs in the year.
- Net volumes were down 8% with the run-down of **humm** New Zealand, **bundll**, **humm**pro and BPAY (within the **humm** AU 'Little things') portfolio, partly offset by growth in Solar, Home Improvement and Health verticals within **humm** AU and growth in volumes for **humm** Ireland.
- Loans and advances increased 6% due to the growth in longer tenor **humm** AU 'Big things' volumes which were offset by lower tenor **humm** AU 'Little things' volumes (including the suspension of BPAY) and other suspended products.

NZ Cards

A$m	FY23	FY22	Change %
Gross income	116.6	121.6	(4%)
Net operating income	78.2	92.3	(15%)
Credit impairment charge	(20.0)	(10.6)	89%
Marketing expenses	(5.5)	(5.3)	4%
Operating expenses	(32.2)	(34.6)	(7%)
Cash NPAT	**16.1**	**30.8**	**(48%)**
Movement in AASB9 provision	1.0	(6.6)	115%
Depreciation	3.5	5.4	(35%)
Normalised cash profit (after tax)	**20.6**	**29.6**	**(30%)**
Volume	747.6	693.8	8%
Closing loans and advances	595.1	572.4	4%

Normalised cash profit (after tax) in NZ Cards of $20.6m, down 30% on pcp. This performance is attributable to:

- Reduction of gross income mainly due to lower interest-bearing customer loans and advances balances due to accelerated repayments. FY22 saw closing customer loan balances reduce from $639m in FY21 to $572.4m at 30 June 2022, resulting in lower interest bearing balances for the current year.
- Reductions in gross income from lower customer loans and advances balances were partly offset by interest rate increases across the portfolio.
- Net operating income was 15% lower, predominantly due to reduced gross income and higher borrowing costs following base interest rate rises during the year.
- Credit impairment charges comprise net losses and movements in AASB9 provisions. $9.2m in AASB9 provisions were released in the pcp with a $1.3m provision in the current period. Net losses of $18.7m for the current period were $1.1m lower than pcp, demonstrating the strong quality of the loans and advances portfolio.
- Marketing and operating expenses reduced 6% reflecting lower marketing spend and lower costs from operational efficiencies, lower depreciation and lower operating costs from right-shoring teams within operations and collections.
- Volume was up 8% on pcp with growth in long term interest free ("LTIF") balances weighted more towards the back end of the financial year.
- Closing loans and advances were 4% higher on pcp with growth in loan balances experienced in the final quarter of the 2023 financial year.

AU Cards

A$m	FY23	FY22	Change %
Gross income	80.2	75.1	7%
Net operating income	50.0	50.0	-
Credit impairment charge	(16.9)	(0.1)	LRG
Marketing expenses	(2.3)	(2.7)	(15%)
Operating expenses	(28.0)	(33.9)	(17%)
Cash NPAT	**2.3**	**8.9**	**(74%)**
Movement in AASB9 provision	1.1	(7.4)	115%
Depreciation	2.0	3.1	(35%)
Normalised cash profit (after tax)	**5.4**	**4.6**	**17%**
Volume	514.9	478.3	8%
Closing loans and advances	434.2	435.2	-

Normalised cash profit (after tax) in AU Cards of $5.4m up 17% on the prior year. This performance is attributable to:

- Gross income up 7% due to the cumulative impact of increased interest income and higher annual fee and other income.
- Net operating income was flat on pcp mainly due to higher gross income being offset by higher funding costs during the year.
- Credit impairment charge grew $16.8m on pcp. Credit impairment charges comprise net losses and movements in AASB9 provisions. $10.4m in AASB9 provisions were released in the pcp with a $1.4m provision in the current period. Net losses of $15.5m for the current period were $5.1m higher than pcp.
- Marketing and operating expenses reduced 17% reflecting lower marketing spend and lower costs from operational efficiencies, lower depreciation, and lower operating costs from right-shoring teams within operations and collections.
- Volume was up 8% on pcp with growth in LTIF balances, which was weighted more towards the back end of the financial year.
- Closing loans and advances were flat on pcp, driven by higher spend volume which was offset by higher paydowns, particularly in legacy products which are in run-off and closed to new transactions.

REMUNERATION REPORT

Introduction from the Chair of the Board

Dear Shareholder

On behalf of the Board of humm Group Limited (ABN 75 122 574 583) ("the Company", "Group" or "**humm**group"), I am pleased to share with you the audited remuneration report for Financial Year 2023 ("FY23") for the Executive Key Management Personnel ("Executive KMP") and Directors (collectively "KMP").

In FY23, **humm**group demonstrated resilience and adaptability in navigating both internal and external challenges, including managing the termination of the proposed sale of **humm** Consumer Finance ("HCF") to Latitude Group Holdings Limited, which comprised our PosPP, instalment, and credit card operations.

During this period, we convened a refreshed Board with the appointment of two new directors Mr Robert Hines and Mr Anthony Thomson, effective from 29 September 2022. Ms Rebecca James resigned as Chief Executive Officer and Mr Stuart Grimshaw was appointed as Managing Director and Chief Executive Officer ("CEO") effective from 1 June 2023.

On behalf of the Board, I extend my thanks to our management and employees for doing a remarkable job in working to deliver strong results throughout a year of significant growth and transformation. Our Board and our executive team are focussed on continuing to build value and confidence in the business and delivering long-term growth for shareholders.

Changes to our Remuneration Framework

During FY23, the Board approved the following amendments to the Short-Term Incentive ("STI") Framework including for Executive KMP being:

- Changes to the financial gateway in the Corporate Scorecard which replaced Cash NPAT with Normalised Cash Profit after tax for the corporate component of the STI Framework to align with the assessment of **humm**group's financial performance moving forward.
- Changes to the STI policies to amend the deferral period for Executive STI outcomes from 24 months to 12 months and simplify the policy.

For non-KMP employees, **humm**group has introduced a discretionary equity award for high performers and key contributors who will be awarded HUM shares (in the form of deferred rights) based on their superior contribution to the success of the business over the FY23 performance period. The discretionary equity award aims to retain and reward a broader group of employees, beyond our Executive KMP and Executive Leaders and in conjunction with our remuneration policies and practices, to further drive alignment to **humm**group's strategic objectives and shareholder outcomes.

FY23 Long Term Incentive

The Board has approved a new Long-Term Incentive Plan ("LTIP") for Executive KMP and key senior leaders. The key features of the LTIP include:

- an annual grant of Performance Rights over HUM shares to Executive KMP and key senior leaders whose roles may influence the strategic direction at **humm**group over a three-year performance period from 1 July 2022 to 30 June 2025;
- two performance measures with equal weighting (normalised earnings per share and return on cash equity) which will be tested on an annual basis following the release of **humm**group's annual results;
- a condition that vesting of the Performance Rights will be subject to the annual achievement of the performance measures and continuous service until September 2025 (i.e. participants must be employed until the Vesting Date in order for the Performance Rights to convert to HUM shares, otherwise the Performance Rights will be forfeited on the cessation of employment).

Selected participants have been invited to participate in the FY23 LTIP, with further details of the LTIP set out in section 3.1.3.

Non-Executive Director Changes

During FY23, the Company was pleased to announce the appointment of two new Non-Executive Directors to the Board, Mr Robert Hines and Mr Anthony Thomson. Both Mr Hines and Mr Thomson bring proven skills and experience which are invaluable to **humm**group and complimentary to the skills and experience of the rest of the Board. Further details in relation to the relevant skills and experience of our Board can be found on pages 5-6 of this report.

Executive KMP Remuneration and Changes

Mr Stuart Grimshaw commenced as Managing Director and CEO on 1 June 2023, replacing outgoing Group CEO Ms Rebecca James, who remained with **humm**group until 30 June 2023 in an advisory role.

Mr Stuart Grimshaw has been a member of the Board since June 2022, and the Board believes he is ideally positioned to lead **humm**group in its next phase of growth and development. Details of Mr Grimshaw's remuneration package was announced to the ASX on 8 May 2023 and can be found in section 1.2 of the Remuneration Report.

The Board believes that all Executive KMP continue to be remunerated appropriately for the skills and experience they bring to the Company.

Conclusion

The Board thanks shareholders both locally and internationally for their support of the remuneration report at the 2022 Annual General Meeting ("AGM"), where it received an overwhelming 92.73% vote in favour.

The Board and management remain committed to **humm**group delivering sustainable profit while implementing initiatives to expand our presence in the SME and consumer lending markets.

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, to Ms James for her leadership and contribution during a period of disruption and uncertainty in relation to the proposed HCF sale and Mr Grimshaw for taking on his new role as Managing Director and CEO to lead **humm**group to its next phase of growth and shareholder value creation.

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

24 August 2023

1. KEY MANAGEMENT PERSONNEL ("KMP")

1.1 Key Management Personnel

In FY23, KMP comprised Non-Executive Directors, the CEO and the CFO. Details of the KMP are set out below.

NON-EXECUTIVE DIRECTORS

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

>> **Teresa Fleming**
Independent, Non-Executive
Term as KMP: Full year

>> **Robert Hines**
Independent, Non-Executive[1]
Term as KMP: From 29 September 2022

>> **Anthony Thomson**
Independent, Non-Executive[1]
Term as KMP: From 29 September 2022

>> **Stuart Grimshaw**
Independent, Non-Executive[2]
Term as KMP: Full year

EXECUTIVE KMP

>> **Stuart Grimshaw**
Managing Director and Chief Executive Officer[2]
Term as KMP: From 1 June 2023

>> **Rebecca James**
Group Chief Executive Officer[3]
Term as KMP: Until 31 May 2023

>> **Adrian Fisk**
Chief Financial Officer
Term as KMP: Full year

1. Robert Hines and Anthony Thomson were appointed to the Company Board as Non-Executive Directors on 29 September 2022.
2. Stuart Grimshaw was appointed to the Company Board as a Non-Executive Director on 30 June 2022. Mr Grimshaw commenced as Managing Director and CEO on 1 June 2023.
3. Rebecca James stepped down as CEO effective 1 June 2023. Ms James remained in an advisory role with **humm**group and ceased employment on 30 June 2023.

1.2 Incoming CEO Remuneration

On 1 June 2023, Stuart Grimshaw commenced as Managing Director and CEO with several components to his executive employment contract which was announced to the ASX on 8 May 2023. As set out in the announcement, the mid-term and long-term equity components of the Managing Director and CEO remuneration arrangements will be separately considered by shareholders at the AGM in November 2023. If shareholder approval is not obtained, **humm**group will restructure the remuneration arrangements to an equivalent cash-based compensation structure tied to performance of the HUM share price over the same review period.

GRANT DATE	FY23 ($)	FY24 ($)
Annual Total Fixed Remuneration	925,292	927,398[1]
Target Short-Term Incentive	-	278,219[2]
Annual Mid-Term Incentive Restricted Shares[3]	-	700,000
Long-Term Incentive Performance Rights	-	3,500,000[4,5]
Sign-on Cash Bonus	150,000	-

1. Remuneration variation relates to changes to the Australian Superannuation Guarantee Contribution effective from 1 July 2023.
2. Target Short-Term Incentive earning opportunity is 30% of Total Fixed Remuneration with a maximum cap of 55% of Total Fixed Remuneration with eligibility from the 2024 Financial Year onwards.
3. For the 2024 Financial Year **humm**group shares totalling an amount equal to $3,500,000 will be awarded and subject to pro-rata vesting over a 5-year period in equal tranches, subject to personal and corporate hurdles determined in respect of each tranche.
4. For the 2024 Financial Year, an invitation to participate in the Company's LTIP to an amount equal to $3,500,000.
5. For future financial years an invitation to participate in the Company's LTIP to an amount equal to 150% of Fixed Remuneration.

2. REMUNERATION PRINCIPLES AND POLICY

The objectives of our employee Remuneration Policy is 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 responsibly 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

Clear alignment of remuneration with strategic objectives: remuneration structures are linked to our business strategy and aligned with our risk appetite and long-term interests.

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 and measurable strategic business objectives and when those objectives have been achieved.

ATTRACTIVE REMUNERATION

Provide market competitive remuneration to attract the right talent: 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.

hummgroup aims to balance commercial considerations with 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

Implement remuneration structures that are well understood: our people are rewarded fairly for their direct contributions and performance.

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 measurement against those expectations may impact on any payments or other awards.

MERIT BASED

Support merit-based remuneration achievement across a diverse workforce: our people are rewarded consistently for like work, within the market range, with individual performance being the key differentiator in pay.

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

Ensure that remuneration outcomes reflect sustainable, ethical performance practices: 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.

This principle ensures there are sufficient risk based structures in place to safeguard sustainable results 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 FY23

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 Performance Rights or Options as determined by the Board, which vest over a three-year performance period if hurdles are achieved and subject to continued employment at vesting.	LTI is aligned to long-term Group performance and shareholder return by rewarding achievement of transformation strategy objectives.	The objective of LTI is to reward long-term performance.

3.1.1 Fixed Remuneration

The executive team members are offered competitive fixed remuneration amounts that reflect the key performance requirements of their roles. Fixed remuneration is reviewed annually in line with the financial year (1 July to 30 June). Any changes to executive remuneration require approval by the Board People and Remuneration Committee ("PRC") and the HUM Board, and come into effect from 1 July.

During FY23, **humm**group engaged remuneration consultants to provide benchmark data for comparable companies to **humm**group in terms of industry, size and complexity, against which executive remuneration was compared. However no remuneration recommendations, for the purposes of the *Corporations Act 2001* (Cth) ("Corporations Act"), were provided.

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 **humm**group and individual performance. **humm**group performance goals are determined by the Board at the beginning of the financial year, with clear linkage to key financial metrics and strategic initiatives. Outcomes of the STI plan are approved by the Board at the end of the financial year.

Changes to FY23 STI Policy

The PRC is responsible for reviewing and making recommendations to the Board on remuneration policies and frameworks, including the STI policies for **humm**group. Such reviews ensure policies continue to remain relevant and appropriate to the business strategic objectives and risk management framework.

Policy changes relating to the Executive KMP's include:

- Alignment of **humm**group's remuneration principles with the Remuneration Policy;
- Updated STI deferral terms with changes related to Managing Director and CEO remuneration arrangements; and
- Updated STI deferral terms with changes to the deferral period and restriction period for executives (excluding the Managing Director and CEO) to be reduced from a 24-month to 12-month period from date of vesting.

These changes to the STI Policy were made effective for the FY23 performance and remuneration review period.

CEO STI goals

The CEO's (Rebecca James) personal KPIs for FY23 were focused on driving profitable growth, diversifying funding sources and delivering sustainable results. Further details of the STI structure for CEO and other Executive KMP are outlined below.

<table>
<tr><th>FEATURE</th><th>DESCRIPTION</th></tr>
<tr><td>How is it paid?</td><td>
Delivered in a mix of cash and restricted HUM shares.
<table>
<tr><th></th><th>Cash</th><th>Restricted HUM Shares</th></tr>
<tr><td>CEO[1]</td><td>67%</td><td>33%</td></tr>
<tr><td>Other Executive KMP</td><td>75%</td><td>25%</td></tr>
</table>
The mix of cash and restricted HUM shares displayed above represents the typical cash and deferred payments under the STI plan.
1. For the CEO, this relates to Ms James remuneration arrangements as at 31 May 2023.
</td></tr>
<tr><td>How much can executives earn?</td><td>
The table below illustrates the pay-out level (as a percentage of Fixed Remuneration) for achievement at defined levels of performance.
<table>
<tr><th></th><th>Threshold</th><th>Target</th><th>Stretch</th></tr>
<tr><td>CEO</td><td>53%</td><td>75%</td><td>94%</td></tr>
<tr><td>CFO</td><td>35%</td><td>50%</td><td>63%</td></tr>
</table>
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.
</td></tr>
<tr><td>What are the deferral terms?</td><td>
<table>
<tr><th></th><th>One Year</th><th>Two Years</th></tr>
<tr><td>CEO</td><td>50%</td><td>50%</td></tr>
<tr><td>Other Executive KMP</td><td>100%</td><td>-</td></tr>
</table>
CEO: 50% of restricted HUM shares are deferred for one year and 50% are deferred for two years. Vesting is subject to continued employment.
Other Executive KMP: 100% of restricted HUM shares are deferred for one year. Vesting is subject to continued employment.
Vesting of the deferred portions of the awards are subject to continued employment.
The deferral terms above for other Executive KMP reflect the deferral terms outlined in the updated STI policy approved by the Board in June 2023. The Board determined that these terms would apply for the FY23 STI award.
</td></tr>
<tr><td>How is performance measured?</td><td>
Performance is measured over a 12-month performance period from 1 July to 30 June.
Personal risk and cultural gateways are set by the Board which trigger payment of the STI plan. If the gateways are not achieved, payments will not be made unless the Board, in its discretion, determines it appropriate.
The following gateways must be met in order for any STI awards to be made:
1. Risk (no material regulatory breaches, no material breaches of Delegation of Authority, completion of mandatory personal and department compliance training).
2. Culture (no material breaches of policies).
If the above personal gateways are achieved, performance will then be reviewed against the following hummgroup performance measures:
Financial Measures:
• Normalised Cash Profit after tax (30%)
• Cost Out and Operating Expense Reduction (20%)
Strategic Measures:
• Customer Net Promoter Score (NPS) (25%)
• Employee Engagement Score (25%)
</td></tr>
</table>

FEATURE	DESCRIPTION
How is the award calculated?	The FY23 STI performance measures consists of four measures which reflect the important financial and strategic drivers of business performance and the creation of shareholder value. Further, three to five key personal objectives are set for each Executive KMP, related to major initiatives to drive business performance. Executive KMP performance relating to these personal objectives are scored out of four, which determines what, if any, STI is paid. 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

FY23 LTIP: KMP and key senior leaders

During FY23, the Board approved the terms and the implementation of an updated LTIP to align with **humm**group's strategic objectives over the next three years. The plan is designed to allow the Board to make grants of Performance Rights to employees which provide the opportunity to receive HUM shares to assist with:

a) Attracting, motivating and retaining employees beyond the Executive team;

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

c) Aligning the interests of employees with **humm**group's long-term strategic objectives and creation of shareholder value; and

d) Maintaining simplicity and focusing on measures and outcomes that are within management's ability to influence.

Under the LTIP, eligible participants may be granted Performance Rights on terms and conditions determined by the Board from time to time. A Performance Right is a contractual right to receive HUM shares subject to the achievement of applicable vesting and/or performance conditions.

The Board is responsible for administering the LTIP in accordance with the LTIP Rules and the terms and conditions of specific grants of Performance Rights to participants in the LTIP. The Board may, in its discretion, accept such applications.

The Performance Rights 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.

Key features of the FY23 LTIP are outlined below.

FEATURE	DESCRIPTION
How is it paid?	The LTIP is an annual grant of Performance Rights. The Performance Rights may vest and be exercised over HUM Shares.
How is performance measured?	FY23 LTI Performance Rights granted were subject to two equally weighted performance conditions: • **Earnings Per Share ("EPS") hurdle:** Normalised Cash Profit after tax divided by Average Number of HUM shares on issue for the period. • **Return on Cash Equity ("RoCE") hurdle:** Normalised Cash Profit after tax divided by Average Normalised Cash Equity[1] for the period. The performance measures will be tested annually and are mutually exclusive. Vesting will be tested independently for each of the performance measures and achievement of one performance measure does not impact vesting relating to the other performance measure. Awards under the LTIP will be subject to continued employment with **humm**group until the Vesting Date.

1. Cash equity is defined as statutory equity adjusted for unrealised gains that have been recognised directly in equity (e.g. mark-to-market on hedging portfolio where no cash profit has been recognised).

<table>
<tr><th>FEATURE</th><th>DESCRIPTION</th></tr>
<tr><td>What is the vesting schedule?</td><td>
EPS – 50% weighting
The Vesting schedule below sets out the number of Performance Rights in the EPS Hurdle that may vest subject to the LTIP termination rules (see section 9.4):
<table>
<tr><th>EPS at the end of the performance period</th><th>Vesting Schedule</th></tr>
<tr><td><85% of target EPS[1]</td><td>Nil</td></tr>
<tr><td>85% – 100% of target EPS[1]</td><td>Sliding scale for vesting from 50% to 100%</td></tr>
<tr><td>>Target EPS</td><td>100%</td></tr>
</table>
1. For FY23 Tranche 1, the EPS minimum threshold for vesting was set at 91.7%.

RoCE - 50% weighting
The Vesting schedule below sets out the number of Performance Rights in the ROCE hurdle that may vest subject to the LTIP termination rules (see section 9.4):
<table>
<tr><th>RoCE at the end of the performance period</th><th>Vesting Schedule</th></tr>
<tr><td><85% of target RoCE[2]</td><td>Nil</td></tr>
<tr><td>85% – 100% of target RoCE[2]</td><td>Sliding scale for vesting from 50% to 100%</td></tr>
<tr><td>>Target RoCE</td><td>100%</td></tr>
</table>
2. For FY23 Tranche 1, the RoCE minimum threshold for vesting was set at 91.0%.

Vesting of EPS and RoCE Grant
Vesting will be subject to a sliding scale where 100% of the grant will be achieved at target Normalised Cash Profit after tax, with reference to growth from the three-year business plan. The minimum floor for the sliding scale will achieve vesting of 50% of the amount granted. No rights will vest if the minimum floor has not been achieved.
</td></tr>
<tr><td>When will the performance hurdles be tested?</td><td>Testing of the EPS and RoCE hurdles 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 Performance Rights that will vest (if any) will be determined by the Board.</td></tr>
<tr><td>When will the Performance Rights vest?</td><td>Performance Rights will vest based on two conditions:
• Achievement of performance hurdles at Testing Date; and
• Continuous service by Vesting Date (i.e. September 2025).

