LATITUDE

Annual Report 2022

Latitude Group Holdings Limited
ACN 604 747 391

Our Mission

To enhance financial access and inclusion as a responsible partner in money

- We help our **customers** shop and purchase the things they need with interest free instalment plans and personal loans.
- We help our **partners** with easy payment and lending solutions, fast decisions, great insights and sales opportunities with our millions of customers.
- We provide access to **finance** that encourages inclusivity and opportunity for all. We embrace our responsibility to deliver great outcomes for our customers, communities and the environment.

Our Ambition

Grow our value and global addressable market, transform our organisation's capability to adapt and earn admiration from stakeholders with renown for our innovative support of financial inclusion, diversity and the environment.

Contents

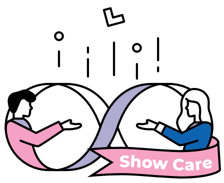
Acknowledgement of Country

In the spirit of reconciliation, Latitude acknowledges the Traditional Custodians of country throughout Australia and their connections to land, sea and community. We pay our respect to their elders past and present and extend that respect to all Aboriginal and Torres Strait Islander peoples today.

Our Values

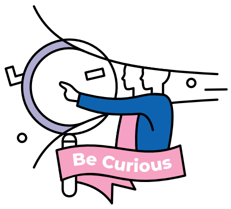
Act Right

From the little moments to the big decisions, we take our responsibility seriously. We always step outside what feels comfortable to stand up for what we believe is right.



Show Care

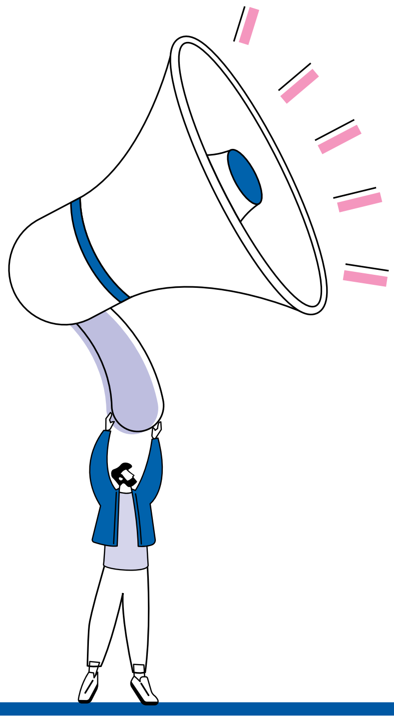
We are kind to one another. It's a simple yet profound thing where we ask more of ourselves and in doing so unleash the power of our community.



Be Curious

With curiosity we continue our fascination with the world. We're constantly experimenting, challenging ourselves and encouraging others to share ideas.

Performance Snapshot 2022



Financial Metrics

Operational

People & Culture

Customers & Community

10.1% ROE	14.78c CASH EPS	11.85c DIVIDEND PER SHARE
$154m CASH NPAT	$6.29bn AGR	$7.95bn VOLUME
2.35% NET CHARGE OFFS (NCO IN BPS)	9.0% RAI YIELD	8.5% TER
$1.8bn 28DEGREE GLOBAL CARD VOLUME	$232.8m CASH PBT	~50k CUSTOMERS ACROSS SINGAPORE AND MALAYSIA
1,008 EMPLOYEES	6,550 BROKER PARTNERS	5,500+ RETAIL PARTNERS
$129k DONATED THROUGH WORKPLACE GIVING	#15 TOP WORKPLACES TO GIVE BACK	86 BROKER NPS

Our Strategic Priorities

1

Lead in Pay

Drive sustainable growth by focusing our investment efforts in our leading Sales Finance platform and fully contemporising our digital product experience.

2

Lead in Money

Realise the full synergies from the Symple acquisition through the introduction of new products, channels and product verticals across personal lending and auto.

3

Scale in Asia

Build on our growing franchise in Singapore and Malaysia by partnering with strategic merchants and introducing interest bearing products.

4

Optimise Technology & Operations for Growth

Invest in white label and partner sales enablement, platform consolidation, simplification and security.

5

Protect and Deploy Balance Sheet Strength

Position our balance sheet for growth while maintaining disciplined credit underwriting and our resilient funding program, and protecting our liquidity runway so we can pursue growth opportunities.

6

Energise growth orientated culture

Continue to embrace a customer-first mindset and deeply embed our ESG principles in the way we originate, work and grow.

About Our Business

As a leading sales finance and personal lending business, Latitude Financial provides innovative consumer finance products and services to merchants, commercial partners and over 2.8 million customer accounts across Australia and New Zealand with a small but fast-growing footprint in Singapore and Malaysia. Latitude's unique B2B2C business model helps our partners with easy payment and lending solutions and other products to suit their needs.