Any Performance Rights that do not meet the above vesting conditions will lapse immediately.</td></tr>
<tr><td>What are the governance aspects of the plan?</td><td>Relevant governance aspects include change of control, cessation of employment, eligibility for dividend and voting rights and clawback/malus.

Further details regarding these aspects of the plan can be found in section 9 of this remuneration report.</td></tr>
</table>

FY22 LTIP: KMP and key senior leaders (Options)

In FY21, the Board approved the implementation for the FY22 LTIP which included the annual grant of options to eligible participants to align with **humm**group's high growth and transformation strategy.

The FY22 LTI options were granted subject to two equally weighted performance conditions, subject to continued employment with **humm**group until the Vesting Date including:

- Share Price Hurdle (determined based on the 20 trading-day VWAP of HUM shares following the FY24 annual announcements) and;
- Earnings Per Share Hurdle.

Key features of the FY22 LTIP are outlined below.

<table>
<tr><th>FEATURE</th><th>DESCRIPTION</th></tr>
<tr><td>What is the vesting schedule?</td><td>
Share Price Hurdle – 50% weighting
The Vesting schedule below sets out the number of options in the Share Price Hurdle tranche that may vest subject to the LTIP rules (see section 9.4):
<table>
<tr><th>Share Price at the end of the performance period</th><th>Vesting Schedule</th></tr>
<tr><td><$1.25</td><td>Nil</td></tr>
<tr><td>$1.25</td><td>33%</td></tr>
<tr><td>$1.25 to $2.25</td><td>Straight line vesting between 33% – 100%</td></tr>
<tr><td>>$2.25</td><td>100%</td></tr>
</table>
EPS Hurdle – 50% weighting
The Vesting schedule below sets out the number of options in the EPS Hurdle tranche that may vest:
<table>
<tr><th>EPS CAGR at the end of the performance period</th><th>Vesting Schedule</th></tr>
<tr><td><15%</td><td>Nil</td></tr>
<tr><td>15%</td><td>33%</td></tr>
<tr><td>15% – 25%</td><td>Straight line vesting between 33% – 100%</td></tr>
<tr><td>>25%</td><td>100%</td></tr>
</table>
EPS CAGR is calculated based on the compound annual growth in Earnings Per Share (EPS) from 30 June 2021 to 30 June 2024.
EPS is determined on a Cash NPAT basis, derived from statutory net profit after tax adjusting for the amortisation of acquired intangibles and material infrequent items.
EPS is calculated as Cash NPAT divided by the weighted average number of HUM shares on issue.
</td></tr>
<tr><td>When will the performance hurdles be tested?</td><td>Testing of the Share Price Hurdle and EPS will occur shortly after the end of the performance period.
To the extent that the conditions are satisfied based on the testing results, the relevant number of options that will vest (if any) will be determined by the Board.</td></tr>
<tr><td>When will options vest?</td><td>Options that become eligible to vest following testing will vest as follows:
• Two-thirds vest immediately on the Testing Date; and
• One-third vests on the 12-month anniversary of the Testing Date
Any options that do not vest following testing will lapse immediately.</td></tr>
<tr><td>What are the governance aspects of the plan?</td><td>Relevant governance aspects include change of control, cessation of employment, eligibility for dividend and voting rights and clawback/malus.
Further details regarding these aspects of the plan can be found in section 9 of this remuneration report.</td></tr>
</table>

For performance options issued in FY22, the fair values at grant date takes 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 20 to the financial statements.

Further details on LTIP awards on foot

GRANT DATE	TYPE	TRANCHE NUMBER	DATE VESTED & EXERCISABLE	EXPIRY DATE	EXERCISE PRICE	VALUE PER OPTION / PERFORMANCE RIGHT AT GRANT DATE ($)
17-Jul-23[1]	Performance Rights	2023 LTIP – EPS 2023 LTIP – ROCE	30-Sep-25	–	–	0.41
21-Sep-21	Performance options	2022 LTIP – EPS – a	30-Sep-24	21-Sep-27	1.21	0.20
		2022 LTIP – ASP – a	30-Sep-24			0.14
		2022 LTIP – EPS – b	30-Sep-25			0.21
		2022 LTIP – ASP – b	30-Sep-25			0.14

1. Executive KMP, Adrian Fisk, has begun rendering services during the year before the award is formally ratified.

The table below provides details of LTI Performance Rights issued in FY23 over ordinary HUM shares in the Company, issued to Executive KMPs and provided as remuneration at **humm**group.

When exercisable, a Performance Right is convertible into one ordinary share of **humm**group. Further information on the Performance Rights are set out in note 20 to the financial statements.

NAME	POSITION	NUMBER OF PERFORMANCE RIGHTS GRANTED[1]	FAIR VALUE OF PERFORMANCE RIGHTS GRANTED DURING THE YEAR ($)[2]
Adrian Fisk	Chief Financial Officer	1,810,046	738,499

1. Annual allocation.
2. This is based on the fair value of the HUM shares on the date of grant. If the Performance Rights do not vest the value to the Executive KMP is $nil.

The assessed fair value of Performance Rights granted on 17 July 2023 for the Executive KMP is determined based on the fair value of share price at grant date discounted by the expected dividend yield for FY23. This is included in the remuneration table in section 10.1 of this remuneration report in accordance with AASB2 accounting standards.

3.1.4 Sign-On Incentive Rights

No sign-on rights were granted in FY23.

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: 48% of the CEO's remuneration is fixed remuneration, 52% is performance-based pay.

CFO: 34% of the CFO's remuneration is fixed remuneration, 66% is performance-based. Pay mix for the CFO is representative of typical incentive opportunities.

PAY MIX			
POSITION	FIXED REMUNERATION	STI TARGET[1]	LTI MAXIMUM
CEO	48%	36%	16%
Managing Director and CEO[2]	100%	n/a	n/a
CFO	34%	17%	49%

1. Of the STI Target, 33% for the CEO and 25% for other Executive KMP is typically deferred into restricted HUM shares. For Managing Director and CEO, the STI Target is based on current remuneration arrangements as at 30 June 2023 for FY23.
2. Remuneration mix only relates to FY23. The equity component of the Managing Director and CEO remuneration arrangements will be separately considered by shareholders at the AGM in November 2023.

4. LINKING EXECUTIVE REMUNERATION TO COMPANY PERFORMANCE

4.1 What We Paid Executive KMP in FY23

The table below represents actual remuneration received in FY23 by Executive KMP. Please refer to section 5 for terms of Executive KMP Service Agreements for their contractual fixed remuneration.

	FIXED REMUNERATION[1]	STI CASH FY23
Stuart Grimshaw[2]	68,526	-
Rebecca James[3]	816,655	-
Adrian Fisk	632,251	242,370

1. Fixed remuneration includes Cash Salary and Superannuation.
2. Mr Grimshaw commenced as Managing Director and CEO effective from 1 June 2023. His fixed remuneration has been apportioned based on his role as an Executive KMP during FY23.
3. Fixed Remuneration up to 31 May 2023 when Ms James ceased as KMP.

4.2 Performance Against FY23 STI Measures

The performances measures for FY23 were:

MEASURES	WEIGHTINGS	TARGET	FY23 RESULT	FY23 OUTCOME
Normalised Cash Profit After Tax	30%	$84.9m	$75.0m	Marginally below target
Cost Out *OPEX reduction exclusive of reduction in depreciation*	20%	$15m	$18.6m	Target Achieved
Customer Experience *Customer Net Promoter Score (NPS)*	25%	54%	69%	Target Achieved
Employee Engagement Score	25%	69%	73%	Target Achieved

4.2.1 STI FY23 Outcomes

All Risk and Culture gateways were met for Executive KMP triggering payment of STI in FY23.

Given the achievement of three out of four performance measures in the corporate scorecard, STI payments will be made to the Executive KMP for FY23. The Board approved the release of 82% of the total FY23 STI pool.

Generally, an employee who ceases employment due to voluntary resignation prior to STI Payment date will not be paid any cash STI and forfeit all unvested HUM shares, unless otherwise determined by the PRC and approved by the Board. As such, no STI payment was awarded to Ms James for FY23.

Mr Fisk received a cash award of $242,370 for the cash component of the FY23 STI award. The remainder of the FY23 STI award was delivered in restricted HUM shares in line with the Executive STI Deferral policy.

4.2.2 Deferred STI FY23 Outcomes

CEO: A total of 94,417 HUM shares relating to tranche 1 of the deferred FY21 STI award vested in September 2022.

In recognition of the contribution that outgoing CEO Rebecca James made to **humm**group over her five-year tenure as CEO, the Board exercised its discretion to accelerate the vesting of 94,417 HUM shares relating to tranche 2 of the deferred FY21 STI award, bringing forward the vesting date from 3 September 2023 to 30 June 2023.

The Board also exercised its direction to lift the disposal restriction on all 188,834 deferred FY21 HUM shares effective from Ms James cessation date of 30 June 2023.

No other Deferred STI outcomes applied to Ms James.

CFO: A total of 153,535 restricted HUM shares relating to the deferred FY23 STI award has been granted to Mr Fisk in line with the Executive STI Deferral policy and is due to vest in September 2024, subject to continued employment up to Vesting Date.

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 dividend, share price and Cash EPS over the last five years.

YEAR ENDED 30 JUNE	2023	2022	2021	2020	2019[1]
Dividends per share (cents)	2.00	3.10	–	3.85	7.7
Cash EPS (cents)	13.67[2]	9.52	13.75	7.31	19.68
Return on Equity	13.0%[3]	7.3%	10.2%	5.1%[4]	12.3%
Share price (high)	$0.70	$1.08	$1.35	$2.47	$2.34

1. The opening price for 2019 was $2.20.
2. To better reflect the underlying performance of the business, **humm**group introduced Normalised Cash Profit after tax during FY23 to replace previous result measure Cash NPAT.
3. Return on Cash Equity is introduced to better reflect financial performance, which is a measure of Normalised Cash Profit after tax divided by total of contributed equity and retained earnings.
4. Retrospectively adjusted for the impacts of International Financial Reporting Interpretation Committee ("IFRIC") guidance on cloud computing costs which reduced Cash NPAT by $1.7m (after tax).

4.3.1 LTI Outcomes in FY23

The FY23 LTI grant of Performance Rights is expected to be tested in September 2023 and vest in September 2025 subject to continuous service. No other LTI granted in the historical periods have or are expected to vest during FY23. Refer to section 8.1 for further information.

For FY23 LTIP, the following performance outcomes were achieved:

- For EPS, 95.2% of Target was achieved, resulting in the vesting of 72.0% of the 50% weighting.
- For RoCE, 97.0% of Target was achieved, resulting in the vesting of 84.0% of the 50% weighting.

Based on the above, the Board approved 78% of the Performance Rights to vest on 30 September 2025 for the FY23 LTIP, subject to continuous service.

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

In the current year, nil ordinary HUM shares in the Company were issued as a result of the exercise of Performance Rights under the FY23 LTIP.

For the prior years, nil ordinary HUM shares in the Company were issued as a result of the exercise of remuneration performance and sign-on rights.

5. TERMS OF EXECUTIVE KMP

SERVICE AGREEMENTS

Remuneration and other terms of employment for the Executive KMP are formalised in service agreements. Each of these agreements can provide for the provision of STI, 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 KMP. The Company can make a payment in lieu of notice. The notice period for each Executive KMP is listed in the table below.

In the event of retrenchment, each of the Executive KMP listed in the table below is entitled to the payment provided for in the service agreement. The employment of the Executive KMP 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 LTI held by the Executive KMP.

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

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

	TERM OF AGREEMENT & NOTICE PERIOD[1]	TOTAL FIXED REMUNERATION ($)[2]	TERMINATION PAYMENTS[3]
Stuart Grimshaw[4]	6 months	925,292	6 months
Rebecca James[5]	6 months	855,322	6 months
Adrian Fisk	6 months	628,448	6 months

1. Notice applies to either party.
2. Base salaries and superannuation are for financial year ended 30 June 2023. Annual remuneration reviews are performed by the PRC.
3. Base salary payable if the Company terminates employee with notice, and without cause.
4. Stuart Grimshaw commenced as Managing Director and CEO effective 1 June 2023.
5. Rebecca James stepped down as CEO effective 1 June 2023 and remained in an advisory capacity with **humm**group until 30 June 2023.

6. FY23 REMUNERATION STRUCTURE CHANGES

The Board will continue to review remuneration, 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 2023 financial year.

BASE FEES (PER ANNUM) $	FY23 FEES	FY22 FEES
Chair	150,000	250,000
Other Non-Executive Directors	100,000	120,000
ADDITIONAL FEES (PER ANNUM) $	**FY23 FEES**	**FY22 FEES**
Audit, Risk & Compliance Committee[1] – Chair	20,000	25,000
People and Remuneration Committee – Chair	20,000	25,000
Nomination Committee[2] – Chair	-	-
Committee Fees – Members	10,000	10,000

1. The Audit Committee and the Risk & Compliance Committee were amalgamated to form the Audit, Risk & Compliance Committee on 13 December 2022. No separate meetings were held before amalgamation.
2. The Chair of the Nomination Committee does not receive a separate fee for chairing the Committee.

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

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

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

7.2 Non-Executive Directors' Minimum Shareholding Requirements

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

7.3 Non-Executive Directors' Equity Plan

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

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

8. DETAILS OF PERFORMANCE RIGHTS AND OPTIONS

8.1 Expired and Unvested Performance Rights (Tranche Details Granted Prior to FY23 LTI Introduction)

hummgroup has issued Performance Rights in prior periods as disclosed in previous annual reports.

The terms and conditions of each grant of FY19 Performance Rights affecting remuneration in this, or previous reporting periods are as below.

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

Tranche 6 Performance Rights were tested and did not vest following the FY22 results announcement as Cash EPS and Relative TSR thresholds were not met.

The performance periods applicable to each of the outstanding performance-based vesting conditions were as follows:

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

Tranche 6 Performance Rights were 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 was based on growth in Cash NPAT earnings per share ("Cash EPS"). Cash NPAT is a non-statutory measure of profit and is defined as statutory profit after tax, adjusted for the after-tax effect of material infrequent items and the amortisation of acquired intangible assets. The Group calculates Cash EPS for a financial year as:

- Cash NPAT;
- Divided by the weighted average number of ordinary HUM 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 6 is 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 Tranche 6 Performance Rights related 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 was determined by calculating the amount by which the sum of:

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

Tranche 6 performance targets are as per the table below:

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

The Board had 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 believed it was appropriate to do so to reflect the Group's circumstances. The Board did not exercise this discretion for Trance 6 Performance Rights.

Vesting date and expiry date

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

Vested Performance Rights that were not exercised before the relevant expiry date lapsed in accordance with the LTIP Rules.

Disposal restriction

Executive KMP may not dispose of, deal in, or grant a security interest over any interest in a Performance Right or share allocation 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.

Given no shares were allocated for Tranche 6 of the FY19 LTIP, no disposal restriction was applied.

Details of the FY23 LTIP are referred to in section 3.1.3 of this report.

8.2 Expired and Unvested Options (Tranche Details Granted Prior to FY23 LTI Introduction)

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

The terms and conditions of the option grant in FY21 and FY22 in the previous, in this or in future reporting periods are as below.

GRANT DATE	TRANCHE NUMBER	VESTING DATE AND EXERCISE DATE	OUTSTANDING PERFORMANCE OPTIONS TO KMP	EXPIRY DATE	EXERCISE PRICE	VALUE PER SHARE AT GRANT DATE ($)
21-Sep-21	2022 LTIP – EPS – a	30-Sep-24	318,250	21-Sep-27	1.21	0.20
	2022 LTIP – ASP[1] – a	30-Sep-24	318,250			0.14
	2022 LTIP – EPS – b	30-Sep-25	156,750			0.21
	2022 LTIP – ASP[1] – b	30-Sep-25	156,750			0.14
19-Nov-20	2021 LTIP – CEO	21-Sep-22	2,000,000	19-Nov-25	1.38	0.23
30-Nov-20	2021 LTIP – other executives	21-Sep-22	4,503,895	30-Nov-25	1.38	0.31

1. ASP refers to Average Share Price.

Further details on the FY22 LTIP options terms and conditions is set out in section 3.1.3.

- The FY21 LTIP options have been tested and did not vest following the FY22 results announcement as the performance-based vesting conditions were not met. The following performance-based vesting conditions were: A share price performance hurdle measured over the performance period ("Share Price Hurdle") – which is determined based on the 20 trading-day VWAP of **humm**group shares following the FY22 annual results announcement; and
- Continued employment with **humm**group until the Vesting Date.

The vesting schedule below sets out the percentage of options that vest based on the share price achieved at the end of the Performance Period for the FY21 options plan.

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

Unvested deferred STI

GRANT DATE	TRANCHE NUMBER	VESTING DATE AND EXERCISE DATE	OUTSTANDING DEFERRED STI TO KMP	EXERCISE PRICE	VALUE PER OPTION AT GRANT DATE ($)
1-Sep-23[1]	2023 Deferred STI	30-Sep-24	153,535	–	0.53

1. Executive KMP, Adrian Fisk, has begun rendering services during the year before the award is formally ratified.

9. GOVERNANCE

9.1 Governance Framework

Governance of our remuneration framework has been a key focus during the last 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 other executives, 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 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 scope for the PRC as outlined in the People and Remuneration Committee Charter also includes:

- 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 PRC 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 PRC 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.

As at 30 June 2023, the PRC consisted entirely of independent Non-Executive Directors as follows: Anthony Thomson, Teresa Fleming and Robert Hines.

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 (LTIP)
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 at the Board's discretion.	If employment ceases due to retirement or redundancy, the Board may exercise discretion to accelerate the vesting of all or a portion of unvested awards.
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 unvested awards 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. In FY23, the Board exercised its discretion to accelerate the vesting of the FY21 deferred STI award to Ms James and lift the disposal restriction. Further details under section 4.2.2 Deferred STI FY23 Outcomes.

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	FY23 LTIP	FY22 LTIP
Change of control	In the case of change of control, where the Board does not exercise its discretion, upon a change of control, all of unvested Performance Rights will automatically vest and self-exercise.	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	Performance Rights do not carry voting or dividend rights.	Options do not carry voting or dividend rights.
Hedging	Participants must not sell, transfer, encumber, hedge or otherwise deal with their Performance Rights granted under the LTIP. A participant must not deal with any rights or interest in any rights, including entering into any arrangement for the purpose of hedging or otherwise limiting or affecting the economic exposure to risks relating to the Performance Rights.	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 HUM Shares.
Malus/clawback	The Board may, at its discretion, and subject to law, for a period up to 3 years following the last vesting date, determine any treatment in relation to the Performance Rights, or HUM Shares allocated upon vesting and exercise of Performance Rights, (whether unvested, vested and exercised into HUM Shares but subject to dealing restrictions, or fully vested and exercised into HUM Shares and no longer subject to dealing restrictions).	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 PRC. During the year ended 30 June 2023, no remuneration recommendations, as defined by the Corporations Act, were provided by remuneration consultants.

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

10. OTHER STATUTORY DISCLOSURES

10.1 Amounts of Remuneration

Details of the remuneration of the Directors and the Executive KMP for FY23 and FY22 and 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.

2023	SHORT-TERM EMPLOYEE BENEFITS					POST-EMPLOYMENT BENEFITS	LONG-TERM BENEFITS		
	CASH SALARY & FEES	ANNUAL LEAVE ACCRUED[1]	STI CASH PAYMENT	OTHER BENEFITS	TERMINATION PAYMENT	SUPERANNUATION	LONG SERVICE LEAVE	SHARE-BASED PAYMENTS EXPENSE[2]	TOTAL EARNINGS
NAME	$	$	$	$	$	$	$	$	$
Non-Executive Directors									
Andrew Abercrombie	150,039	–	–	–	–	15,445	–	–	165,484
Stuart Grimshaw[3]	104,231	–	–	–	–	10,903	–	–	115,134
Anthony Thomson (appointed 29 Sept 2022)	95,269	–	–	–	–	10,003	–	–	105,272
Robert Hines (appointed 29 Sept 2022)	88,885	–	–	–	–	9,333	–	–	98,218
Teresa Fleming[4]	130,630	–	–	–	–	14,391	–	–	145,021
Subtotal Non-Executive Directors	**569,054**	**–**	**–**	**–**	**–**	**60,075**	**–**	**–**	**629,129**
Other Key Management Personnel									
Rebecca James[5,6]	766,155	47,209	–	80,186	250,000	27,658	–	114,100	1,285,308
Stuart Grimshaw[3,6]	65,385	6,842	–	150,000	–	2,972	169	–	225,368
Adrian Fisk[6]	603,130	40,222	242,370	200,000	–	25,292	3,829	149,101	1,263,944
Subtotal other key management personnel	**1,434,670**	**94,273**	**242,370**	**430,186**	**250,000**	**55,922**	**3,998**	**263,201**	**2,774,620**
Total key management personnel compensation (Group)	**2,003,724**	**94,273**	**242,370**	**430,186**	**250,000**	**115,997**	**3,998**	**263,201**	**3,403,749**

1. Includes accrued annual leave for Executive KMP.
2. Remuneration for share-based payments represents amounts expensed during the year for accounting purposes.
3. Mr Grimshaw was appointed as a Non-Executive Director of the Company effective 30 June 2022 and as Managing Director and CEO effective 1 June 2023.
4. EUR translated at the average exchange rate of 0.6400
5. Ms James ceased as CEO effective 31 May 2023.
6. Other benefits include sign-on bonus paid to Mr Grimshaw in June 2023, as well as the retention bonus paid to Ms James and Mr Fisk in September and October 2022, in relation to FY22.

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

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

For FY23, the relative proportions of ongoing remuneration that are linked to performance and those that are fixed are as follows:

	FIXED REMUNERATION	AT RISK - STI	LTI
NAME	%	%	%
Stuart Grimshaw	100	0	0
Rebecca James	90	0	10
Adrian Fisk	62	24	14

10.2 Loans and Other Transactions

No loans were provided to any KMP during the period.

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

10.3 Other Services Obtained from Related Parties

No other services were obtained from Related Parties during the period.

10.4 Equity Instrument Disclosures Relating to Directors and Key Management Personnel

Performance Rights and option holdings currently on-foot.

2023							
NAME	BALANCE AT START OF YEAR	GRANTED AS COMPENSATION[1]	EXERCISED	LAPSED/ FORFEITED[2]	CANCELLED	CLOSING BALANCE AS END OF YEAR[3]	UNVESTED
Other Key Management Personnel							
Stuart Grimshaw	–	–	–	–	–	–	–
Rebecca James	4,717,680	–	(188,834)	(2,000,000)	(2,528,846)	–	–
Adrian Fisk	950,000	1,963,581	–	–	–	2,913,581	2,913,581

1. Relates to Performance Rights granted under FY23 LTI and deferred FY23 STI.
2. Tranche 6 Performance Rights and FY21 LTI options cancelled during the year, as vesting conditions were not met. Ms James FY22 LTI options were forfeited during the year due to resignation.
3. Or at termination date.

10.5 Shareholding Disclosures Relating to Key Management Personnel

The numbers of HUM 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.

2023				
NAME	BALANCE AT START OF YEAR	RECEIVED DURING THE YEAR ON THE EXERCISE OF RIGHTS AND OPTIONS OR AT DATE OF RESIGNATION	OTHER CHANGES DURING THE YEAR	BALANCE AT END OF YEAR
Non-Executive Directors				
Andrew Abercrombie (Chair)[1]	115,333,228	–	11,108,832	126,442,060
Stuart Grimshaw[2]	–	–	–	–
Teresa Fleming	–	–	–	–
Anthony Thomson[3] (appointed 29 September 2022)	–	–	–	–
Robert Hines[3] (appointed 29 September 2022)	–	–	200,000	200,000
Other Key Management Personnel				
Rebecca James[4] (ceased 31 May 2023)	40,000	188,834	888	229,722
Stuart Grimshaw[2,5]	–	–	–	–
Adrian Fisk	100,000	–	100,000	200,000

1. The balance at start of year is comprised of the direct and indirect shareholdings totalling 114,858,000 plus the shareholdings of Mr Abercrombie's personally related parties totalling 475,228.
2. Mr Grimshaw was appointed as a Non-Executive Director of the Company effective 30 June 2022 and as Managing Director and CEO effective 1 June 2023.
3. Opening balance is as at 29 September 2022, the date Mr Thomson and Mr Hines became Non-Executive Director.
4. Ms James ceased as Group Chief Executive Office effective 31 May 2023. Closing balance is 30 June 2023.
5. Opening balance is as at 1 June 2023, the date Mr Grimshaw became Managing Director and CEO.

END OF REMUNERATION REPORT

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

1. GOVERNANCE

The Board is responsible for the corporate governance of the Company. The Board Audit, Risk & Compliance Committee (together with the People & Remuneration Committee in relation to People matters) assists the Board to ensure that appropriate corporate governance is in place including adoption, review and maintenance of all Environmental, Social and Governance ("ESG") policies.

2. SOCIAL

OUR WAY OF DOING THINGS

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

hummgroup takes its obligations regarding ethical behaviour 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, which in turn is supported by an external independent whistleblower reporting service.

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 this is supported by, amongst other endeavours, mandatory staff training and a behaviours gateway to any short term incentive reward.

OUR PEOPLE

hummgroup is made up of a diverse mix of approximately 619 full time employees. 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 innovate.

Equal Employment Opportunity

hummgroup has a zero-tolerance approach to bullying, harassment or discrimination of any kind. Our Equal Employment Opportunity, 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. **humm**group undertakes an employee engagement survey annually and 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% to 73% in 2023.

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 that our people can access when they choose from anywhere in the world.

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.

hummgroup also offers flu vaccinations for all of our employees at no cost.

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 better informed decisions and plan some events to support different communities. This includes learning opportunities, cultural events and virtual seminars.

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

hummgroup complies with the *Workplace Gender Equality Act 2012* (Cth) 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

Our parental leave policy provides for 10 weeks' paid parental leave for primary caregivers in Australia and New Zealand, Super/Kiwi Saver employer contribution for the duration of primary parental leave (up to 12 months), and 1 week paid secondary parental leave.

Employee learning and development

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

We endeavour to build a culture that inspires people to not only embrace opportunities but to create opportunities for themselves and for others by being 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, developing design thinking and providing more development opportunities.

Recognition

Extraordinary staff achievement is recognised in many ways at **humm**group including through a peer-to-peer recognition and reward programs and monthly **humm**bassador Awards which are aligned to our values. These programmes are in addition to the formal performance and review process undertaken annually.

OUR CUSTOMERS

Our 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, in app chats and via social media. We also enable self-service options which provides customers with the ability to control their own accounts.

Complaints management

We place great importance on effectively managing and learning from customer complaints. Our Complaint Management Policy is supported by a robust complaints management process which logs, categorises and investigates all complaints received through any communication channel. **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 which is underpinned by the Company's Financial Hardship Policy which sets out guidelines on how to appropriately manage customers in financial difficulty.

Privacy

hummgroup is dedicated to protecting the personal information of its customers in line with relevant legislation and codes in all locations where it operates. **humm**group has published a Privacy Policy for each of Australia and New Zealand – available on **humm**group's website – outlining the types of personal information we collect, and the purposes for which we collect, 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.

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. 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 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 the Company's group fraud platform, enhancing its 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 a responsible lender, we are focussed on sustainable long-term relationships and protecting our customers from financial risk. We regularly engage with regulators and industry bodies on a wide range of responsible lending issues.

We have a stringent process for selecting and onboarding merchants to ensure alignment with **humm**group polices relating to the protection of consumer interests. We regularly monitor amongst other things, credit quality and can quickly adapt acceptance criteria to meet changing macro-economic factors, and will proactively decrease credit limits where appropriate to protect our customers from financial risk.

OUR COMMUNITIES

hummgroup 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.

Modern Slavery

hummgroup supports the mandatory reporting required under Modern Slavery legislation. We actively review our supply chain and operations to ensure that **humm**group and its suppliers are compliant.

3. ENVIRONMENT

OUR ENVIRONMENT

Green Bonds

hummgroup has played a market leading role in the green asset-backed securities market in Australia over the past 7 years. In 2016, **humm**group was the first Australian company to issue green asset-backed securities to fund its solar energy related financing through its PosPP business. **humm**group has since brought eight further securitisations of similar loans to market and has issued over $665m of green asset-backed securities. This has included several 'market first' structures, with green tranches of asset-backed securities offered across all ratings levels from 'AAAsf' down to 'BBsf'. All green asset-backed securities have been formally certified by the Climate Bonds Standard Board, on behalf of the Climate Bonds Initiative.

Environmental initiatives

Our Adelaide office is located in a building with a 5.5-star NABERS Energy rating and a 4-star NABERS water rating and our head office in Sydney is located in a building with a 5.5-star NABERS Energy rating and a 4.5-star NABERS water rating. NABERS is a nationally recognised measure of environmental performance.

2023 CORPORATE GOVERNANCE STATEMENT

This Corporate Governance Statement sets out details of humm Group Limited's (ABN 75 122 574 583) ("the Company", "the Group" or "**humm**group") corporate governance practices for the year ended 30 June 2023 ("Reporting Period"), including the Company's position in respect of each of the ASX Limited ("ASX") Corporate Governance Council's ("ASX CGC") Corporate Governance Principles and Recommendations 4th Edition ("Recommendations").

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

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

This Corporate Governance Statement is current as at 24 August 2023 and has been approved by the Board of the Company.

PRINCIPLE 1 – LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

Recommendation 1.1 – Have and disclose a Board Charter

Board responsibilities

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

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

The Board's responsibilities include:

- overseeing the development of the Company's corporate strategy and reviewing and approving strategic plans and performance objectives developed by management, including monitoring of the implementation of the strategic plans;
- appointing the Chair, CEO, the Chief Financial Officer ("CFO") and the Company Secretary and approving other key executive (direct reports to the CEO) appointments and planning for key executive succession;
- monitoring the performance of the CEO and other senior executives of the Company against strategy;
- reviewing and approving remuneration for the senior executives of the Company;
- monitoring the operational and financial position and performance of the Company;
- requiring that financial and other reporting mechanisms be put in place which result in accurate and timely information being provided to the Board and the Company's shareholders and the financial market as a whole being fully informed of all material developments relating to the Company;
- approving the Company's budgets and business plans and monitoring the management of the Company's capital, including the progress of any major capital expenditures, acquisitions or divestitures;
- ensuring effective communication with shareholders, particularly timely and balanced disclosure of all material information concerning the Company, which a reasonable person would expect to have a material effect on the price or value of the Company's securities, and establishing policies to govern the Company's relationship with other stakeholders;
- utilising resources and procedures to ensure that financial results are appropriately and accurately reported on a timely basis in accordance with all legal and statutory requirements;
- identifying the principal risks faced by the Company and requiring management to establish and implement appropriate internal controls and monitoring systems to manage and reduce the impact of these risks;

- establishing, overseeing and regularly reviewing processes for identifying, assessing, monitoring and managing material financial and non-financial risk throughout the Company, including setting the risk appetite for the Company;
- actively promoting ethical and responsible decision making through **humm**group's Code of Conduct;
- adopting appropriate procedures to ensure compliance with all laws, governmental regulations and accounting standards;
- approving and reviewing, from time to time, the Company's internal compliance procedures, including any codes of conduct and taking all reasonable steps to ensure that the business of the Company is conducted in an open and ethical manner; and
- regularly reviewing and, to the extent necessary, amending the Board Charter.

Board Committees

To facilitate the execution of its responsibilities, during the Reporting Period the Board had in place a number of Committees to oversee and report to the Board on various areas of responsibility being the Board Audit, Risk & Compliance Committee, Board People & Remuneration Committee and the Board Nomination Committee.

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

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

Audit, Risk & Compliance Committee

AUDIT, RISK & COMPLIANCE COMMITTEE		
Name	**Position**	**Duration**
Robert Hines	Chair	Part Reporting Period
Stuart Grimshaw	Member	Part Reporting Period
Teresa Fleming	Member	Whole Reporting Period
Anthony Thomson	Member	Part Reporting Period

The Audit, Risk & Compliance Committee's ("ARCC") role is to assist the Board:

a) in carrying out its accounting, auditing and financial reporting responsibilities, including oversight of:
   (i) improving the credibility and objectivity of the accountability process, including financial reporting;
   (ii) the effectiveness of the internal and external audit functions and providing a forum for communication between the Board and the internal and external auditor;
   (i) ensuring the independence of the external auditor;
   (ii) providing a structured reporting line for internal audit and monitoring the objectivity and independence of the internal auditor;
   (iii) assuring the quality of internal and external reporting of financial and non-financial information; and
   (iv) ensuring that whistleblower issues are actively followed up.

b) in fulfilling its corporate governance and oversight responsibilities in relation to the Group's risk appetite statement, compliance, risk management strategy, risk management framework and risk management function.

The ARCC Charter provides the ARCC composition will be only Non-Executive Directors, a majority of independent directors and at least 3 members.

For the Reporting Period, the ARCC was chaired by an independent Non-Executive Director and was comprised of the ARCC Chair and 2 independent Non-Executive Directors.

Effective from 1 June 2023, Mr Thomson was appointed to replace Mr Grimshaw as a member of the ARCC due to Mr Grimshaw's appointment as Managing Director and Chief Executive Officer of the Company.

People and Remuneration Committee

PEOPLE AND REMUNERATION COMMITTEE		
Name	**Position**	**Duration**
Anthony Thomson	Chair	Part Reporting Period
Stuart Grimshaw	Member	Part Reporting Period
Teresa Fleming	Member	Whole Reporting Period
Robert Hines	Member	Part Reporting Period

The People and Remuneration Committee's ("PRC") role is to assist and advise the Board on remuneration policies and practices for the Board, the CEO, the CFO, senior management and other persons whose activities, individually or collectively, affect the financial and reputational soundness of the Company. The policies and practices are designed to:

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

The PRC Charter provides the PRC composition will be only Non-Executive Directors, a majority of independent directors and at least 3 members.

For the Reporting Period, the PRC was chaired by an independent Non-Executive Director and was comprised of the PRC Chair and 2 Independent Non-Executive Directors.

Effective from 1 June 2023, Mr Hines was appointed to replace Mr Grimshaw as a member of the PRC due to Mr Grimshaw's appointment as Managing Director and Chief Executive Officer of the Company.

Nomination Committee

NOMINATION COMMITTEE		
Name	**Position**	**Duration**
Andrew Abercrombie	Chair	Whole Reporting Period
Teresa Fleming	Member	Whole Reporting Period
Anthony Thomson	Member	Part Reporting Period

The Nomination Committee ("NC") assists and advises the Board on director selection and appointment practices; director performance evaluation and processes and criteria; board composition and succession planning for the Board and Senior Management to ensure that the Board is of a size and composition conducive to making appropriate decisions, with the benefit of a variety of perspectives and skills, and in the best interests of the Company. The NC is comprised of the Chair of the Board (as Chair of the NC) and 2 Independent Non-Executive Directors.

Management responsibilities

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

- developing business plans, budgets and strategies for the Board's consideration and, subject to the Board's approval, implementing these plans, budgets and strategies;
- operating the Company within the business parameters set by the Board and, where the proposed transactions, commitments or arrangements exceed those parameters, referring the matter to the Board for consideration and approval;
- identifying and managing operational and other risks where those risks could have a material impact on the Company's business, formulating strategies aligned to the Company's purpose, values, strategy and risk appetite for managing these risks for consideration by the Board and, subject to the Board's approval, implementing these strategies;
- managing the Company's current financial and other reporting mechanisms together with managing day-to-day operations within the budget;

- implementing the Company's internal controls and procedures for monitoring these controls and ensuring that these controls and procedures are appropriate and effective;
- providing the Board with accurate and sufficient information regarding the Company's operations on a timely basis and in particular ensuring that the Board is made aware of all relevant matters relating to the Company's performance (including future performance), financial condition, operating results and prospects and potential material risks so that the Board is in an appropriate position to fulfil its corporate governance responsibilities; and
- implementing all policies, processes and codes of conduct approved by the Board.

Directors' independent advice

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

Recommendation 1.2 – Undertake checks before appointment and provide shareholders with information

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

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

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

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

Recommendation 1.3 – Have a written agreement with Directors and Senior Executives

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

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

Similarly all senior executives enter into written agreements with the Company setting out the terms of their appointment and employment.

Recommendation 1.4 – Company Secretary is accountable to the Board

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

- ensuring that the Company complies with its statutory requirements;
- helping to organise and facilitate the induction and professional development of Directors;
- monitoring compliance with Board policy and procedures;
- accurately capturing the Board and Committee business in minutes of the meetings;
- coordinating the timely distribution of papers to the Board and Committees;
- advising the Board and its Committees on governance matters; and
- ensuring that the Company complies with its requirements under the *Corporations Act 2001* (Cth) ("Corporations Act") and ASX Listing Rules.

Each Director is able to communicate directly with the Company Secretary and any decisions to appoint or remove the Company Secretary are approved by the Board as a whole.

Recommendation 1.5 – Have and disclose a Diversity Policy

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

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

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

The Board:

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

Diversity and inclusion at **humm**group

hummgroup encourages diversity and inclusion across our business in a number of ways. The Company's recruitment, promotion and remuneration decisions are based on performance and capabilities. **humm**group ensures that it has clear, readily available policies underpinning its operating model and business processes, and actively includes programs within the business that support diversity and inclusiveness.

hummgroup is proud to support a diverse range of customers. It is important to the Company that its internal team is reflective of its customer base and that it has an inclusive work environment, which translates into customer interactions. **humm**group believes that a strong and diverse internal workforce can provide a great experience for its customers.

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

Results against Key Metrics

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

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

DIVERSITY TARGETS AS AT 30 JUNE 2023	
Measure	Result
Meet or exceed the ASX guideline of 30% female representation among the Non-Executive Directors	25%
≥30% female representation on the Executive team	17%

There was significant change in the **humm**group Board in June 2022 due to the terminated Latitude transaction with the departure of all but one of the Directors. Since that time, the Company has been focused on establishing a stable, robust and capable Board. This will continue in FY24 including a focus on achieving diversity targets.

hummgroup takes inclusion and diversity into account when making all appointments and promotions and works closely with its recruitment agency partners when recruiting for new roles to make them aware of the Group's diversity policies, including its focus on gender diversity, and on providing part time or flexible positions.

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

At the end of the Reporting Period, **humm**group had approximately 45.8% female employees.

Key Metrics for 2024

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

The key metrics are outlined below:

MEASURE	OBJECTIVE
Female representation – Board among the Non-Executive Directors	Meet or exceed the ASX guideline of 30%
Female representation on the Executive team*	30% (adopting the same metric as used for Board representation)
Female representation in the workplace overall	Meet or exceed 45%
All like for like roles at the levels of the organisation	Pay parity

* Executive team comprises the CEO and senior management.

Employee engagement and training

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

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

Recommendation 1.6 – Periodically evaluate Board, Committee and Director performance

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

The People and Remuneration Committee is responsible for determining the process for evaluating the performance of the Board, its Committees and individual Directors against both measurable and qualitative indicators. Given the short tenure of the majority of Directors the evaluation process was not conducted for this Reporting Period.

Recommendation 1.7 – Annually evaluate Senior Executive performance

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

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

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

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

There is further detail in the Annual Report on the performance objectives and the performance of each of the Executive Key Management Personnel, who were, at 30 June 2023, the CEO and the CFO.

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

Recommendation 2.1 – Have a Nomination Committee and disclose its Charter

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

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

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

Recommendation 2.2 – Have and disclose a Board skills matrix

Board skills matrix benchmarking table

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

The Board determined that the Directors collectively had the range of skills, knowledge and experience necessary to meet the Board's responsibilities and objectives and direct the Company. The Non-Executive Directors contributed operational knowledge, an understanding of the industry in which the Company operates, knowledge of financial markets, and an understanding of health, safety, sustainability and stakeholder matters that are important to the Company. A review of the skills matrix was undertaken for the Reporting Period and the next review of the skills matrix is planned to be conducted in the financial year ending 30 June 2024.

Skills matrix

SKILL SET
Leadership and Strategy
International Business
Legal, Governance and Compliance
Audit and Finance
Mergers and Acquisitions
Industry Experience
Risk Management
Customer Focus
Technology
Listed Entity
People and Culture

Recommendation 2.3 – Disclose independence of Directors

As at the date of this Corporate Governance Statement, 4 of 5 of the Directors are Non-Executive Directors (Mr Grimshaw was appointed Managing Director and Chief Executive Officer on 1 June 2023), with the Board determining that each of the Non-Executive Directors is independent, other than Mr Abercrombie (who the Board considers is not independent as he indirectly holds 25% of shares on issue in the Company).

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

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

The Board regularly reviews the independence of each Director. Any Director who considers that he or she has, or may have, a conflict of interest or a material personal interest in any matter concerning the Company is required to give the Directors immediate notice of the interest.

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

Recommendation 2.4 – Have a majority of independent Directors

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

Recommendation 2.5 – Board Chair should be independent

The Chair of the Board, Mr Andrew Abercrombie, is not independent however the Board believes Mr Abercrombie's lengthy experience with, and knowledge of, the Company, including his role as a founding Director, is of significant benefit to the Company, and supports his ongoing role as Chair, notwithstanding that he is not an independent Director.

Recommendation 2.6 – Have a Director induction program, and review Director professional development

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

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

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

Recommendation 3.1 – Articulate and disclose the values

hummgroup has five clearly articulated values which are embedded into its systems and policies, including the Code of Conduct, being:

- **Feel their world:** Know what drives our customer and makes them tick
- **Famous for delivery:** Get things nailed the first time
- **Focus on impact:** Never lose sight of what you are here to do
- **Feed your mind:** Push yourself to stay up to speed with what's hot and new
- **#FTB (Fight The Bureaucracy):** There's no room for hierarchy – roll your sleeves up and get things done

Every day, **humm** people (**humm**bassadors) are recognised internally by their peers and leaders and rewarded for how they have demonstrated one or more of the values.

Recommendation 3.2 – Have and disclose a Code of Conduct

Code of Conduct

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

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

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

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

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

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

Recommendation 3.3 – Have and disclose a Whistleblower Policy

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

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

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

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

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

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

Policy on trading in Company's Securities

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

During the Reporting Period, the Securities Trading Policy was reviewed and updated for clarity and ease of compliance.

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

PRINCIPLE 4 – SAFEGUARD THE INTEGRITY OF CORPORATE REPORTS

Recommendation 4.1 – Have an Audit Committee and disclose its Charter

Audit, Risk & Compliance Committee

During the Reporting Period, **humm**group amalgamated the Audit and Risk & Compliance Committees to form the Audit, Risk & Compliance Committee ("ARCC" or "Committee"). The ARCC was comprised of three independent Non-Executive Directors including the Committee Chair, who was not the Chair of the Board. The composition of the ARCC changed on 1 June 2023 when Mr Grimshaw was replaced by Mr Thomson as Mr Grimshaw no longer met the criteria of Non-Executive Director required under the ARCC Charter to be a member of the Committee.