Instalments

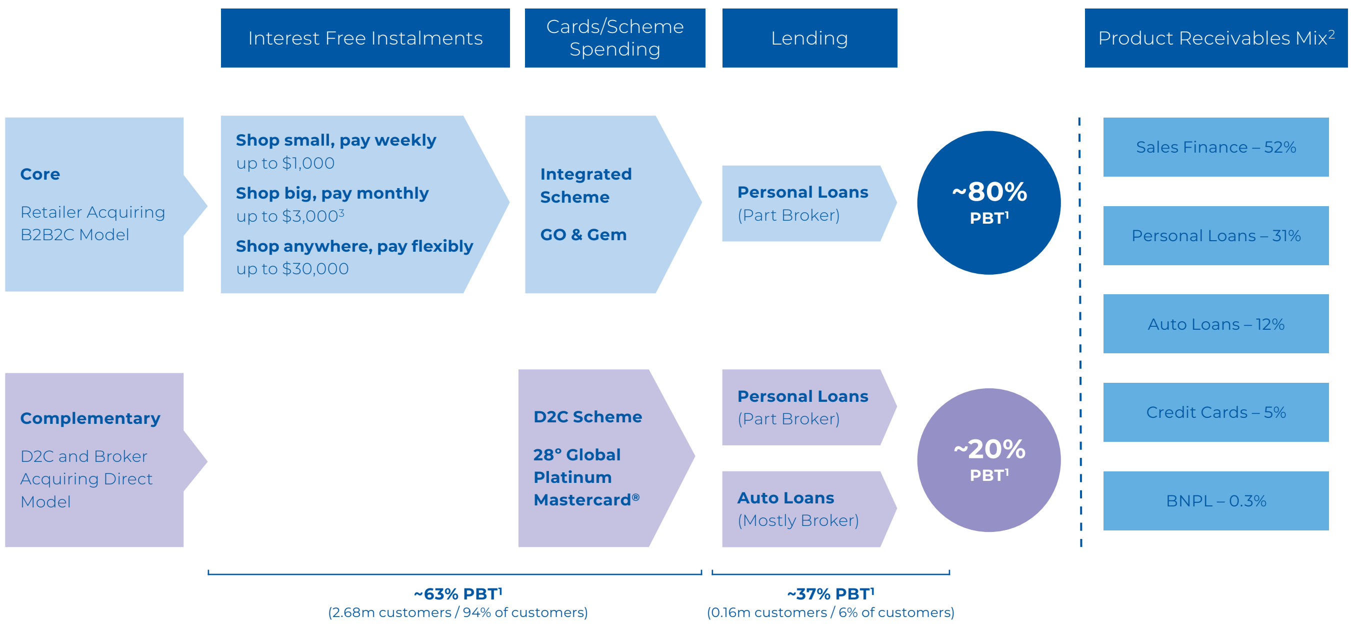
Latitude has a long history in financial services since one of its predecessors Australian Guarantee Corporation ('AGC') was founded in the 1920s, providing finance for the purchase of household items.

Latitude now offers a broad range of interest free payments and instalments, both in-store and online, making it easy for retailers and consumers to access financing solutions that suit them. Our merchant partners include iconic brands across a wide range of lifestyle categories such as Harvey Norman, JB HI-FI, The Good Guys, Apple and Samsung.

Through Latitude GO Mastercard® and Gem Visa credit cards, we offer consumers longer-term interest free monthly instalment plans up to $30,000, for up to 60 months, including interest free shopping on everyday purchases above $250. Our award-winning travel and shopping credit card, Latitude 28° Global Platinum Mastercard®, offers consumers no international transaction fees on purchases along with a host of other features for overseas travel.

For smaller purchases, Buy Now, Pay Later (BNPL) product LatitudePay provides shorter-term interest free repayment options for customers. LatitudePay in Australia and New Zealand was closed in February 2023.

A different kind of B2B2C model



1 FY22 profit before tax and notable items.

2 Proportion of group gross loan receivables as at 31 December 2022.

3 Up to $10,000 for new growth segments.

Lending

Latitude offers personal and auto loans in Australia and personal loans in New Zealand, with both fixed and variable rate options. We work with trusted partners to offer and distribute our loan products, as well as selling direct to consumers, using technology and research to provide flexible lending solutions tailored to our customers' needs.