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

The ARCC provides advice and assistance to the Board in fulfilling the Board's responsibilities relating to the Group's financial risk management and compliance systems and practices, financial statements, financial and market reporting processes, internal accounting and control systems, external audit and such other matters as the Board may request from time to time together with its responsibilities pursuant to the risk and compliance function set out in Recommendation 7.1. In addition, the Committee is responsible for assessing significant estimates and the judgments made during the Reporting Period to ensure the integrity of the Company's external financial reporting and financial statements, as well as ensuring whistleblower issues are actively followed up.

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

Recommendation 4.2 – Board to receive a declaration from the CEO and CFO in advance of approving the Financial Statements

Declarations

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

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

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

- the Company's financial report is founded on sound systems of risk management and internal compliance and control which implement the policies adopted by the Board; and
- the Company's risk management and internal compliance and control system is operating effectively in all material respects.

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

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

the Reporting Period. The Board has determined that it is satisfied as to the independence of the external auditor in relation to the Reporting Period and the audit of the Financial Report for the Reporting Period.

Recommendation 4.3 – Disclose the process to verify unaudited periodic reporting

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

PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE

Recommendation 5.1 – Have and disclose a continuous Disclosure Policy

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

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

- continuous disclosure obligations;
- disclosure roles, responsibilities and internal procedures;
- disclosure matters generally;
- market communications; and
- shareholder communications.

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

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

Recommendation 5.2 – Promptly provide the Board with all material market announcements

The Directors of the Board are subscribed to a service which alerts them to the publication of all of the Company's market announcements, including material announcements. In addition, the Board approves or receives notice of all non-pro forma market announcements from Management.

Recommendation 5.3 – Release a copy of investor or analyst presentations to the market

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

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

PRINCIPLE 6 – RESPECT THE RIGHTS OF SECURITY HOLDERS

Recommendation 6.1 – Provide Company and governance information on the website

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

This commitment is achieved by:

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

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

Recommendation 6.2 – Have an investor relations program to facilitate two-way communication with investors

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

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

Recommendation 6.3 – Disclose how security holder participation at meetings is encouraged

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

Recommendation 6.4 – Substantive security holder resolutions to be determined by poll

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

Recommendation 6.5 – Provide option to security holders to receive electronic communications

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

PRINCIPLE 7 – RECOGNISE AND MANAGE RISK

Risk management

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

Recommendation 7.1 – Have a Risk Committee and disclose its Charter

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

Audit, Risk and Compliance Committee

During the Reporting Period, **humm**group amalgamated the Risk & Compliance and Audit Committees to form the Audit, Risk & Compliance Committee. The ARCC was comprised of three independent Non-Executive Directors including the Committee Chair, who was not the Chair of the Board. The composition of the ARCC changed on 1 June 2023 when Mr Grimshaw was replaced by Mr Thomson as Mr Grimshaw no longer met the criteria of Non-Executive Director required under the ARCC Charter to be a member of the Committee.

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

While ultimate responsibility for risk oversight and risk management rests with the Board, the ARCC provides advice and assistance to the Board to fulfil its corporate governance and oversight responsibilities in relation to how risk is identified, assessed and managed across the Group, including in accordance with the Board approved Risk Appetite Statement, together with its responsibilities pursuant to the audit function set out in Recommendation 4.1. In addition, the Committee was responsible for assessing significant risks and compliance with internal and external requirements during the Reporting Period.

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

Recommendation 7.2 – Annually review the risk management framework

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

Recommendation 7.3 – Make disclosures regarding the internal audit function

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

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

Recommendation 7.4 – Disclose if the Company has any material environmental or social risks, and their mitigants

hummgroup is dedicated to effectively managing all material risks faced by the Company, including its exposure to economic, environmental, climate change, or social sustainability risks and is in the process of developing an ESG Policy.

PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBLY

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

Recommendation 8.1 – Have a Remuneration Committee and disclose its Charter

During the Reporting Period, the Company's People and Remuneration Committee was comprised of three independent Non-Executive Directors including the Committee Chair, who was not the Chair of the Board. The composition of the People and Remuneration Committee changed on 1 June 2023 when Mr Grimshaw was replaced by Mr Hines as Mr Grimshaw no longer met the criteria of Non-Executive Director required under the People and Remuneration Committee Charter to be a member of that committee.

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

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

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

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

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

- the ongoing appropriateness and relevance of the remuneration framework for the Chair and the Non-Executive Directors (including the process by which any shareholder approved pool of Directors' fees is allocated to Directors);
- the Company's policy on remuneration for the CEO and senior management, any changes to the policy and the implementation of the policy (including any shareholder approvals required);
- the total remuneration packages for the CEO and senior management (including base pay, incentive payments, equity-based awards, superannuation and other retirement rights, employment contracts), any changes to remuneration packages and recommending proposed award after performance evaluation procedures;
- the Company's recruitment, retention and termination policies for the CEO and senior management and any changes to those policies;
- incentive schemes, if appropriate, for the CEO and senior management to encourage them to pursue the growth and success of the entity without rewarding conduct that is contrary to the entity's values or risk appetite;
- equity based plans, if appropriate, for the CEO, senior management and other employees;
- superannuation arrangements for Directors and management;
- monitoring and providing input to the Board regarding:
  - legislative, regulatory or market developments likely to have a significant impact on the Company and legislative compliance in employment issues;
  - the remuneration trends across the Company; and
- major changes to employee benefits structures in the Company.

Recommendation 8.2 – Disclose policies and practices for Non-Executive Directors, Executive Directors, and for Executive Management

Remuneration Report

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

Board remuneration

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

CEO and Executive remuneration

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

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

Recommendation 8.3 – Have and disclose a policy on limiting economic risk of participating in equity based remuneration programs

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

DIRECTORS' REPORT

We, the Directors, are pleased to present this report for the year ended 30 June 2023.

ABOUT HUMMGROUP

humm Group Limited ACN 122 574 583 (ASX: HUM) ("Company", and with its other group and consolidated entities "**humm**group" or "Group") is a diversified financial services company that provides instalment plans which enable businesses and consumers to make large purchases. **humm**group operates in Australia, New Zealand, Ireland, Canada and the United Kingdom.

Our principal activities include the provision of:

- Commercial Lending in Australia and New Zealand;
- Point of Sale Payment Plans;
- Australia Cards (**humm**90, Lombard and Once); and
- New Zealand Cards (including Farmers Finance Card, Farmers Mastercard®, Q Card, Q Mastercard® and Flight Centre Mastercard®).

hummgroup renamed its Buy Now Pay Later ("BNPL") business to Point of Sale Payment Plans ("PosPP") to more accurately reflect its products and services. The market definition of BNPL is attributed to small ticket financing which represents less than 0.7% of total loans and advances of the Group.

hummgroup employs more than 600 people across five countries.

DIRECTORS

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

>> **Andrew Abercrombie**
LLB, BEc, MBA
Chair, Non-Independent, Non-Executive

>> **Teresa Fleming**
BA, AITI
Independent, Non-Executive

>> **Stuart Grimshaw**
BComm, MBA
Independent, Non-Executive (to 31 May 2023)
Managing Director, Chief Executive Officer (from 1 June 2023)

>> **Anthony Thomson**
Independent, Non-Executive
(Appointed 29 September 2022)

>> **Robert Hines**
B.Fin.Admin, Grad.Dip.Adv.Acc, Grad Dip App Fin, FAICD, SF Fin, FCPA, FCA
Independent, Non-Executive
(Appointed 29 September 2022)

COMPANY SECRETARIES

>> **Christina Seppelt**
BEcon, LLB, MLM

>> **Lisa-Anne Carey**
LLB, Grad.Dip.App.Corp.Gov

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

MEETINGS OF DIRECTORS

	Board		Audit, Risk & Compliance Committee		Nomination Committee		People & Remuneration Committee	
	A	B	A	B	A	B	A	B
Andrew Abercrombie	15	15	+	+	0	0	+	+
Teresa Fleming	15	15	6	5	0	0	3	3
Stuart Grimshaw	15	15	5	5	+	+	2	2
Robert Hines (Appointed 29 September 2022)	11	11	6	6	+	+	1	1
Anthony Thomson (Appointed 29 September 2022)	11	10	1	1	0	0	3	3

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

REVIEW OF OPERATIONS

We have provided on pages 10-20 above, a Review of Operations, an update on the key performance measures and financial position of the Group for the year ended 30 June 2023, 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 21-44 above) information on **humm**group's remuneration policies and practises as they relate to our key management personnel ("KMP"), including in respect of the relationship between remuneration and the Company's performance.

DECLARATION OF INTERESTS

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

DIVIDENDS AND OPTIONS

During the year the Company declared a dividend of 1.0 cent per share in respect of the half year ended 31 December 2022. On 24 August 2023 a final dividend of 1.0 cent per share was declared for the full year ended 30 June 2023.

ENVIRONMENTAL REGULATION

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

PROCEEDINGS ON BEHALF OF COMPANY

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

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

AUDITOR

Ernst & Young continues to act as the Company's auditor in accordance with section 327 of the *Corporations Act*.

INDEMNITY OF AUDITORS

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

NON-AUDIT SERVICES

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

Details of the amounts paid to the auditor for audit and non-audit related services provided during the year are set out in note 29 of the financial statements.

INSURANCE

During the year ended 30 June 2023 **humm**group paid insurance premiums in respect of a contract for Directors' and Officers' Liability insurance. The policy prohibits **humm**group from disclosing the total amount of the premium and the nature of the liabilities covered by the insurance.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration, as required by section 307C of the *Corporations Act*, is set out below on page 68.

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 33, there are no other matters or circumstances that have arisen since 30 June 2023 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

24 August 2023

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Sydney NSW 2000 Australia
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Building a better working world

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

As lead auditor for the audit of the financial report of humm group limited for the financial year ended 30 June 2023, I declare to the best of my knowledge and belief, there have been:

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

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

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

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

Ernst & Young

Ernst & Young

R.Balfour

Richard Balfour
Partner
Sydney

24 August 2023

ANNUAL FINANCIAL STATEMENTS 2023

hummgroup and its Controlled Entities
Annual Financial Statements – 30 June 2023

ABN 75 122 574 583

These financial statements are the consolidated financial statements for the Group consisting of humm Group Limited ("the Company") and its subsidiaries and controlled entities (collectively "**humm**group" or the "Group"). A list of subsidiaries and controlled entities is included in note 26. 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, The Rocks, 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 10, which is not part of these financial statements.

The financial statements were authorised for issue by the Directors on 24 August 2023. 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/

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2023

A$m	Notes	2023	2022
Interest income	4	413.7	341.2
Fee and other income	5	96.7	99.2
Gross income		**510.4**	**440.4**
Cost of origination		(33.5)	(27.6)
Interest expense		(168.1)	(84.1)
Net operating income		**308.8**	**328.7**
Credit impairment charge	9	(94.3)	(63.4)
Marketing expenses		(13.7)	(21.2)
Employment expenses		(87.2)	(91.6)
Operating and other expenses	6(a)	(87.6)	(91.6)
Depreciation and amortisation expenses	6(b)	(21.0)	(37.2)
Impairment of goodwill and other intangible assets	6(c)	(4.2)	(207.5)
Profit/(loss) before income tax		**0.8**	**(183.8)**
Income tax benefit	7(a)	2.1	13.5
Profit/(loss) for the year attributable to shareholders of humm Group Limited		**2.9**	**(170.3)**
Other comprehensive income			
Items that may be reclassified to profit and loss:			
Exchange differences on translation of foreign operations		6.7	(6.6)
Changes in the fair value of cash flow hedges, net of tax		1.9	59.8
Items that will not be reclassified to profit and loss:			
Changes in fair value of equity investments at fair value through other comprehensive income		(0.2)	(0.8)
Other comprehensive income for the year, net of tax		**8.4**	**52.4**
Total comprehensive income/(expense) for the year attributable to shareholders of humm Group Limited		**11.3**	**(117.9)**
Earnings per share		**Cents**	**Cents**
Basic earnings per share	18	(0.4)	(35.2)
Diluted earnings per share	18	(0.4)	(35.2)

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 2023

A$m	Notes	30 June 2023	30 June 2022
Assets			
Cash and cash equivalents	19	336.1	281.0
Loans and advances	8	4,153.6	3,204.9
Other assets	10	23.6	16.6
Current tax receivable		0.8	5.4
Plant and equipment		3.2	3.9
Right-of-use assets		10.3	12.8
Goodwill and other intangible assets	11	133.6	134.7
Derivative financial instruments	21	68.5	66.0
Deferred tax asset	7(e)	39.1	37.7
Total assets		**4,768.8**	**3,763.0**
Liabilities			
Trade and other payables	12	59.1	50.3
Current tax liabilities		3.4	–
Contract liabilities		11.8	9.3
Lease liabilities		13.6	16.0
Borrowings	13	4,016.2	3,025.5
Provisions	14	38.6	32.7
Deferred tax liabilities	7(e)	–	1.5
Total liabilities		**4,142.7**	**3,135.3**
Net assets		**626.1**	**627.7**
Equity			
Contributed equity	15(a)	511.8	507.6
Reserves	16	55.4	45.6
Retained earnings		58.9	74.5
Total equity		**626.1**	**627.7**

** Comparative information has been reclassified to align the presentation with the current period in respect of Loans and advances and Other assets.*

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 2023

2023

A$m	Notes	Contributed equity	Reserves	Retained earnings	Total
Balance at the beginning of the year		507.6	45.6	74.5	**627.7**
Profit for the year		–	–	2.9	2.9
Other comprehensive income		–	8.4	–	8.4
Total comprehensive income for the year		–	8.4	2.9	**11.3**
Transfer to share capital from share-based payment reserve	15	0.1	(0.1)	–	–
Share based payment expense	16	–	1.5	–	1.5
Dividend reinvestment plan	17	4.1	–	(4.1)	–
Dividends provided for or paid	17	–	–	(14.4)	(14.4)
Balance at the end of the year		511.8	55.4	58.9	**626.1**

2022

A$m	Notes	Contributed equity	Reserves	Retained earnings	Total
Balance at the beginning of the year		507.6	(7.4)	258.9	**759.1**
Loss for the year		–	–	(170.3)	(170.3)
Other comprehensive income		–	52.4	–	52.4
Total comprehensive income for the year		–	52.4	(170.3)	**(117.9)**
Transfer to share capital from share-based payment reserve	16	0.3	(0.3)	–	–
Purchase of treasury shares	15	(0.3)	–	–	(0.3)
Share based payment expense	16	–	0.9	–	0.9
Dividends provided for or paid	17	–	–	(14.1)	(14.1)
Balance at the end of the year		507.6	45.6	74.5	**627.7**

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 2023

A$m	Notes	2023	2022
Cash flows from operating activities			
Interest income received from customers		421.6	359.7
Fee and other income received from customers less cost of origination		62.9	73.2
Payment to suppliers and employees		(192.2)	(217.0)
Borrowing costs		(163.2)	(83.0)
Income tax refund/(paid)		6.7	(17.5)
Cash inflow from operating activities before movement in Loans and advances		**135.8**	**115.4**
Net loss		(85.1)	(82.0)
Net movement in Loans and advances		(933.4)	(554.3)
Cash outflow from movement in Loans and advances		**(1,018.5)**	**(636.3)**
Net cash outflow from operating activities	19	**(882.7)**	**(520.9)**
Cash flows from investing activities			
Proceeds from sale of associate		–	8.5
Payment for purchase of plant and equipment and software		(18.0)	(23.3)
Net cash outflow from investing activities		**(18.0)**	**(14.8)**
Cash flows from financing activities			
Dividends paid		(14.4)	(14.1)
Purchase of treasury shares		–	(0.3)
Cash payments relating to lease liabilities		(3.8)	(3.7)
Drawdown of corporate borrowings		75.0	-
Net movement in secured loans		896.1	619.0
Net cash inflow from financing activities		**952.9**	**600.9**
Net increase in cash and cash equivalents		**52.2**	**65.2**
Cash and cash equivalents at the beginning of the year		281.0	218.2
Effects of exchange rate changes on cash and cash equivalents		2.9	(2.4)
Cash and cash equivalents at the end of the year	19	**336.1**	**281.0**

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 2023 was authorised for issue by the Board of Directors on 24 August 2023. 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 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.

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.

Comparative information has been reclassified for any changes to presentation made in the current year.

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

NEW AUSTRALIAN ACCOUNTING STANDARDS AND INTERPRETATIONS

There were no new or amended accounting standards or interpretations adopted during the year that had a material impact on the Group.

BUSINESS COMBINATIONS

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

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

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

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

PARENT ENTITY FINANCIAL INFORMATION

The financial information for the parent entity, **humm**group, disclosed in note 31 has been prepared on the same basis as the consolidated financial statements.

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

INVESTMENTS IN SUBSIDIARIES

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

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

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

FOREIGN CURRENCY TRANSLATION

a) Functional and presentation currency

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

b) Transactions and balances

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

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

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

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

c) Group companies

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

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

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

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

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

INDIRECT TAXES

Indirect taxes comprise of the below:

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

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

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

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

COST OF ORIGINATION

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

CURRENT AND NON-CURRENT

Assets that can be converted to cash and liabilities payable within one year are classified as current. Assets that can be converted to cash and liabilities payable after one year are classified as non-current.

STANDARDS ISSUED BUT NOT YET EFFECTIVE

A number of new standards are effective for annual periods beginning after 1 July 2023 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

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

- *IFRS 17 Insurance Contracts (Amendments to AASB 17), effective 1 January 2023.*
- *Disclosure of Accounting Policies (Amendments to AASB 101 and Australian Practice Statement 2), effective 1 January 2023.*
- *Definition of Accounting Estimates (Amendments to AASB 108), effective 1 January 2023.*
- *Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2), effective 1 January 2023.*
- *Definition of Accounting Estimates (Amendments to IAS 8), effective 1 January 2023.*
- *Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12), effective 1 January 2023.*
- *Lease Liability in a Sale and Leaseback (Amendments to IFRS 16), effective 1 January 2023.*
- *Classification of Liabilities as Current or Non-current (Amendments to AASB 101), effective 1 January 2024.*

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Management believe that the estimates used in preparing these Consolidated financial statements are reasonable. Actual results in the future may differ from those reported and it is therefore reasonably possible, on the basis of existing knowledge, that outcomes within the next financial year 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.

The estimates and judgements applied in the preparation of consolidated financial statements, where relevant, are disclosed in the notes to the consolidated financial statements.

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

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

EXPECTED CREDIT LOSSES

The Group estimates expected losses on its loans and advances in accordance with the policy set out in note 9.

This judgement has been applied in the form of the re-assessment of macro-economic model overlays including scenario weightings and hardship and watchlist overlays. Refer note 9 for ECL judgemental inputs and overlays.

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

The Group performs an annual assessment as to whether there has been any impairment of its goodwill and indefinite life intangible assets. In addition, the Group uses judgement to perform an impairment assessment of other assets in the event it identifies indicators of impairment. Details of the basis of performance of the assessment of goodwill and the assumptions made are set out in note 11.

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 11.

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

SHARE-BASED PAYMENT EXPENSE

In determining the share-based payments expense for the year, the Group makes various assumptions in determining the fair value of the instruments, the probability of non-market vesting conditions being met, and the likelihood of employees meeting tenure conditions. Refer note 20.

TAXATION

Judgement is required in determining recoverability of deferred tax assets held and accounting for 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 AND REGULATORY REMEDIATION

Judgement is required in determining provisions held in respect of customer and other regulatory remediation obligations, including the determination of cash outflows for penalties associated with regulatory breaches. The Group estimates these provisions based on its understanding of likely outcome, considering expert opinions and on-going discussions with regulatory bodies. Refer note 14.

LITIGATION PROVISION

Litigation provision involves judgement regarding the timing and outcome of future events, including estimates of expenditure required to satisfy such obligations. Where relevant, expert legal advice has been obtained. In light of such advice, provision and disclosures have been made as appropriate. Refer note 14.

ONEROUS CONTRACT PROVISION

Judgement is required in determining provisions held in respect of onerous contracts. The Group estimates these provisions based on the terms and conditions of the contracts relating to legacy products as well as the expected economic benefits to be received under them. Refer note 14.

3. SEGMENT INFORMATION

a) Description of segments

Management has determined the operating segments based on the reports reviewed by the Chief Operating Decision Maker ("CODM") that are used to make strategic decisions. In addition to statutory profit after tax, the CODM assess the business on a Normalised cash profit (after tax) basis. Normalised cash profit (after tax) is calculated as statutory profit after tax adjusted for material infrequent items, operating losses of suspended products, depreciation, amortisation of acquired intangible assets, and AASB9 provision movement with actual credit losses remaining in the result. The CODM consider that this measure better reflects the underlying performance of the business.

hummgroup renamed its Buy Now Pay Later ("BNPL") business to Point of Sale Payment Plans ("PosPP") to more accurately reflect its products and services. The market definition of BNPL is associated with small ticket financing which represents less than 0.7% (2022: 1.5%) of loans and advances of the Group.

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

- PosPP (a consolidation of **humm** Australia, **humm** Canada, Ireland FlexiFi, legacy FlexiRent Ireland, legacy **humm** UK, legacy **humm** NZ, legacy **bundll** and legacy **humm**pro);
- New Zealand Cards (including Farmers, Q Card and Flight Centre Mastercard);
- Australia Cards (**humm**90, legacy Lombard and Once); and
- Commercial (consisting of Australia and New Zealand Commercial Lending and the legacy consumer leasing product).

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

UK retreat

On 17 November 2022, the Group announced that Humm Group Limited (UK) would implement a strategic retreat from the UK. UK's Financial Conduct Authority authorised status and consumer credit permissions will be retained. It will continue to service existing customers and retail partners in the UK but business development activities will be focused on Northern Ireland for the foreseeable future.

b) Operating segments

The segment information provided to the CODM for the reportable segments for the full year ended 30 June 2023 is below:

Year ended 30 June 2023

A$m	Notes	PosPP	AU Cards	NZ Cards	Commercial	Total
Interest income		85.8	59.0	98.2	170.7	413.7
Fee and other income		34.1	21.2	18.4	23.0	96.7
Gross income		**119.9**	**80.2**	**116.6**	**193.7**	**510.4**
Cost of origination		(11.8)	(11.6)	(10.1)	–	(33.5)
Interest expense		(29.1)	(18.6)	(28.3)	(92.1)	(168.1)
Net operating income		**79.0**	**50.0**	**78.2**	**101.6**	**308.8**
Credit impairment charge		(42.1)	(16.9)	(20.0)	(15.3)	(94.3)
Marketing expenses		(5.5)	(2.3)	(5.5)	(0.4)	(13.7)
Employment expenses		(40.6)	(11.3)	(14.1)	(21.2)	(87.2)
Operating and other expenses		(42.0)	(16.0)	(14.7)	(14.9)	(87.6)
Depreciation and amortisation expenses		(3.4)	(2.8)	(12.2)	(2.6)	(21.0)
Impairment of other intangibles		(1.9)	–	(2.3)	–	(4.2)
Statutory (loss)/profit before income tax		**(56.5)**	**0.7**	**9.4**	**47.2**	**0.8**
Income tax benefit/(expense)		16.9	0.1	(1.9)	(13.0)	2.1
Statutory (loss)/profit for the year		**(39.6)**	**0.8**	**7.5**	**34.2**	**2.9**
Total loans and advances at 30 June 2023		820.2	434.2	595.1	2,380.3	4,229.8
AASB9 provision, unamortised direct transaction costs, contract liabilities and other debtors						(76.2)
Net loans and advances per the Statement of financial position						**4,153.6**

Year ended 30 June 2022

A$m	Notes	PosPP	AU Cards	NZ Cards	Commercial	Total
Interest income		87.8	56.1	102.5	94.8	341.2
Fee and other income		36.9	19.0	19.1	24.2	99.2
Gross income		**124.7**	**75.1**	**121.6**	**119.0**	**440.4**
Cost of origination		(10.3)	(8.4)	(8.9)	–	(27.6)
Interest expense		(17.4)	(16.7)	(20.4)	(29.6)	(84.1)
Net operating income		**97.0**	**50.0**	**92.3**	**89.4**	**328.7**
Credit impairment charge		(38.8)	(0.1)	(10.6)	(13.9)	(63.4)
Marketing expenses		(12.7)	(2.7)	(5.3)	(0.5)	(21.2)
Employment expenses		(37.2)	(16.2)	(17.3)	(20.9)	(91.6)
Operating and other expenses		(30.9)	(16.9)	(12.7)	(31.1)	(91.6)
Depreciation and amortisation expenses		(5.9)	(4.4)	(22.6)	(4.3)	(37.2)
Impairment of goodwill and other intangibles		(73.4)	(31.6)	(85.8)	(16.7)	(207.5)
Statutory (loss)/profit for the year		**(101.9)**	**(21.9)**	**(62.0)**	**2.0**	**(183.8)**
Income tax benefit/(expense)		22.8	(0.6)	(4.3)	(4.4)	13.5
Statutory (loss)/profit for the year		**(79.1)**	**(22.5)**	**(66.3)**	**(2.4)**	**(170.3)**
Total loans and advances at 30 June 2022		775.5	435.2	572.4	1,523.7	3,306.8
AASB9 provision, unamortised direct transaction costs, contract liabilities and other debtors						(101.9)
Net loans and advances per the Statement of financial position						**3,204.9**

4. INTEREST INCOME

ACCOUNTING POLICY

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

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

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

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

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

A$m	2023	2022
Interest income	413.7	341.2
Total interest income	**413.7**	**341.2**

5. FEE AND OTHER INCOME

ACCOUNTING POLICY

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

Account service fee

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

Transaction processing fee

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

Leasing related income

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

Fee and other income is summarised in the table below:

A$m	2023	2022
Account service fees	51.2	50.8
Transaction processing fees	24.8	23.8
Leasing related income	18.8	21.9
Other income	1.9	2.7
Total fee and other income	**96.7**	**99.2**

6. EXPENSES

ACCOUNTING POLICY

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

a) Operating and other expenses

A$m	2023	2022
Information technology and communication	36.5	32.4
Professional and consulting	15.9	15.1
Office, insurance and travel	13.4	10.5
Legal provision[1]	1.0	15.5
Customer remediation programme	2.6	1.1
Other[2]	18.2	17.0
Total operating expenses	**87.6**	**91.6**

1. On 7 July 2023, Sumitomo Mitsui Banking Corporation ("SMBC") lodged an amended statement of claim in relation to Forum Finance. The amended statement of claim relates to transactions that is the subject of a 2020 agreement between SMBC and Forum Finance, to which **humm**group (or any related entity) was not a party. The Group set aside $16.5m (June 2022: $15.5m) provision for this matter as advised by its legal counsel.
2. For the year ended 30 June 2023, Other includes outsourced operations of $7.0m, onerous contracts of $4.5m, non-recoverable GST and compliance costs. For the year ended 30 June 2022, Other includes outsourced operations $4.8m, transaction and separation costs relating to the failed Latitude transaction of $8.0m, non-recoverable GST and compliance costs.

b) Depreciation and amortisation expenses

A$m	2023	2022
Depreciation of plant and equipment and right-of-use asset	4.1	5.0
Amortisation of other intangible assets	16.9	32.2
Total depreciation and amortisation expenses	**21.0**	**37.2**

c) Impairment of intangible assets

A$m	2023	2022
Impairment of goodwill	–	152.1
Impairment of other intangible assets	4.2	55.4
Total impairment of goodwill and other intangibles	**4.2**	**207.5**

7. INCOME TAX EXPENSE

ACCOUNTING POLICY

The income tax expense (or benefit) for the period is the tax payable (or receivable) 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.

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

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax base.

Deferred tax assets are recognised for unused tax losses and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

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

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

Tax consolidation legislation

hummgroup and its wholly owned Australian controlled entities are part of a tax consolidated group. humm Group Limited is the head entity in the tax consolidated group. The members of the tax consolidated group have entered into tax funding and tax sharing agreements, which set out the funding obligations of members. Any current tax liabilities/assets and deferred tax assets from unused tax losses of subsidiaries in the tax consolidated group are recognised by humm Group Limited and funded in line with the tax funding arrangements.

a) Income tax expense

A$m	2023	2022
Current tax expense		
Current tax	6.7	9.0
Changes in estimate related to prior years	(5.2)	(2.9)
Deferred tax expense		
Reversal of temporary differences	(3.6)	(19.6)
Total income tax benefit	**(2.1)**	**(13.5)**

b) Numerical reconciliation of income tax expense

A$m	2023	2022
Profit/(loss) before income tax expense	0.8	(183.8)
Tax expense/(benefit)	0.2	(55.1)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Impairment of goodwill	–	45.6
Effect of differences in tax rates in a foreign jurisdiction	(0.2)	(0.9)
Prior period adjustments	(0.1)	(2.9)
Other[1]	(2.0)	(0.2)
Total income tax (benefit)/expense	**(2.1)**	**(13.5)**

1. Includes non-deductible impairment and deduction for interest on preference shares.

c) Amount recognised directly in equity

A$m	2023	2022
Cash flow hedge	0.7	25.0
Others	–	0.7
Deferred income tax expense related to items taken directly to equity	**0.7**	**25.7**

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

A$m	2023	2022
Depreciation on leased assets	(2.2)	(4.4)
Initial direct transaction costs	2.8	1.5
Other intangible assets	(3.0)	(2.1)
Plant and equipment	(0.5)	(0.9)
Payables and provisions	5.1	(5.3)
Expected credit allowance	(2.2)	5.5
Lease liabilities	0.7	0.7
Software	5.1	(10.1)
Unearned income	(1.8)	(1.1)
Right-of-use assets	(0.8)	(0.8)
Tax losses	(8.2)	(3.1)
Others	1.4	0.5
Deferred tax benefit	**(3.6)**	**(19.6)**

e) Deferred tax assets and liabilities

Deferred tax assets

A$m	2023	2022
Payables and provisions	11.8	16.9
Expected credit allowance	33.9	31.7
Lease liabilities	3.6	4.3
Software	7.3	12.4
Unearned income	5.2	3.4
Tax losses	11.3	3.1
Others	2.3	3.0
Total deferred tax assets	**75.4**	**74.8**

Deferred tax liabilities

A$m	2023	2022
Depreciation on leased assets	0.2	2.4
Initial direct transaction costs	6.3	3.5
Derivative financial instruments	20.3	19.6
Plant and equipment	1.0	1.5
Other intangible assets	5.1	8.1
Right-of-use assets	2.7	3.5
Others	0.7	-
Total deferred tax liabilities	**36.3**	**38.6**

Net deferred tax assets

A$m	2023	2022
Deferred tax assets	75.4	74.8
Deferred tax liabilities	(36.3)	(38.6)
Net deferred tax assets	**39.1**	**36.2**

f) Carry forward tax losses

As at 30 June 2023, the Group is carrying a deferred tax asset of $11.3m (2022: $3.1m) in respect of $45.3m (30 June 2022: $15.8m) of carry forward losses in Australia and Ireland.

g) Uncertain tax positions

During the year, the Group has continued to work on matters where 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 2023 (30 June 2022: $Nil).

8. LOANS AND ADVANCES

ACCOUNTING POLICY

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

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

The Group has two classes of assets measured at amortised cost being Chattel loans and Customer loans.

i) Customer loans

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

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

ii) Chattel loans

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

Finance lease receivables

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

As a lessor, the Group transfers substantially all of the risks and rewards incidental to ownership of the underlying asset and classifies the lease as a finance lease.

Lease assets are initially recognised at the net investment in the lease and comprise of fixed payments due from customers and 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.

Loans and advances

2023

A$m	Gross Loans & advances	Unearned future income	Unamortised initial direct transaction costs	Loans & advances before ECL	ECL	Net Loans & advances
Finance lease receivables	114.4	(20.5)	1.0	**94.9**	(1.4)	**93.5**
Chattel loans	2,777.2	(492.2)	20.0	**2,305.0**	(44.5)	**2,260.5**
Customer loans	1,943.2	(81.4)	–	**1,861.8**	(62.2)	**1,799.6**
	4,834.8	**(594.1)**	**21.0**	**4,261.7**	**(108.1)**	**4,153.6**

2022

A$m	Gross Loans & advances	Unearned future income	Unamortised initial direct transaction costs	Loans & advances before ECL	ECL	Net Loans & advances
Finance lease receivables	**237.1**	(29.2)	1.7	**209.6**	(4.3)	**205.3**
Chattel loans	**1,570.2**	(260.5)	10.2	**1,319.9**	(35.5)	**1,284.4**
Customer loans	**1,848.3**	(74.4)	**-**	**1,773.9**	(58.7)	**1,715.2**
	3,655.6	**(364.1)**	**11.9**	**3,303.4**	**(98.5)**	**3,204.9**

** Comparative information has been reclassified to align the presentation with the current period in respect of Finance lease receivables and Chattel loans.*

Maturity profile

The following tables set out the maturity profile of Finance lease receivables, Chattel loans and Customer loans before ECL:

Finance lease receivables

A$m	2023	2022
Less than 1 year	53.2	95.1
Between 1 and 2 years	30.8	60.4
Between 2 and 3 years	14.3	35.9
Between 3 and 4 years	4.9	20.5
Between 4 and 5 years	1.3	9.6
More than 5 years	0.1	0.5
Guaranteed residual value	10.8	16.8
Unearned future income	(20.5)	(29.2)
Investment in finance lease receivables before ECL	**94.9**	**209.6**

** Comparative information has been reclassified to align the presentation with the current period in respect of Finance lease receivables and Chattel loans.*

Chattel loans

A$m	2023	2022
Current	764.4	421.8
Non-current	2,032.8	1,158.6
Unearned future income	(492.2)	(260.5)
Investment in chattel loans before ECL	**2,305.0**	**1,319.9**

** Comparative information has been reclassified to align the presentation with the current period in respect of Finance lease receivables and Chattel loans.*

Customer loans

A$m	2023	2022
Current	1,269.4	1,287.5
Non-current	673.8	560.8
Unearned future income	(81.4)	(74.4)
Investment in customer loans before ECL	**1,861.8**	**1,773.9**

** Comparative information has been reclassified to align the presentation with the current period in respect of Contract liabilities and Customer loans.*

9. ALLOWANCE FOR EXPECTED CREDIT LOSS

ACCOUNTING POLICY

The impairment requirements of AASB 9: Financial Instruments apply to Finance lease receivables, Chattel loans and Customer loans. 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 revolving products. The carrying amount of the 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:

Model input	Measurement
Exposure at Default ("EAD")	Represents the estimated exposure in the event of a default. The EAD is estimated taking into consideration drawn position at reporting date, expected repayments and future drawdowns of unutilised commitments up to when the exposure is expected to default.
Probability of Default ("PD")	The development of PDs for retail exposures is developed at a product or sub-product level considering shared credit risk characteristics. In calculating the PD, 3 to 5 years of historical delinquency transition matrices are used to develop a point in time PD estimate. For commercial exposures external customer scorecard data is applied to derive PDs.
Loss Given Default ("LGD")	The LGD is the magnitude of the expected credit loss in a default event. The LGD is estimated using 3 years of historical recovery and 3 to 5 years of cure rate experience.

Three-stage approach

Under the ECL model, the Group applies a three-stage approach to measuring the ECL based on credit migration between the stages. ECL is modelled collectively for portfolios of similar exposures (products or sub-products). It is measured as the product of the PD, the LGD and the EAD and includes forward-looking or macroeconomic information. The calculation of ECL requires judgement, and the choice of inputs, estimates and assumptions used involves uncertainty at the time that they are made. Outcomes within the next financial period that are different from management's assumptions and estimates could result in changes to the timing and amount of ECL to be recognised.

Stage	Measurement
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, 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 includes 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.

Method of determining SICR

A financial asset moves from Stage 1 to Stage 2 when there is a SICR since initial recognition.

The Group applies a combination of quantitative and qualitative factors to assess whether a SICR has occurred. These include:

- Forbearance status; including requests for repayment relief coupled with risk indicators in bureau data and relevant application attributes such as employment type, employment tenure and disposable income that indicate higher risk of default;
- Watch list status: loans on the watch list are individually assessed for Stage 2 classification; and
- More than 30 days past due backstop for Stage 1 to Stage 2 transfers.

SICR, which requires judgement, is used to determine whether an exposure's credit risk has increased significantly and requires higher PD factors.

Definition of default

Default is generally defined as the point when the borrower is unlikely to pay its credit obligations in full or the borrower is more than 90 days past due.

Modification of financial assets

The Group sometimes modifies the terms of Finance lease receivables, Chattel loans or Customer loans provided to customers subject 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.

When the contractual cash flows of a financial asset are renegotiated or otherwise modified as a result of commercial restructuring activity rather than due to credit risk and impairment considerations, the Group performs an assessment to determine whether the modifications result in the derecognition of that financial asset.

The Group derecognises a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognised as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded.

Write-off policy

The Group writes off financial assets in whole or in part when it has exhausted all practical recovery efforts and/or the assessed cost of further recovery action is considered prohibitive or uneconomical. The Group has a pre-defined work-out strategy for late stage arrears including insourced collection activities, outsourced collection activities and debt sales.

Indicators that there is no reasonable expectation of recovery include:

i) ceasing enforcement activity due, bankruptcy, fraud, compliance issues and debt being uneconomical to pursue;

ii) realisation of the security to recover remaining outstanding amounts beyond which amounts are deemed unrecoverable; and

iii) sale of debt to external parties.

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
- PosPP products – 120 days in arrears
- Chattel and leasing products – 120 days in arrears

Forward-Looking Information ("FLI")

FLI is incorporated in calculating ECL for both consumer and commercial businesses.

a) Consumer business

hummgroup has identified key indicators in modelling the ECL; unemployment rate, inflation and Gross Domestic Product ("GDP"). The relationship between the key indicators and the model inputs have been established by reference to historical data as part of the model build, calibration and validation process.

hummgroup has also incorporated information about past events, current conditions, reasonable and supportable information about future events and economic conditions at the reporting date. Final determination of FLI is based on publicly available data and internal forecasts/judgements.

ECL measurement uncertainties

hummgroup has leveraged three distinct scenarios (Central Estimate, Best Case and Worst Case scenarios) using the external forecasted economic metrics to arrive at the macro-economic overlay. There is no change in the Central Estimate in probability weighted base scenario of 60% (2022: 60%), Best Case scenario of 10% (2022: 10%) and Worst Case scenario of 30% (2022: 30%).

Australian and NZ economies continue to face headwinds with subdued economic growth and persistent inflation forecasted for the next eighteen months. Labour market and supply chain pressures are easing but the elevated values continue to support high inflation.

The key assumptions applied for Australia and New Zealand macro-economic overlay are set out below:

Scenario	Weighting	Expectation
Central Estimate A 100% weighting to this scenario would result in a decrease to total ECL provision on balance sheet at the reporting date of ~$2.2m	**60% probability** (60% probability in 2022)	The base-case scenario reflects the current expected macroeconomic view. Inflation will remain elevated, although reduced from the peaks observed in the year ended 30 June 2023. Unemployment is expected to remain relatively stable below five per cent, while GDP growth is anticipated to remain steady with lower volatility, similar to pre-pandemic trends.
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 ~$7.1m	**10% probability** (10% probability in 2022)	The upturn scenario reflects a positive expectation for the economy. Under this scenario, GDP is expected to recover to higher than pre-pandemic levels while unemployment remains consistently low. Inflation will reduce from the current peak to historical levels. Under the upturn scenario, credit losses are expected to decrease due to the strengthening economy and tight labour market. The reduction in inflation will result in an easing of the current cost of living pressures.
Worst Case A 100% weighting to this scenario would in an increase total ECL provision on balance sheet at the reporting date of ~$5.7m	**30% probability** (30% probability in 2022)	The downturn scenario reflects a negative expectation for the economy. Under this scenario, the economy is forecast to contract in 2024/2025 while the labour market will weaken significantly with a high unemployment rate. Inflation is projected to remain at elevated levels for the year ahead. Credit losses are expected to increase in a downturn due to the economy trending towards a stagflation environment.

b) Commercial business

The Group incorporated both market specific macro-overlay provision, historical loss rate, and the coverage rate to predict the forward-looking information. Furthermore, the Group updated its baseline provision model in the year to reference external customer level origination PD data, replacing long run historical PD experience. This is deemed to be a better fit for the commercial exposures on balance sheet as the business mix has changed in recent years. Consistent with prior year, the Group individually reviews the ECL for Commercial customers showing signs of stress with exposure over $75,000 and determines a watch list overlay provision required. The Group also considers any high-risk specific portfolio exposures and recognises ECL provision overlays based on expected outcomes over the remaining loan term.

As part of the work out strategy for impaired Finance lease receivables, **humm**group has a right to recover the leased asset. Collateral requirements are established by policy requirements. The extent of collateral held in support of lending activity is based on a combination of valuation sources for such collateral; management's assessment of the estimated realisable value and costs of purchase. This analysis also takes into consideration any other relevant knowledge available to management at the time and updated valuations are obtained when appropriate. In certain circumstances, guarantees are also provided by Directors and Related parties to the financial arrangement.