Operating Model

In 2022, Latitude transitioned to a portfolio operating model based around Instalments and Credit Cards (Pay) and Personal and Auto loans (Money), to create end-to-end capability and accountability to capture the opportunities unique to each segment. In addition to these core business units, our Asia team is focused on building on the successful launch of new products in Singapore and Malaysia to deepen our relationships with key strategic merchants, introduce new products and support growth in the region. Our Pay and Money strategic business units, along with our Asian operations, are enabled by the central Enterprise Services (Technology, Customer Care, People & Communications, Information Security and Data & Analytics) and Finance & Risk (including Risk & Compliance, Legal, Strategy & Corporate Development, Investor Relations and Company Secretary) teams.

A year of strong performance

Chair's Report

$153.5m

Cash NPAT

Latitude remained profitable, producing a cash NPAT of $153.5 million and ROE of 10.1 per cent for the year.

Dear Shareholder,

In 2022, despite the residual challenges created by COVID-19, inflation and rising interest rates, I'm pleased to report that Latitude was able to deliver a satisfactory financial performance for the year.

Latitude remained profitable, producing a cash NPAT of $153.5 million and ROE of 10.1 per cent for the year, including dividends of 11.85 cents per share, fully franked.

Your company also strengthened its balance sheet and funding program to ensure it is positioned to grow despite an uncertain global economy.

Your Board sees significant organic growth potential over the next three years, building on the strong volume momentum experienced in the latter part of 2022.

In October 2022, your Board revisited your company's strategy for the years ahead, focused on Latitude's commercial advantages in a post-pandemic world which has left a number of competitors struggling to meet our sector's challenging demands.

There are six pillars in our strategy, reflecting where your Board sees continued growth potential:

1. **Lead in Pay** – Latitude is best placed to maximise its strong merchant relationships through enhanced customer experience, while also adding to its portfolio through the acquisition of new partners, as we saw with the announcement that Latitude will become David Jones' exclusive reward card supplier in 2023.
2. **Lead in Money** – Latitude is positioned to fully capitalise on its investment in the Symple platform and profitably grow market share, while also building receivables through new partnerships and portfolio acquisitions. We have extended the Symple platform into New Zealand in 2023 and are already offering new products to enhance the customer experience.

3. **Scale in Asia** – Latitude entered Malaysia in 2022 following its successful launch in Singapore, offering interest free sales finance products to merchants including existing key retail partner Harvey Norman. We have plans to continue to deepen our commercial relationships in these markets.
4. **Optimise technology and operations for growth** – Latitude's platform is positioned to offer third-party solutions through white labelling and deliver strong data security protection to all our customers and partners, while leading on data analytics and insights. Latitude will continue its program of platform consolidation and simplification.
5. **Protect and deploy balance sheet strength** – Latitude is in a strong position, given our funding runway, to take advantage of asset portfolio acquisitions while maintaining disciplined credit underwriting to ensure continued, profitable, receivables growth. Our balance sheet strength is critical to our ambitions of maintaining a 6-7 per cent Tangible Equity to Receivables target in the medium term.
6. **Energise growth orientated culture** – Latitude has outstanding leadership talent and in February 2023, I was very pleased to confirm that following an extensive global search, current EGM Money, Bob Belan, has been appointed as Managing Director and Chief Executive Officer to lead Latitude from 1 April 2023. Bob has made an outstanding contribution to Latitude since joining in 2021 and his vision for the company's future is aligned with that of the Board.

Other factors will also help your company grow faster and stronger, such as the normalisation of customer repayment rates across Pay and Money. While the cost of funds is currently a negative factor, we expect funding costs to peak in 2024. Latitude has never been better prepared to take advantage of opportunities that will arise in a challenging environment – both in the financial services and retail sectors.

This would not be possible without a great deal of hard work. I would like to pay tribute to all our employees and the Board and thank them all for their contribution, not only during the past year but also during the uncertain and challenging years of the COVID-19 restrictions.

During 2022 and 2023 we've seen Board renewal with Julie Raffe and Aneek Marmik joining as Non-Executive Directors. Aneek has extensive consumer finance industry expertise including as a Non-Executive Director of US-based One Main Financial while Julie has more than 40-years' experience in high profile executive and non-executive roles, including as former finance director, company secretary and chief financial officer for Village Roadshow Limited. We farewelled James Corocran as a member of the Board in February 2023 and wish him well in his future endeavours.

Shareholders may also recall that the Board asked me to extend my tenure as Chair until December 2023, to ensure continuity during the critical period of transition to our new CEO and Managing Director.

Lastly, I would like to thank outgoing CEO and Managing Director Ahmed Fahour for all that he has done for Latitude Financial since he joined the company in 2018. Ahmed is a visionary leader who successfully drove the process that saw Latitude become an ASX-listed company and who has set our company onto a growth pathway.