Drivers of loan impairment charge

The table below disaggregates Finance lease receivables, Chattel loans and Customer loans impairment expense, disclosed in the Consolidated statement of comprehensive income, including both ECL provision movements and net write-offs (gross bad debt less recoveries):

A$m	2023	2022
Net loss[1]	85.1	82.0
ECL provision movement	9.2	(18.6)
Credit impairment charge	**94.3**	**63.4**

1. Net loss comprises of gross writes offs less bad debt recoveries.

Expected Credit Loss provision at balance date

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 2023			As at 30 June 2022		
A$m	Gross	ECL allowance	Net	Gross	ECL allowance	Net
Finance lease receivables	94.9	(1.4)	93.5	209.6	(4.3)	205.3
Chattel loans	2,305.0	(44.5)	2,260.5	1,319.9	(35.5)	1,284.4
Customer loans	1,861.8	(62.2)	1,799.6	1,773.9	(58.7)	1,715.2
Total loans and advances	**4,261.7**	**(108.1)**	**4,153.6**	**3,303.4**	**(98.5)**	**3,204.9**
Undrawn exposure on customer loans	–	(9.4)	(9.4)	–	(10.1)	(10.1)
Total	**4,261.7**	**(117.5)**	**4,144.2**	**3,303.4**	**(108.6)**	**3,194.8**

** Comparative information has been reclassified to align the presentation with the current period in respect of Contract liabilities and Customer loans.*

The following table explains the movement in gross carrying amount between the beginning and the end of the reporting period:

30 June 2023

A$m	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Gross carrying amounts as at 1 July 2022	**3,221.6**	**57.2**	**24.6**	**3,303.4**
Movements with P&L impact				
Net transfers to/(from):				
Stage 1	(63.6)	40.0	23.6	–
Stage 2	15.7	(18.8)	3.1	–
Stage 3	4.4	0.6	(5.0)	–
Net of new financial assets and repayments during the year	1,056.7	1.7	2.6	1,061.0
FX movements	14.7	0.3	0.1	15.1
Write-offs	(70.4)	(27.6)	(19.8)	(117.8)
Gross carrying amount as at 30 June 2023	**4,179.1**	**53.4**	**29.2**	**4,261.7**

30 June 2022

A$m	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Gross carrying amounts as at 1 July 2021	**2,651.1**	**61.5**	**38.6**	**2,751.2**
Movements with P&L impact				
Net transfers to/(from):				
Stage 1	(49.2)	32.0	17.2	–
Stage 2	15.3	(19.1)	3.8	–
Stage 3	6.1	1.1	(7.2)	–
Net of new financial assets and repayments during the year	700.5	8.7	4.4	713.6
FX movements	(19.1)	(0.4)	(0.3)	(19.8)
Write-offs	(83.1)	(26.6)	(31.9)	(141.6)
Gross carrying amount as at 30 June 2022	**3,221.6**	**57.2**	**24.6**	**3,303.4**

** Comparative information has been reclassified to align the presentation with the current period in respect of Contract liabilities and Customer loans.*

The following table explains the changes in loss allowance between the beginning and the end of the reporting period:

30 June 2023

A$m	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Loss allowance as at 1 July 2022	**67.5**	**21.2**	**19.9**	**108.6**
Movements with P&L impact				
Net transfers to/(from):				
Stage 1	(1.2)	9.7	13.4	21.9
Stage 2	0.3	(4.1)	1.9	(1.9)
Stage 3	0.1	0.2	(2.2)	(1.9)
Net of new financial assets and repayments during the year	24.7	3.9	3.5	32.1
Changes in PDs and LGDs and overlays	1.8	(0.9)	(0.3)	0.6
FX movements	0.3	0.1	0.1	0.5
Write-offs	(16.2)	(11.3)	(14.9)	(42.4)
Loss allowance as at 30 June 2023	**77.3**	**18.8**	**21.4**	**117.5**

30 June 2022

A$m	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Loss allowance as at 1 July 2021	**68.7**	**27.5**	**31.8**	**128.0**
Movements with P&L impact				
Net transfers to/(from):				
Stage 1	(1.3)	11.7	13.2	23.6
Stage 2	0.4	(6.0)	3.0	(2.6)
Stage 3	0.2	0.4	(5.5)	(4.9)
Net of new financial assets and repayments during the year	16.2	3.9	2.5	22.6
Changes in PDs and LGDs and overlays	0.9	(4.5)	(0.8)	(4.4)
FX movements	(0.7)	(0.2)	(0.3)	(1.2)
Write-offs	(16.9)	(11.6)	(24.0)	(52.5)
Loss allowance as at 30 June 2022	**67.5**	**21.2**	**19.9**	**108.6**

10. OTHER ASSETS

A$m	2023	2022
Prepayments	8.9	5.8
Capitalised funding costs	5.5	2.7
Other	9.2	8.1
Total	**23.6**	**16.6**

** Comparative information has been reclassified to align the presentation with the current period in respect of Prepayments and Capitalised funding costs.*

11. GOODWILL AND OTHER INTANGIBLE ASSETS

ACCOUNTING POLICY

Goodwill

Goodwill arises on the acquisition of an entity and represents the excess of the consideration paid over the fair value of the identifiable net assets acquired.

Other intangible assets

a) IT development and software

External and internal costs that are incurred on software development projects are capitalised and recognised as an intangible asset. Capitalised software costs are amortised using straight line method from the point at which the asset is ready for use over its useful life from 3 to 7 years.

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 arrangement to significantly customise the cloud-based software for the Group, in which case the costs are recorded as a prepayment for the service and amortised over the expected renewable term of the arrangement.

b) Merchant and customer relationships

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

Merchant relationships: from 3 to 9 years (2022: 3 to 9 years)
Customer relationships: from 3 to 9 years (2022: 3 to 9 years)

Impairment of goodwill and intangible assets

Goodwill and intangibles are measured at cost and intangible assets not yet available for use less accumulated amortisation/impairment losses. Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount of an asset is the higher of an asset's fair value less costs 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.

Recoverable amounts of CGU

The recoverable amount of the NZ Cards CGU is based on a value in use calculation using cash flow projections for the next 3 years based on management forecasts. 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 which do not exceed the long-term average for the sector and economy in which the CGU operate. In the final year, a terminal growth rate of 2% is applied in perpetuity. These forecasts use management estimates to determine income, expenses, capital expenditure and cash flows for the CGU.

Discount rate

The discount rate of 12% reflects the market determined, risk adjusted, post-tax discount rate and is adjusted for specific risks relating to the CGU and the country in which it operates.

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 the NZ cards CGU to exceed the respective recoverable amounts.

Movement analysis

2023

A$m	Goodwill	IT development & software	Merchant & customer relationships	Brand name	Total
Balance at the beginning of the year	**84.8**	**32.6**	**13.4**	**3.9**	**134.7**
Additions	–	17.8	–	–	17.8
Impairment[1]	–	(4.2)	–	–	(4.2)
Amortisation	–	(9.7)	(7.2)	–	(16.9)
Effect of movements in exchange rates	1.6	0.2	0.3	0.1	2.2
Balance at the end of year	**86.4**	**36.7**	**6.5**	**4.0**	**133.6**

1. Software costs were impaired during the year due to the termination of major partnerships.

2022

A$m	Goodwill	IT development & software	Merchant & customer relationships	Brand name	Total
Balance at the beginning of the year	**239.2**	**78.2**	**28.7**	**4.0**	**350.1**
Additions	–	27.1	–	–	27.1
Impairment	(152.1)	(55.4)	–	–	(207.5)
Amortisation	–	(17.2)	(15.0)	–	(32.2)
Effect of movements in exchange rates	(2.3)	(0.1)	(0.3)	(0.1)	(2.8)
Balance at the end of year	**84.8**	**32.6**	**13.4**	**3.9**	**134.7**

12. 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	2023	2022
Trade and other payables	59.1	50.3
Total payables	**59.1**	**50.3**

** Comparative information has been reclassified to align the presentation with the current period in respect of Loans and advances and Contract liabilities.*

13. 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 other assets 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 borrowings 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 Finance lease receivables, Chattel loans and Customer loans. The terms of these debt facilities vary depending on the nature of the facility and the type of Finance lease receivables, Chattel loans and Customer loans held in these facilities. These facilities provide for the ultimate repayment of outstanding loans through receipts from customers in respect of the relevant Finance lease receivables, Chattel loans and Customer loans held in these facilities.

Private warehouse debt facilities are typically structured to include a revolving period during which debt can be drawn to fund originations of new Finance lease receivables, Chattel loans and Customer loans, ahead of the repayment of outstanding debt. It is typical for these revolving periods to continue to be extended, as required, by agreement between the Group and the relevant funder. Warehouse facilities with balances of $1,968m (drawn to $1,470.3m as at 30 June 2023) have revolving periods expiring within 12 months. The debt drawn under these facilities is not contractually due for repayment upon expiry of the revolving period but is subject to repayment over subsequent periods of typically up to 5 years after the expiry of the revolving period (such period being the amortisation period). During the amortisation period, debt can no longer be drawn and all receipts from customers are directed to repayment of the outstanding debt.

Public debt arrangements are structured to provide for repayment of outstanding loans in line with the repayment of the Finance lease receivables, Chattel loans and Customer loans held in these facilities. In addition, there is one public debt arrangement structured to include a revolving period, which can be extended further.

In the Commercial business, these debt facilities typically have terms of up to 5.5 years with the repayment of outstanding borrowings through receipts from customers. In the Consumer businesses, these debt facilities typically have variable terms, comprising of either term deals or revolving in nature with contractual maturities up to 5.5 years. Interest is payable at a wholesale funding costs benchmark interest rate (BBSW or equivalent) plus a margin.

A$m	2023	2022
Corporate debt[1]	75.7	-
Secured loans	3,940.5	3,025.5
Total borrowings	**4,016.2**	**3,025.5**
Expected repayment profile of secured borrowings:[2]		
Expected repayment within one year	1,359.3	784.9
Expected repayment after one year but not later than five years	2,648.0	2,235.9
Expected repayment after five years	8.9	4.7
Total borrowings	**4,016.2**	**3,025.5**

1. In December 2022, the Group retired its $110.0m syndicated revolving loan facility and entered a new corporate debt facility. The facility provides for funding of up to $150.0m with $75.0m initial commitment. $0.7m of accrued interest has been capitalised in Corporate debt.

2. Expected maturity profile of secured loans presented based on the expected repayment profile of the underlying Finance lease receivables, Chattel loans 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.

Assets pledged as security

The loans subject to recourse funding arrangements are secured by payments receivable in respect of the underlying Finance lease, Chattel loans and Customer loan receivable contracts.

Financing arrangements

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

A$m	2023	2022
Total loan facilities available	4,999.4	4,031.3
Loan facilities used at balance date	(4,016.2)	(3,025.5)
Loan facilities unused at balance date	**983.2**	**1,005.8**

14. PROVISIONS

ACCOUNTING POLICY

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

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.

A$m	Notes	2023	2022
Litigation provision	25	16.5	15.5
Undrawn exposure on customer loans	9, 24	9.4	10.1
Employee entitlements		6.4	6.5
Onerous contracts[1]		4.5	–
Customer remediation[2]		1.3	–
Other		0.5	0.6
Total provisions		**38.6**	**32.7**

1. As at 30 June 2023, the Group has set aside an Onerous contract provision of $4.5m to cover services contracted for in respect of the suspended products. It is expected that the costs will be incurred over the next three years.
2. As at 30 June 2023, the Group has set aside provisions of $1.3m in respect of known customer and regulatory remediation matters.

Provisions of $18.2m (30 June 2022: $15.1m) due for settlement in the next twelve months includes undrawn exposure on Customer loans and employee entitlements.

15. 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

	2023 # Shares	2022 # Shares	2023 A$m	2022 A$m
Ordinary shares – fully paid	504,036,346	494,921,301	458.2	454.0
Subordinated perpetual notes	49,129,075	49,129,075	53.6	53.6
Total share capital	**553,165,421**	**544,050,376**	**511.8**	**507.6**

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

	Number of shares	A$m
Balance at 1 July 2021	495,211,065	454.0
Treasury shares purchased on-market	(347,097)	(0.3)
Transfer from treasury shares on vesting of deferred STI	57,333	0.1
Transfer from share-based payment reserve	–	0.2
Balance at 30 June 2022	**494,921,301**	**454.0**
Balance at 1 July 2022	494,921,301	454.0
Transfer from treasury shares on vesting of deferred STI	188,834	0.1
Issuance of shares under the dividend reinvestment plan	8,926,211	4.1
Balance at 30 June 2023	**504,036,346**	**458.2**

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. During the 2023 financial year, there was no on-market buy-back of shares, nor any purchase made by the Share Plan Trust to satisfy vested share-based payments.

The Company does not have authorised capital or par value in respect of its issued shares.

c) Movement in treasury shares

Treasury shares are shares in **humm**group that are held by the **humm**group Employee Share Plan Trust for the purposes of issuing shares under the **humm**group Long Term Incentive Plan (see note 20).

	Number of shares	A$m
Balance at 1 July 2021	57,253	0.3
Treasury shares purchased on-market	347,097	0.3
Transfer from treasury shares on vesting of deferred STI	(57,333)	(0.1)
Balance at 30 June 2022	**347,017**	**0.5**
Balance at 1 July 2022	347,017	0.5
Transfer from treasury shares on vesting of deferred STI	(188,834)	(0.1)
Balance at 30 June 2023	**158,183**	**0.4**

d) Subordinated perpetual notes

The carrying amount of the unsecured subordinated perpetual notes as at 30 June 2023 is $53.6m, representing the face value of $49.1m at issuance and capitalised interest of $4.5m up to March 2019, as permitted by the perpetual note deed poll.

hummgroup has paid interest in cash due on the perpetual notes since March 2019 and has accounted for the interest paid as a dividend in equity. **humm**group has discretion as to the payment of interest on the perpetual notes; however, since the restriction date being 18 March 2021, if **humm**group elects to pay or declare any ordinary dividends to shareholders, 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 20.

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. 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.

16. RESERVES

ACCOUNTING POLICY

Share-based payment reserve

The share-based payment reserve is used to recognise:

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

Foreign currency translation reserve

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

Cash flow hedge reserve

The hedging reserve is used to record gains or losses on a hedging instrument in a cash flow hedge that are recognised in Other Comprehensive Income as described in note 21. Amounts are reclassified to profit or loss when the associated hedge transaction affects profit or loss.

Equity investment revaluation reserve

The equity investment revaluation reserve is used to record gains or losses on investments carried at FVTOCI. Amounts will be transferred to retained earnings on disposal.

A$m	2023	2022
Share-based payment reserve	3.0	1.6
Foreign currency translation reserve	6.6	(0.1)
Cash flow hedge reserve	48.2	46.3
Equity investment revaluation reserve	(2.4)	(2.2)
	55.4	**45.6**

Movements: Share-based payment reserve

A$m	2023	2022
Balance at 1 July	1.6	1.0
Share-based payment expense	1.5	0.9
Transfer to share capital	(0.1)	(0.3)
Balance at 30 June	**3.0**	**1.6**

Movements: Foreign currency translation reserve

A$m	2023	2022
Balance at 1 July	(0.1)	6.5
Other comprehensive income	6.7	(6.6)
Balance at 30 June	**6.6**	**(0.1)**

Movements: Cash flow hedge reserve

A$m	2023	2022
Balance at 1 July	46.3	(13.5)
Other comprehensive income[1]	1.9	59.8
Balance at 30 June	**48.2**	**46.3**

1. Higher cash flow hedge reserve is due to higher interest rates.

Movements: Equity investments revaluation reserve

A$m	2023	2022
Balance at 1 July	(2.2)	(1.4)
Other comprehensive income	(0.2)	(0.8)
Balance at 30 June	**(2.4)**	**(2.2)**

17. DIVIDENDS

ACCOUNTING POLICY

A 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	2023	2022
Ordinary shares		
2022 final dividend of 1.4 cents (2021 final dividend of nil cents) per ordinary share franked to 100%	6.9	-
Preference shares		
Unsecured subordinated perpetual notes	3.2	-
Total final dividends accrued or paid	**10.1**	-

Interim dividends accrued or paid

	Parent entity	
A$m	2023	2022
Ordinary shares		
2023 interim dividend of 1.0 cent (2022 interim dividend of 1.7 cents) per ordinary share franked to 100%	5.0	8.4
Preference shares		
Unsecured subordinated perpetual notes	3.4	5.7
Total interim dividends accrued or paid	**8.4**	**14.1**

Final dividends proposed but not recognised at year-end

	Parent entity	
A$m	2023	2022
2023: 1.0 cent (2022: 1.4 cents) per ordinary share franked to 100%	5.0	6.9

Franked dividends

Franking credits available at 30 June 2023 comprised:

	Consolidated		Parent entity	
A$m	2023	2022	2023	2022
Franking credits available for subsequent financial years based on a tax rate of 30% (2022: 30%)	38.1	54.2	38.1	54.2

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.

18. 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	2023	2022
Total basic earnings per share attributable to the ordinary equity shareholders of the Company	(0.4)	(35.2)
Total diluted earnings per share attributable to the ordinary equity shareholders of the Company	**(0.4)**	**(35.2)**

b) Reconciliation of earnings used in calculating earnings per share

A$m	2023	2022
Profit/(loss) attributable to the ordinary equity shareholders of the Company used in calculating basic and diluted earnings per share		
Profit/(loss) for the year	2.9	(170.3)
Less: preference share dividend (net of tax)	(4.6)	(4.0)
Loss after preference share dividend	**(1.7)**	**(174.3)**

c) Weighted average number of ordinary shares

	2023	2022
Weighted average number of ordinary shares used in calculation of basic earnings per share	499,592,001	494,934,419
Weighted average number of ordinary shares used in calculating diluted earnings per share	499,592,001	494,934,419

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorisation of these financial statements.

INFORMATION CONCERNING THE CLASSIFICATION OF SECURITIES

Options, performance rights and deferred STI rights

Options and performance rights granted to employees under the Group's LTIP, disclosed in note 20, are considered to be potential ordinary shares. They have not been included in the determination of diluted earnings per share as the required market and non-market hurdles are unlikely to be met based on the Group's performance up to the reporting date. The options and performance rights have also not been included in the determination of earnings per share.

$0.1 million deferred STI rights granted to employees under the **humm**group incentive plan were on issue at 30 June 2023 (2022: $0.1 million).

19. 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 $223.8 million (2022: $168.3 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, including members of the Group, at a future date and are not available to the Group for any other purpose.

A$m	2023	2022
Restricted cash at bank on hand	223.8	168.3
Unrestricted cash at bank and on hand	112.3	112.7
Total cash at bank and on hand	**336.1**	**281.0**

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

A$m	2023	2022
Net profit/(loss) for the year after tax	2.9	(170.3)
Credit impairment charge	94.3	63.4
Depreciation and amortisation	21.0	37.2
Impairment of goodwill and other intangible assets	4.2	207.5
Share-based payment expense	1.5	0.9
Exchange differences	1.0	0.3
Net cash inflows from operating activities before changes in operating assets and liabilities	**124.9**	**139.0**
Change in operating assets and liabilities:		
Increase in loans and advances	(1,018.5)	(636.3)
Increase in other assets	(7.2)	(1.1)
Decrease/(increase) in current tax receivables	4.6	(5.4)
Increase in payables, contract liabilities and provisions	13.6	8.9
Increase/(decrease) in current tax liabilities	3.1	(6.4)
Increase in net deferred tax	(3.2)	(19.6)
Net cash outflows from operating activities	**(882.7)**	**(520.9)**

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	Notes	2023	2022
Cash and cash equivalents		336.1	281.0
Borrowings – repayable within 1 year	13	(1,359.3)	(784.9)
Borrowings – repayable after 1 year	13	(2,656.9)	(2,240.6)
Lease liabilities – repayable within 1 year		(3.0)	(2.6)
Lease liabilities – repayable after 1 year		(10.6)	(13.4)
Net debt		**(3,693.7)**	**(2,760.5)**
Cash		336.1	281.0
Gross debt – fixed interest rates		(13.6)	(16.0)
Gross debt – variable interest rates	13	(4,016.2)	(3,025.5)
Net debt		**(3,693.7)**	**(2,760.5)**

A$m	Cash at bank	Borrowings & lease liabilities due within 1 year	Borrowings and lease liabilities due after 1 year	Total
Net debt as at 1 July 2021	218.2	(687.6)	(1,737.7)	**(2,207.1)**
Cash flows	65.2	(146.7)	(475.1)	(556.6)
Foreign exchange adjustments	(2.4)	1.6	4.0	3.2
Net debt as at 30 June 2022	281.0	(832.7)	(2,208.8)	**(2,760.5)**
Cash flows	52.2	(536.0)	(471.2)	(955.0)
Foreign exchange adjustments	2.9	6.4	12.5	21.8
Net debt as at 30 June 2023	336.1	(1,362.3)	(2,667.5)	**(3,693.7)**

20. SHARE-BASED PAYMENTS

ACCOUNTING POLICY

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

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

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

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

LONG-TERM INCENTIVE PLAN

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

The Board may determine which persons will be eligible to participate in the LTIP from time to time. Eligible persons may be invited to apply to participate in the LTIP. The Board may in its discretion accept such applications.

During FY23, the Board has approved an LTIP for Executive KMPs and key senior leaders. The key features of the LTIP include:

- Annual grant of performance rights to Executive KMP and key senior leaders whose role may influence the strategic direction at **humm**group over a three-year performance period from 1 July 2022 to 30 June 2025;
- Two performance measures with equal weighting, Normalised Cash Earnings per Share ("EPS") and Return on Cash Equity ("RoCE"), will be tested on an annual basis following the release of the annual results;
- Vesting of the performance rights will be subject to the annual achievement of the performance measures and continuous service until September 2025 (i.e. participants must be employed until the Vesting Date in order to receive HUM shares, otherwise standard cessation of employment conditions will apply).

The performance rights will vest on, and become exercisable following the three-year performance period, once the Board tests the performance conditions based on management results and a tenure condition is satisfied.

The table below shows options, performance rights and deferred STI rights granted under the different plans:

Consolidated and Parent Entity - 2023

Tranche	Grant date	Vesting date	Exercise price	Balance at start of the period	Granted during the period	Exercised 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						
Performance rights										
Tranche 6	15/11/2018	15/03/2023	$0.00	528,846	–	–	–	(528,846)	–	–
	16/05/2019	15/03/2023	$0.00	74,040	–	–	–	(74,040)	–	–
2023 LTIP[1]	17/07/2023	30/09/2025	$0.00	–	9,486,710	–	–	–	9,486,710	–
2023 Discretionary Equity Award[1]	01/09/2023	30/09/2024	$0.00	–	983,989	–	–	–	983,989	–
Share options										
2021 LTIP	19/11/2020	21/09/2022	$1.38	2,000,000	–	–	–	(2,000,000)	–	–
	30/11/2020	21/09/2022	$1.38	4,503,895	–	–	–	(4,503,895)	–	–
2022 LTIP	21/09/2021	30/09/2024	$1.21	5,472,958	–	–	(2,642,256)	–	2,830,702	–
	21/09/2021	30/09/2025	$1.21	2,695,636	–	–	(1,301,409)	–	1,394,227	–
	27/01/2022	30/09/2024	$1.21	305,739	–	–	–	–	305,739	–
	27/01/2022	30/09/2025	$1.21	150,588	–	–	–	–	150,588	–
Deferred STI										
2021 Deferred STI	04/09/2021	03/09/2022	$0.00	94,417	–	(94,417)	–	–	–	–
	04/09/2021	03/09/2023	$0.00	223,910	–	(94,417)	(54,344)	–	75,149	–
2023 Deferred STI[1]	01/09/2023	30/09/2024	$0.00	–	602,828	–	–	–	602,828	–
Total				**16,050,029**	**11,073,527**	**(188,834)**	**(3,998,009)**	**(7,106,781)**	**15,829,932**	**-**
Weighted average exercise price				$1.21	$0.00	$0.00	$1.19	$1.26	$0.36	

1. Relevant employees, including KMPs, have begun rendering services during the year before the award is formally ratified. Grant date for accounting purpose is 1 September 2022 for 2023 Deferred STI and 1 October 2022 for 2023 LTIP and 2023 Discretionary Equity Award.

Consolidated and Parent Entity – 2022

Tranche	Grant date	Vesting date	Exercise price	Balance at start of the period	Granted during the period	Exercised during the period	Forfeited during the period	Balance at end of the period	Vested and exercisable at the end of the period
				Number					
Performance rights									
Tranche 5	27/11/2017	1/09/2021	$0.00	292,595	–	–	(292,595)	–	–
Tranche 6	15/11/2018	1/09/2022	$0.00	528,846	–	–	–	528,846	–
	16/05/2019	1/09/2022	$0.00	340,520	–	–	(266,480)	74,040	–
Share options									
2021 LTIP	19/11/2020	21/09/2022	$1.38	2,000,000	–	–	–	2,000,000	–
	30/11/2020	21/09/2022	$1.38	6,634,047	–	–	(2,130,152)	4,503,895	–
2022 LTIP	21/09/2021	30/09/2024	$1.21	–	6,330,558	–	(857,600)	5,472,958	–
	21/09/2021	30/09/2025	$1.21	–	3,118,036	–	(422,400)	2,695,636	–
	27/01/2022	30/09/2024	$1.21	–	305,739	–	–	305,739	–
	27/01/2022	30/09/2025	$1.21	–	150,588	–	–	150,588	–
Deferred STI									
2021 Deferred STI	04/09/2021	03/09/2022	$0.00	–	94,417	–	–	94,417	–
	04/09/2021	03/09/2023	$0.00	–	309,929	(57,333)	(28,686)	223,910	–
Total				**9,796,008**	**10,309,267**	**(57,333)**	**(3,997,913)**	**16,050,029**	**–**
Weighted average exercise price				$1.22	$1.16	$0.00	$1.09	$1.21	

The weighted average remaining contractual life of options, performance rights and deferred STI outstanding at the end of the year was 1.90 years (2022: 1.51 years).

2023 LTIP – PERFORMANCE RIGHTS

On 17 July 2023, the Board granted performance rights to the Executive KMPs, except for CEO, and key senior leaders.

Mr Stuart Grimshaw commenced as Managing Director and Chief Executive Officer on 1 June 2023, replacing outgoing Chief Executive Officer, Rebecca James, who remained with the Company until 30 June 2023 in an advisory role.

The performance rights will vest according to achievement against EPS and RoCE hurdles of **humm**group following the FY25 annual results announcement (and subject to meeting a tenure condition) in accordance with the following tranches:

EPS Hurdle – 50% weighting

The Vesting schedule below sets out the number of performance rights in the EPS Hurdle tranche that may Vest:

EPS at the end of the Performance Period	Vesting schedule
<85% of target EPS[1]	Nil
85% – 100% of target EPS[1]	Sliding scale for vesting from 50% to 100%
>Target EPS	100%

RoCE Hurdle – 50% weighting

The Vesting schedule below sets out the number of performance rights in the RoCE Hurdle tranche that may Vest:

ROCE at the end of the Performance Period	Vesting Schedule
<85% of target RoCE[1]	Nil
85% – 100% of target RoCE[1]	Sliding scale for vesting from 50% to 100%
>Target RoCE	100%

1. For the FY23 Tranche, the EPS and ROCE minimum thresholds for vesting were set at a higher amount of 91.7% and 91% respectively.

Vesting will be subject to a sliding scale where 100% of the grant will be achieved at target Normalised Cash Profit, with reference to growth from the three-year business plan. The minimum floor for the sliding scale will achieve vesting of 50% of the amount granted. No shares will vest if the minimum floor has not been achieved.

The fair value granted to all participants was determined as $4,486,570. Fair value was independently determined by discounting **humm**'s closing share price at grant date at expected dividend yield, representing that the right holder does not receive dividends while holding the rights.

The model inputs for 2023 LTIP performance rights granted during the year ended 30 June 2023 included:

- Exercise price: nil
- Grant date: 17 July 2023
- Vesting Date: 30 September 2025
- Share price at grant date: $0.46
- Expected dividend yield: 5.62%

** Relevant employees have begun rendering services before the award is formally ratified. Grant date for accounting purpose is 1 October 2022.*

2023 DEFERRED STI

Under the FY23 deferred STI scheme, Executives had 25% of their STI awards deferred into deferred share rights subject to a one-year deferral.

The model inputs for 2023 Deferred STI shares granted during the year ended 30 June 2023 included:

- Exercise price: nil
- Grant date: 1 September 2023
- Vesting date: 30 September 2024
- 5-day VWAP at grant date*: $0.558
- Expected dividend yield: 5.62%

** Relevant employees have begun rendering services before the award is formally ratified. Grant date for accounting purpose is 1 September 2022.*

2023 DISCRETIONARY EQUITY AWARD

During FY23, the Board has approved a Discretionary Equity Award ("DEA") to reward and retain high performers and individuals in key roles, providing additional incentive to specific employees, above and beyond their STI or commission plan, based on their contribution to the success of the business determined by the CEO over the FY23 performance period. The DEA will vest over a two-year period in equal tranches and will be subject to a restriction period of 12 months.

The model inputs for 2023 DEA granted during the year ended 30 June 2023 included:

- Exercise price: nil
- Grant date: 1 September 2023
- Vesting date: 30 September 2024
- 5-day VWAP at grant date*: $0.464
- Expected dividend yield: 5.62%

** Relevant employees have begun rendering services before the award is formally ratified. Grant date for accounting purpose is 1 October 2022.*

2022 LTIP – SHARE OPTIONS

The model inputs for 2022 LTIP options granted during the year ended 30 June 2022 included:

- Exercise price: $1.21
- Grant date: 21 September 2021, 27 January 2022
- Vesting date: 30 September 2024, 30 September 2025
- Share price at grant date: 21 September 2021: $0.79, 27 January 2022: $0.785
- Expected price volatility of the Company's shares: 53%
- Expected dividend yield: 0%, 3.5%
- Risk-free interest rate: 0.52%, 0.62%

2021 DEFERRED STI

Under the FY21 deferred STI grant, 33% of the outgoing CEO, Rebecca James', award was deferred into restricted shares, of which 50% is subject to a one-year deferral and the remaining 50% subject to a two-year deferral. Other executive KMP had 25% of their STI award deferred into restricted shares of which 100% was subject to a two-year deferral.

In recognition of the contribution that Ms James made to **humm**group over her five-year tenure as CEO, the Board exercised its discretion to accelerate the vesting of 94,417 shares relating to Tranche two of the deferred 2021 STI award, bringing forward the vesting date from 3 September 2023 to 30 June 2023.

The Board also exercised its direction to lift the disposal restriction on all 188,834 deferred 2021 STI **humm**group shares effective from Ms James cessation date of 30 June 2023.

The model inputs for 2021 Deferred STI shares granted during the year ended 30 June 2022 included:

- Exercise price: nil
- Grant date: 4 September 2021
- Vesting date: 3 September 2022, 3 September 2023
- Share price at grant date: $0.945

SIGN ON INCENTIVE RIGHTS

In 2023 and 2022 nil ordinary shares in the Company were issued as a result of the exercise of any remuneration performance and sign on incentive rights.

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$	2023	2022
Options, performance rights, sign-on incentive and deferred STI rights issued under LTIP	1,513,442	868,871

21. DERIVATIVE AND HEDGE ACCOUNTING

ACCOUNTING POLICY

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

The Group designates all derivatives held as at 30 June 2023 and 30 June 2022 as hedges of cash flows of recognised liabilities and highly probable forecast transactions (cash flow hedges).

At the inception of the hedging transaction, the Group documents the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group has designated separate hedge groups for its interest rate exposures relating to the Commercial and Consumer portfolios. Derivatives have been executed to separately hedge its interest rate exposures in Australia and New Zealand. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in cash flows of hedged items. All interest rate swaps used for hedging were 100% effective in offsetting changes in cash flows of the hedged items as at 30 June 2023.

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 16.

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 does not qualify for hedge accounting are recognised immediately in profit or loss and are included in other income or other expenses.

A$m	2023	2022
Interest rate swaps used for hedging	68.5	66.0

At the reporting date, the Group had credit risk exposure to derivative counterparties. Credit limits for counterparties are based on external ratings and the Group manages this credit risk by setting limits on the amount of risk it is willing to accept.

22. FINANCIAL RISK MANAGEMENT

OVERVIEW

The Group's activities expose it to a variety of financial risks, being liquidity risk, funding risk, credit risk and market risk (including foreign exchange risk and interest rate risk).

The Board is responsible for approving **humm**group's risk management structure and strategy and determining the risk appetite within this. The Board is also responsible for monitoring the effectiveness of risk management within the structure.

The Board has delegated responsibility for financial and operational risk management to the Board Audit and Risk 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 for managing risks within risk appetite. Monthly reporting of risk exposure against designated limits occurs to the designated credit committees and ALCO. Risk exposures outside of appetite are reported to the Board Audit and Risk Committee and the Board.

a) Liquidity and funding 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 Board Audit and Risk 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 debt 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 over a twelve-month period 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.

Undrawn credit lines

To mitigate against liquidity risk, the Group maintains cash reserves and committed undrawn debt facilities to meet anticipated funding requirements for new business and unexpected commitments. In addition, the Group can redraw against its committed debt limits where borrowings are reduced including, in the case of recourse funding arrangements, through receipt of customer payments in connection with Finance lease receivables, Chattel loans and Customer loans. Details of unused available loan facilities at 30 June 2023 are set out in note 13. Amounts due to funders are repaid directly through repayments received from the Group's customers.

Capital markets issuance

For the current year, the Group continued to access debt capital markets and raised funding of $838.2m (2022: $617.1m) through the Australian asset-backed securitisation program and NZ$183.0m (2022: NZ$240.0m) through the New Zealand asset-backed securitisation program.

Loan covenants

The Group had corporate debt outstanding of $75.7m at 30 June 2023 (2022: $Nil) and has complied with all corporate debt covenants throughout the reporting period.

Contractual maturity of financial liabilities on an undiscounted basis

Borrowings which relate to corporate debt and/or wholesale debt facilities, have been presented based on the contractual obligations under the structures and expected repayment profile of Finance lease receivables, Chattel loans and Customer loans.

The balances in the table will not agree to amounts presented in the Consolidated statement of financial position as amounts incorporate net cash flows on an undiscounted basis and include both principal and associated future interest payments.

A$m	Less than 1 year	1 to 2 years	2 to 5 years	5 years+	Total
At 30 June 2023					
Non-derivative financial liabilities					
Trade and other payables	59.1	–	–	–	59.1
Contract liabilities	11.8	–	–	–	11.8
Lease liabilities	3.7	3.9	6.3	1.9	15.8
Borrowings	1,588.2	1,199.4	1,716.1	9.0	4,512.7
Total undiscounted financial liabilities	**1,662.8**	**1,203.3**	**1,722.4**	**10.9**	**4,599.4**
At 30 June 2022					
Non-derivative financial liabilities					
Trade and other payables	50.3	–	–	–	50.3
Contract liabilities	9.3	–	–	–	9.3
Lease liabilities	3.5	3.7	8.6	3.3	19.1
Borrowings	870.1	1,027.9	1,313.6	4.7	3,216.3
Total undiscounted financial liabilities	**933.2**	**1,031.6**	**1,322.2**	**8.0**	**3,295.0**

** Comparative information has been reclassified to align the presentation with the current period.*

b) Credit risk

Credit risk is the probability that the Group may not receive amounts owing on the due date and that there may be a shortfall from the sale of the assets financed, payments by guarantors and other sources.

The effective management of credit risk is essential to **humm**group's long-term success. Management has established a Consumer Credit Committee in Australia and NZ and a Group Commercial Credit Committee. Collectively these committees have responsibility for credit risk management including developing policies and procedures for identifying, managing and reporting credit risk. These policies and procedures address credit risk in the Group's activities at both the individual credit and portfolio levels.

The Board in approving the annual budget confirms its expectations in respect of portfolio credit performance.

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. Where deemed appropriate, the Group uses forward exchange contracts to hedge foreign exchange exposure from intercompany borrowings in non-functional currencies.

Market risk management is overseen by the Board Audit and Risk 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 Loans and advances consist of:

- fixed rate commercial instalment lease and chattel loan 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 lease and chattel loan contracts are funded within two weeks of being settled with the gross receivables discounted at a fixed rate of interest to determine the borrowing amount.
- an interest free and fixed rate 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 hedging contracts generally require settlement of the swap amount receivable or payable monthly. The settlement dates coincide with the dates on which interest is payable on the underlying borrowings. 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 2023, nil amounts were reclassified into profit or loss (2022: $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 %	2023	Weighted average interest rate %	2022
Floating rate borrowings (base rate)	4.51	4,016.2	1.54	3,025.1
Floating rate borrowings (interest margin)	2.43	4,016.2	1.89	3,025.1
Interest rate swaps (fixed rate)[1]	2.61	(3,046.7)	1.36	(2,338.5)
Unhedged variable borrowings		**969.5**		**686.6**

1. **humm**group has $3,046.7m of pay fixed, receive floating interest rate swaps at 30 June 2023 (30 June 2022: $2,338.5m).

Interest rate risk sensitivity analysis

Based on the variable rate financial assets and financial liabilities held at 30 June 2023, if interest rates had changed by, +/- 200 basis points from the year-end rates with all other variables held constant, the impact on the Group's after-tax profits and equity on above exposures would have been $3.9m lower/$3.9m higher (2022: $2.7m lower/$2.7m higher).

Cash flow hedges

At 30 June 2023 the Group hedged 76% (2022: 77%) of the variability in future cash flows attributable to the interest rate risk on floating rate borrowings using interest rate swaps. There were no forecast transactions for which cash flow hedge accounting had to be ceased as a result of the forecast transaction no longer being expected to occur in the current or prior period.

ii) Foreign exchange risk

Foreign exchange risk results from an impact on the Group's profit after tax and equity from movements in foreign exchange rates.

Changes in value would occur in respect of translating the Group's capital invested in overseas operations into Australian dollars at the reporting date (translation risk).

Currently the Group's exposure to this risk arises from its investment in its New Zealand, Ireland, UK and Canadian 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.

23. FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Fair value reflects the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Quoted prices or rates are used to determine fair value where an active market exists. If the market for a financial instrument is not active, fair values are estimated using present value or other valuation techniques, using inputs based on market conditions prevailing on the measurement date. There were no transfers between levels for recurring fair value measurements during the year.

Fair value hierarchy

Financial instruments measured at fair value are categorised under a three-level hierarchy as outlined below:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Group has assessed its financial instruments recorded at fair value and are categorised as per below under fair value hierarchy.

The table below summarises the carrying amount and fair value of financial assets and financial liabilities held at amortised cost. The methodology and assumptions used in determining fair values are as follows:

2023

A$m	Notes	Carrying amount	Fair value	Level of Fair Value Hierarchy
Financial assets				
Loans and advances	8	4,153.6	4,044.7	3
Financial liabilities				
Contract liabilities		11.8	11.8	3
Borrowings (Floating interest rate)[1]	13	4,016.2	3,990.6	3
Derivative financial instruments	22	68.5	68.5	2

1. Refer to note 22 for further information on how the Group manages its interest rate risk.

2022

A$m	Notes	Carrying amount	Fair value	Level of Fair Value Hierarchy
Financial assets				
Loans and advances	8	3,204.9	3,213.6	3
Financial liabilities				
Contract liabilities		9.3	9.3	3
Borrowings[1]				
Floating interest rate[1]		3,025.1	3,008.5	3
Fixed interest rate		0.4	0.4	3
Total borrowings	13	**3,025.5**	**3,008.9**	
Derivative financial instruments	22	**66.0**	**66.0**	2

1. Refer to note 22 for further information on how the Group manages its interest rate risk.

Valuation technique

The following table shows the valuation techniques used in measuring fair values for financial instruments in the Consolidated statement of financial position.

A$m	Valuation technique
Loans and advances	The fair values of loans and advances are estimated by discounting the future contractual cash flows at the current market interest rate that is available to the customers. The nominal value (including unamortised initial direct transaction costs) less estimated credit adjustments of Finance lease receivables and Customer loans are assumed to approximate their fair values.
Borrowings	The fair value of borrowings is calculated using discounted the future contractual cash flows at the current market interest rate that is available to the Group.
Interest rate swaps	**Swap models:** The fair value is calculated as the present value of the estimated future cash flows. Estimates of future floating-rate cash flows are based on quoted swap rates, futures prices and interbank borrowing rates. Estimated cash flows are discounted using a yield curve constructed from similar sources and which reflects the relevant benchmark interbank rate used by market participants for this purpose when pricing interest rate swaps. The fair value estimate is subject to a credit risk adjustment that reflects the credit risk of the Group and of the counterparty; this is calculated based on credit spreads derived from current credit default swap or bond prices.

24. COMMITMENTS

hummgroup extends credit to customers in the normal course of business and the gross undrawn exposure on loans and advances at 30 June 2023 is $992.2m (2022: $1,485.4m). Refer note 9 for provision for undrawn exposure on Customer loans.

25. CONTINGENT LIABILITIES

Forum Finance

On 7 July 2023, SMBC Leasing and Finance, Inc lodged an amended statement of claim in relation to **humm**group's exposure to transactions with Forum Finance. The amended statement of claim relates to transactions that are the subject of a 2020 agreement between SMBC and Forum Finance, to which **humm**group (or any related entity) was not a party. **humm**group will continue to defend both the original and amended statement of claim and remains of the view that the estimate of the extent of its exposure is reasonable.

As at 30 June 2023, a provision of $16.5m (2022: $15.5m) was set aside for this exposure.

Remediation and regulatory enforcement

The Group is exposed to contingent risks and liabilities arising from investigations carried out internally or by regulatory authorities into past conduct. Whilst the Group has provided for exposures related to known matters arising from investigations carried out internally or by regulatory authorities into past conduct, due to the inherent complexity, uncertainty and ongoing nature of its business, outcomes and potential liability to the Group of these and any emerging matters remain uncertain.

Other than the matters outlined above, the Group does not have any further material contingent liabilities.

26. INVESTMENTS IN SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities and results of the following controlled entities in accordance with the accounting policy described in note 1:

Entity name	Footnote	Country of incorporation	Percentage of shares/units	
			2023	2022
Flexicommercial Pty Ltd	2	Australia	100%	100%
FlexiGroup Management Pty Limited		Australia	100%	100%
FlexiGroup SubCo Pty Limited	2	Australia	100%	100%
Flexirent Capital Pty Ltd	2	Australia	100%	100%
Flexirent Horizon SPV Pty Ltd		Australia	100%	100%
FlexiRent SPV Number 2 Pty Ltd		Australia	100%	100%
FlexiRent SPV Number 4 Pty Ltd	4	Australia	100%	100%
FlexiRent SPV Number 7 Pty Ltd	4	Australia	100%	100%
FlexiRent SPV Number 8 Pty Ltd	4	Australia	100%	100%
Humm BNPL Pty Ltd	2	Australia	100%	100%
Humm cards Pty Ltd	2	Australia	100%	100%
Humm global Pty Limited	2	Australia	100%	100%
Humm pro Pty Ltd	2	Australia	100%	100%
Humm SPV Pty Ltd	2	Australia	100%	100%
Once Credit Pty Limited	2	Australia	100%	100%
OxiPay Pty Ltd		Australia	100%	100%
RentSmart Finance Limited	3	Australia	100%	100%
RentSmart Pty Ltd	3	Australia	100%	100%
RentSmart Servicing Pty Ltd	3	Australia	100%	100%
SmartCheck Pty Ltd	3	Australia	100%	100%
Flexi ABS Trust 2010-2	4	Australia	100%	100%
Flexi ABS Trust 2019-2	4	Australia	100%	100%
Flexi ABS Trust 2020-1		Australia	100%	100%
Flexi ABS Warehouse Trust No.2		Australia	100%	100%
Flexi ABS Warehouse Trust No.3		Australia	100%	100%
Flexicommercial ABS Trust 2021-1		Australia	100%	100%
Flexicommercial ABS Trust 2021-2		Australia	100%	100%
Flexicommercial ABS Trust 2023-1	1	Australia	100%	-
Flexicommercial ABS Trust 2022-1	1	Australia	100%	-
Flexicommercial ABS Warehouse Trust No.4		Australia	100%	100%
Flexicommercial ABS Warehouse Trust No.5		Australia	100%	100%
FlexiGroup Employee Share Plan Trust		Australia	100%	100%
Humm Group Limited Employee Share Trust		Australia	100%	100%

Entity name	Footnote	Country of incorporation	Percentage of shares/units	
			2023	2022
Helix Trust		Australia	100%	100%
Humm ABS Trust 2021-1		Australia	100%	100%
Humm ABS Trust 2022-1		Australia	100%	100%
Humm ABS Trust 2022-2	1	Australia	100%	–
Humm ABS Warehouse Trust No. 6	1	Australia	100%	–
Lombard Warehouse Trust No 1	4	Australia	100%	100%
Humm Group Limited		Canada	100%	100%
Flexi Orlaigh SPV DAC	5	Ireland	–	–
FlexiFi Europe Holdings Limited		Ireland	100%	100%
FlexiFi Europe Limited		Ireland	100%	100%
FlexiFi Europe Services Limited		Ireland	100%	100%
Flexirent Ireland Limited		Ireland	100%	100%
Humm Group Limited		Northern Ireland	100%	100%
Bundll (NZ) limited	4	New Zealand	100%	100%
Columbus Financial Services Limited		New Zealand	100%	100%
Consumer Finance Limited		New Zealand	100%	100%
Consumer Insurance Services Limited	4	New Zealand	100%	100%
Flexi Finance Limited		New Zealand	100%	100%
Flexi Financial Services Limited		New Zealand	100%	100%
Flexicommercial Limited		New Zealand	100%	100%
FlexiGroup (New Zealand) Limited		New Zealand	100%	100%
FlexiGroup NZ SPV1 Limited		New Zealand	100%	100%
FlexiGroup NZ SPV2 Limited		New Zealand	100%	100%
FlexiGroup NZ SPV3 Limited	4	New Zealand	100%	100%
Humm (NZ) limited		New Zealand	100%	100%
Humm pro limited		New Zealand	100%	100%
Retail Financial Services Limited		New Zealand	100%	100%
Columbus Trust		New Zealand	100%	100%
Q Card Trust		New Zealand	100%	100%
RFS Trust 2016-1	4	New Zealand	100%	100%
Flexicommercial NZ No. 1 Trust	1	New Zealand	100%	–

1. Created during the year ended 30 June 2023.
2. These controlled entities have entered into a deed of cross guarantee with the Company pursuant to ASIC Class order 98/1418 dated 13 August 1998. These controlled entities and the Company form a closed group (closed group is defined as a group of entities comprising a holding entity and its related wholly owned entities). Relief was granted to these controlled entities from the Corporations Act 2001 requirements for preparation, audit and publication of an annual financial report.
3. Deregistered by ASIC during the year.
4. These entities are currently inactive, with management planning to wind them up in the next 12 months.
5. **humm**group consolidates the entity by nature of its interest in the risks and rewards of the entity.

27. KEY MANAGEMENT PERSONNEL DISCLOSURES

a) Directors

The following persons were Directors of **humm**group during the financial year:

Andrew Abercrombie	Non-Executive Director and Chair
Stuart Grimshaw[1]	Non-Executive Director Managing Director and Chief Executive Officer
Teresa Fleming	Non-Executive Director (appointed 30 June 2022)
Anthony Thomson	Non-Executive Director (appointed 29 September 2022)
Robert Hines	Non-Executive Director (appointed 29 September 2022)

1. Mr Grimshaw was appointed as a Non-Executive Director of the Company effective 30 June 2022 and as Managing Director and Chief Executive Officer effective 1 June 2023.

b) Other Key Management Personnel

The following persons also had authority and responsibility for planning, directing and controlling the activities of the Group during the financial year:

Rebecca James[1]	Chief Executive Officer (ceased 31 May 2023)
Stuart Grimshaw[1]	Managing Director and Chief Executive Officer (appointed 1 June 2023)
Adrian Fisk	Chief Financial Officer

1. Mr Grimshaw was appointed as Managing Director and Chief Executive Officer effective 1 June 2023 following Ms James' resignation as Chief Executive Officer effective 31 May 2023.

c) Key Management Personnel compensation

A$	2023	2022
Short-term employee benefits	2,770,553	3,789,072
Termination payments	250,000	144,576
Post-employment benefits	115,997	177,863
Long service leave	3,998	3,549
Share-based payments	263,201	211,089
Total	**3,403,749**	**4,326,149**

d) Other transactions with related parties

Other investments carried at FVTOCI

Mr Andrew Abercrombie, Director and Chair of humm Group Limited, held a minority interest in Douugh Limited, an ASX listed fintech, in which humm Group Limited also held a minority interest.

Director shareholdings in **humm**group

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

2023	Role	Balance at start of year	Received during the year on the exercise of rights	Other changes during the year	Balance at end of year or at date of resignation
Andrew Abercrombie (Chair)	Non-Executive Director	115,333,228[1]	–	11,108,832	126,442,060
Stuart Grimshaw[2]	Managing Director and Chief Executive Officer	–	–	–	–
Teresa Fleming	Non-Executive Director	–	–	–	–
Anthony Thomson[3] (appointed 29 September 2022)	Non-Executive Director	–	–	–	–
Robert Hines[3] (appointed 29 September 2022)	Non-Executive Director	–	–	200,000	200,000
Rebecca James[4] (ceased 31 May 2023)	Chief Executive Officer	40,000	188,834	888	229,722
Adrian Fisk	Chief Financial Officer	100,000	–	100,000	200,000

1. The balance at start of year is comprised of the direct and indirect shareholdings totalling 114,858,000 plus the shareholdings of Mr Abercrombie's personally related parties totalling 475,228.
2. Mr Grimshaw served as Non-Executive Director of the Company until 31 May 2023 and as Chief Executive Officer and Managing Director from 1 June 2023.
3. Opening balance refers to 29 September 2022, the date Mr Thomson and Mr Hines became Non-Executive Director.
4. Ms James ceased as Chief Executive Officer effective 31 May 2023. Closing balance is 30 June 2023.

28. 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 26.

c) Transactions with related parties

No significant related party transaction during the year ended 30 June 2023.

29. REMUNERATION OF AUDITORS

a) Audit and assurance services

A$000	2023	2022
Audit services		
Audit and review of financial statements:		
EY Australian firm	1,872.4	1,587.8
Total remuneration for audit and assurance services	**1,872.4**	**1,587.8**

b) Non-audit services

A$000	2023	2022
Taxation services		
Tax compliance and advice on transactions		
EY Australian firm	67.1	7.0
Related practices of EY Australian firm	17.6	2.7
Other services		
Due Diligence service[1,2]		
EY Australian firm	160.0	1,889.1
Other service		
EY Australian firm	46.5	61.0
Related practices of EY Australian firm	68.8	236.0
Total remuneration for non-audit and assurance services	**360.0**	**2,195.8**
Total remuneration for audit and assurance services	**2,232.4**	**3,783.6**

1. EY was appointed as auditor for the Company on 31 December 2021. During the six months ended 30 June 2022, the Company engaged EY to provide advice for the failed sale of **humm** Consumer Finance business to Latitude.
2. During 2023, the Company paid EY for due diligence advice in relation to the new corporate debt facility.

It is the Group's policy to employ EY on assignments in addition to statutory audit where EY's expertise and experience with the Group are important. These assignments are principally regulatory audits, procedures performed as part of completing funding agreements, tax advice and due diligence reporting on acquisitions.

30. CLOSED GROUP

The table below presents the Consolidated pro forma Income statement and Consolidated statement of financial position for the Company and controlled entities, which are party to the deed of cross guarantee (referred to as a closed group). For further information, refer note 26, footnote 2. The effects of transactions between entities to the deed are eliminated in full in the Consolidated statement of comprehensive income and Consolidated statement of financial position.

a) Statement of comprehensive income

A$m	2023	2022
Interest income	23.9	8.5
Fee and other income	78.6	92.2
Dividend income	25.1	63.8
Gross income	**127.6**	**164.5**
Interest expense	(8.6)	(14.0)
Cost of origination	(22.2)	(14.0)
Net operating income	**96.8**	**150.5**
Credit impairment charge	(11.2)	(12.1)
Employment expenses	(57.1)	(62.1)
Operating and other expenses	(50.2)	(81.1)
Depreciation and amortisation	(6.7)	(13.2)
Impairment of goodwill and other intangible assets	(2.1)	(92.5)
Loss before income tax	**(30.5)**	**(110.5)**
Income tax benefit	21.6	46.0
Loss for the year	**(8.9)**	**(64.5)**
Other comprehensive loss		
Items that will not be reclassified to profit and loss		
Changes in fair value of investment carried at fair value through other comprehensive income, net of tax	(0.2)	-
Other comprehensive loss for the year, net of tax	**(0.2)**	**-**
Total comprehensive loss for the year	**(9.1)**	**(64.5)**

b) Statement of financial position

A$m	2023	2022
Assets		
Cash and cash equivalents	77.0	65.3
Loans and advances	45.9	60.4
Other assets	372.8	288.2
Current tax receivable	0.8	11.0
Plant and equipment	5.8	8.1
Other intangible assets	26.3	13.6
Deferred tax asset	0.4	37.1
Total assets	**529.0**	**483.7**
Liabilities		
Payables	35.8	44.8
Borrowings	75.7	–
Provisions	29.3	21.0
Total liabilities	**140.8**	**65.8**
Net assets	**388.2**	**417.9**
Equity		
Contributed equity	507.6	503.5
Reserves	0.5	(0.7)
Accumulated losses	(119.9)	(84.9)
Total equity	**388.2**	**417.9**

31. PARENT ENTITY FINANCIAL INFORMATION

a) Summary financial information

A$m	2023	2022
Balance sheet		
Current assets	1.9	-
Non-current assets	516.3	511.1
Total assets	**518.2**	**511.1**
Current liabilities	1.9	1.7
Total liabilities	**1.9**	**1.7**
Net assets	**516.3**	**509.4**
Issued share capital	511.8	913.6
Share-based payment reserve	3.0	1.8
Accumulated profit/(losses)	1.5	(406.0)
Shareholders' equity	**516.3**	**509.4**
Profit/(loss) for the year	20.0	(234.3)
Total comprehensive income	**20.0**	**(234.3)**

Retained earnings reconciliation	**2023**	**2022**
Opening accumulated losses	(406.0)	(157.6)
Share capital reduction[1]	406.0	-
Profit/(loss) for the year	20.0	(234.3)
Dividend paid	(18.5)	(14.1)
Closing retained earnings/(accumulated losses)	**1.5**	**(406.0)**

1. On 25 August 2022, the Company undertook a share capital reduction in accordance with S258F of the Corporations Act by reducing its paid-up ordinary share capital balance by $406.0m with an equal reduction of the accumulated losses balance. There is no impact on shareholders from the capital reduction as no shares have been cancelled or rights varied. Similarly, creditors are not affected as there has been no change in available assets and no impact on the availability of the Company's tax losses from this capital reduction.

b) Guarantees entered into by the parent entity

Pursuant to Australian Securities and Investments Commission Class Order 98/1418 dated 13 August 1998 relief was granted to certain controlled entities (note 26, 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, contingent liabilities or contractual commitments as at 30 June 2023 are disclosed in note 25.

d) Dividend income

The parent entity received $15.0m dividends from subsidiaries in the current year (2022: $9.0m).

e) Impairment of Investments in subsidiaries

The net assets of the parent entity were assessed against the recoverable amount of the consolidated Group's net assets and impairment of $Nil was recognised in the year (2022: $254.1m).

32. SECURITISATION AND SPECIAL PURPOSE VEHICLES

The Group sells Finance lease receivables, Chattel loans and Customer loans to securitisation vehicles through its asset-backed securitisation programs and other special purpose vehicles. The securitisation and special purpose vehicles (refer note 26) are consolidated as the Group 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	2023	2022
Loans and advances	4,087.8	3,138.3
Cash held by securitisation vehicles	223.8	168.3
Total	**4,311.6**	**3,306.6**
Borrowings related to loans and advances (note 13)	3,940.5	3,025.5

33. EVENTS OCCURRING AFTER THE REPORTING PERIOD

Dividend

Dividends are determined after period-end and contained within the announcement of the results for the period. Final dividends are determined in August and paid in September/October. Dividends determined are not recorded as a liability at the end of the period to which they relate. Subsequent to the year, on 24 August 2023, the Group determined a final ordinary dividend of 1.0 cent per share totalling $5.0m, which will be paid on 9 October 2023.

Corporate Debt Facility

On 2 August 2023, **humm**group extended the Termination Date in respect of a $15.0m tranche of corporate debt from December 2023 to December 2026.

Australia Commercial ABS Private Placement

On 23 August 2023, **humm**group executed documentation in connection with a $760.7m asset-backed securities transaction, in private placement format, under its Australian **flexicommercial** ABS programme securitising receivables from its Australian Commercial portfolio. This transaction is **humm**group's largest asset-backed securities transaction to date.

No other matters

As at the date of this report the Directors are not aware of any matter or circumstance that has arisen since 30 June 2023 that has significantly affected, or may significantly affect:

- the Group's operations in future financial years, or
- the results of those operations in future financial years, or
- the Group's state of affairs in future financial years.

INDEPENDENT AUDITOR'S REPORT

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Independent auditor's report to the members of humm group limited

Report on the audit of the financial report

Opinion

We have audited the financial report of humm group limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2023, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

a. Giving a true and fair view of the consolidated financial position of the Group as at 30 June 2023 and of its consolidated financial performance for the year ended on that date; and

b. Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

Provision for expected credit losses

Why significant	How our audit addressed the key audit matter

As described in Note 8 Loans and advances, Note 9 Allowance for expected credit loss, and Note 22 Financial Risk Management, the Group carries a provision for expected credit loss.
 	
This was considered to be a key audit matter due to the value of the provision and the degree of judgment and estimation uncertainty associated with the provision calculation.
 	
Key areas of judgment included:
• the application of the impairment requirements of Australian Accounting Standards within the Group's expected credit loss methodology;
• the identification of exposures with a significant deterioration in credit quality;
• assumptions used in the expected credit loss model for exposures assessed on a collective basis;
• the incorporation of forward-looking information to reflect current and anticipated future external factors, including judgments related to the impact of macroeconomic factors, both in the multiple economic scenarios and the probability weighting determined for each of these scenarios;
• in the application of post-model overlays reflecting forward-looking inputs and scenarios which are not otherwise reflected in product specific probability of default factors.
	Our audit procedures included the following:
	
	• We assessed the alignment of the Group's expected credit loss model and its underlying methodology against the requirements of AASB 9.
	
	• We assessed the following for exposures evaluated on a collective basis and overlays:
	  • significant modelling and macroeconomic assumptions, including those relating to a significant increase in credit risk, the reasonableness of forward-looking information and scenarios; and
	  • the basis for, and data used to determine overlays.
	
	• We considered the impact of current macroeconomic developments.
	
	• We involved our actuarial specialists to test the mathematical accuracy of the model and to consider key assumptions.
	
	• We assessed the effectiveness of relevant controls relating to the capture of data, including loan origination and transactional data.
	
	• We considered the disclosures related to credit impairment within the financial report.

Building a better working world

Information Technology (IT) systems and IT controls

Why significant	How our audit addressed the key audit matter
A significant part of the Group's financial reporting process is reliant on IT systems with automated processes and controls relating to the capture, storage, processing and extraction of information. A fundamental component of these IT controls is ensuring that risks relating to inappropriate user access management, unauthorised program changes and IT operating protocols are addressed.	We focused our procedures on those IT systems that are significant to the Group's financial reporting process. We involved our IT specialists where audit procedures over IT systems and controls required specific expertise. We assessed the design and tested the operating effectiveness of the Group's IT controls, including those related to user access, change management and data integrity. We also assessed the design and tested the operating effectiveness of IT application level controls such as automated calculations of interest and processing of information that impact financial reporting. Where we identified design and/or operating deficiencies in the IT control environment, our procedures included the following: • we assessed the integrity and reliability of the systems and data related to financial reporting; • where automated procedures were supported by systems with identified deficiencies, we assessed alternative controls that were not reliant on the IT control environment; and • where alternative controls did not exist or where we identified design and/or operating deficiencies in those controls we designed and performed alternate audit procedures to assess the reliability of data and processing of information related to the Group's financial reporting.

Information other than the financial report and auditor's report thereon

The directors are responsible for the other information. The other information comprises the information included in the Company's 2023 annual report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial report

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

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 21 to 44 of the directors' report for the year ended 30 June 2023.

In our opinion, the Remuneration Report of humm group limited for the year ended 30 June 2023, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Ernst & Young

Ernst & Young

R.Balfour

Richard Balfour
Partner
Sydney

24 August 2023

DIRECTORS' DECLARATION

In the Directors' opinion:

a. The financial statements and notes set out on pages 69-135 are in accordance with the Corporations Act, including:
   (i) complying with the Accounting Standards, the Corporations Regulations 2001, and other mandatory professional reporting requirements; and
   (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2023 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 26 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 31.

Note 1 confirms that the financial statements also comply with the International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declaration by the Chief Executive Officer and Chief Financial Officer as required by s295A of the Corporations Act.

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

Andrew Abercrombie
Chairman
Sydney

24 August 2023

SHAREHOLDER INFORMATION

The shareholder information set out below was applicable as at 3 August 2023.

A. DISTRIBUTION OF EQUITY SECURITIES

Range	Number of holders	Number of shares	% of issued shares
1 to 1,000	4,113	2,379,134	0.47
1,001 to 5,000	4,966	13,176,091	2.61
5,001 to 10,000	1,855	14,296,404	2.84
10,001 to 100,000	2,461	71,492,736	14.18
100,001 and over	345	402,850,164	79.90
Total	**13,740**	**504,194,529**	**100.00**

There were 4,443 holders of less than a marketable parcel of ordinary shares based on closing market price on 3 August 2023 of $0.450.

B. EQUITY SECURITY HOLDERS

The names of the 20 largest holders of quoted equity securities are listed below:

	Ordinary shares	
Range	Number of shares	% of issued shares
The Abercrombie Group Pty Ltd	81,845,459	16.23
Tefig Pty Ltd	44,204,541	8.77
J P Morgan Nominees Australia Pty Limited	28,106,818	5.57
HSBC Custody Nominees (Australia) Limited	26,620,341	5.28
Citicorp Nominees Pty Limited	19,604,328	3.89
National Nominees Limited	18,424,606	3.65
Resimac Limited	15,800,000	3.13
Sandhurst Trustees Ltd	11,266,250	2.23
Tamorer Pty Limited	10,986,790	2.18
HSBC Custody Nominees (Australia) Limited	9,924,348	1.97
Thorn Group Limited	5,909,564	1.17
GEGM Investments Pty Ltd	5,490,341	1.09
Behan Superannuation Pty Ltd	4,800,000	0.95
Brazil Farming Pty Ltd	4,631,114	0.92
Diamond Lilly Pty Ltd	4,502,181	0.89
Cameron Richard Pty Ltd	3,838,608	0.76
Charles & Cornelia Goode Foundation Pty Ltd	2,565,923	0.51
Tom Hadley Enterprises Pty Ltd	2,500,000	0.50
Director's Interest Pty Ltd	1,850,000	0.37
Mr Sunny Yang & Mrs Connie Yang	1,695,751	0.34
Total	**304,566,963**	**60.41**

Unquoted Equity Securities

As at the date of this report, there were 16,614,123 unissued ordinary shares of humm Group Limited held by 33 holders subject to performance rights and options. These unissued ordinary shares are the subject of options, performance and deferred STI rights with expiry dates between September 2023 and September 2024. 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 20 of the Financial Statements.

The Company has no other unquoted equity securities.

C. SUBSTANTIAL HOLDERS

Substantial holders in the Company are set out below:

	Number held	Percentage %	Date of last substantial holder notice
The Abercrombie Group Pty Ltd – ATF The Philadelphia Trust; Tefig Pty Ltd – ATF The AJ Abercrombie Superannuation Fund and Andrew Abercrombie	122,140,338	24.22%	11 April 2023
Renaissance Smaller Companies Pty Ltd	30,523,516	6.05%	25 May 2023

Note: As disclosed in substantial holding notices provided in the Company.

D. VOTING RIGHTS

The voting rights attaching to equity securities are set out below:

a. Ordinary shares

On a show of hands, every member present at a meeting in person or by proxy and entitled to vote shall have one vote and upon a poll, each share shall have one vote.

b. Options, performance rights and subordinated perpetual notes

No voting rights.

CORPORATE DIRECTORY

>> BOARD OF DIRECTORS

Andrew Abercrombie (Chair)

Stuart Grimshaw

Teresa (Terry) Fleming

Anthony Thomson
(from 29 September 2022)

Robert Hines
(from 29 September 2022)

>> COMPANY SECRETARIES

Christina Seppelt

Lisa-Anne Carey
(from 29 September 2022)

>> NOTICE OF ANNUAL GENERAL MEETING

The Annual General Meeting of humm Group Limited will be held on Thursday 16 November 2023 at 12:00pm (AEDT). Further details will be provided in the Notice of Meeting, scheduled for release on, or before 13 October 2023.

>> PRINCIPAL REGISTERED OFFICE

humm Group Limited

Level 1
121 Harrington Street
The Rocks
Sydney NSW 2000
Australia

>> SHARE REGISTRY

Link Market Services Limited

Level 12
680 George Street
Sydney NSW 2000
Australia

>> AUDITOR

Ernst & Young

200 George Street
Sydney NSW 2000
Australia

>> AUSTRALIAN SECURITIES EXCHANGE LISTING

humm Group Limited shares are listed on the Australian Securities Exchange under the code HUM

>> WEBSITE

shophumm.com/humm-group/

humm group

shophumm.com/humm-group/