Latitude will remember Ahmed's contribution to our company, especially during the difficult years of the COVID-19 pandemic, when our management team kept Latitude focused on supporting our customers and merchant partners.

Michael Tilley
Chair

Ready for the next phase of growth

Managing Director & CEO's Report

Dear Shareholder,

2022 was a challenging year with the continued effects of COVID-19, the significant impact of inflation and the added cost of rising interest rates. Despite these severe headwinds, Latitude continued to deliver a profit, but lower than last year. Our balance sheet is strong and we are well placed to grow in the years ahead.

Last year, Latitude recorded a Cash NPAT of $153.5 million, in line with market expectations, allowing us to ensure we rewarded shareholders with a 11.85 cents fully franked dividend for the full 2022 year.

Other financial highlights include volume of $7.95 billion, maintaining a surplus TER of 8.5 per cent and continued extremely strong cost discipline, with cash expenses down 9 per cent on the year and FTE's reduced to a low of 1,008.

Our balance sheet was strengthened by a number of successful warehouse transactions, which provides us approximately $1.3 billion in warehouse headroom to grow and manage our receivables.

In the latter months of 2022, we saw strong growth in volumes in both Pay and Money, which is encouraging as we enter 2023. We recorded growth of 14 per cent in 2H22 against 1H21. We are confident this momentum will continue into 2023 at good margins despite cost-of-funds pressures, especially with repayment rates expected to return to more normalised levels across Pay and Money as consumer savings are reduced.

I'm pleased to say we achieved many operational milestones in 2022.

For our important Payments and Instalments business, we re-contracted JB HI-FI and The Good Guys and signed many exciting new partners.

In January 2023 we announced that David Jones had selected Latitude as its partner in a 10-year exclusive deal to provide loyalty credit cards for its many customers, starting in September 2023.

Importantly, our travel segment is growing strongly, with our leading 28° Global Platinum Mastercard® growing volume by 45 per cent over the year.

We've also demonstrated unyielding M&A discipline and patience by only progressing opportunities which are in the best interests of shareholders.

We know we are facing higher interest rates for the next few years but given the strength of our balance sheet we are in an incredibly strong position to take advantage of opportunities that might arise. Higher rates also make our interest free payment options even more attractive to customers shopping at our merchant partners.

We are entering new vertical markets such as solar and battery loans, which are expected to significantly grow in popularity given rising energy costs.

Our Australian personal loan business was one of the highlights of our performance in 2022, with volumes growing by 31 per cent. We are #2 in Australia and New Zealand for new personal loan volume, outperforming three of the four major banks. The integration of the Symple loan platform remains on track and allows us to enhance the core capabilities of our Latitude Money platform, including offering

variable rate loans and improving customer and broker experience. In 2023 we will further integrate the Symple capabilities into our New Zealand operations and offer new products into that market.

Our Asian growth strategy is progressing well. In June we launched LatitudePay in Malaysia following on from the successful launch in Singapore, attracting more than 50,000 customers in both markets by the end of 2022. We plan to grow our sales finance products in Singapore and Malaysia with our partners, including offering customers interest bearing cards to enhance their shopping options.

The sale of our insurance business, announced in August, to St Andrew's Insurance Group is expected to release approximately $90 million in capital which we can utilise in other parts of our business to bolster our growth plans. This was a win-win outcome for everyone, with our insurance customers to be seamlessly transitioned to a dedicated insurance specialist.

This is my last Annual Report as CEO and Managing Director of Latitude Financial. After four years at the company, the time is right to hand over to someone new who will bring new drive to Latitude for the next period. I'm delighted to be transitioning the leadership to Bob Belan, who is committed to leveraging the strengths of the business to generate positive outcomes for our shareholders, customers and employees.

I want to thank the Board for all their support during my time at the company, especially Chairman Mike Tilley, and also all senior management and employees who have worked so hard to meet our goals.

Together, we will always remember the challenging times which arose during the pandemic. I remain especially proud of our response as a company and how quickly and efficiently we reconfigured how we worked so we could continue to support our customers and merchant partners during a particularly trying time.

Latitude plays a vital role as a lender who serves all of our society and we thank you, shareholders, for all your support.

Ahmed Fahour

Ahmed Fahour AO
Managing Director and CEO

Business Review

2022 marks Latitude's first full year as an ASX-listed company. We continued to make strong progress against our strategic priorities, despite challenging economic conditions and changing consumer activity and behaviours.

Focus on core business

As we strive to deliver a unique, omnichannel experience for our merchant partners and our customers, we continued to modernise and enhance our value proposition through technology and capability. A rapid evolution of our technology supported integrations, new experiences, white label opportunities and new or extended partnerships.

We recontracted long-term major merchants including JB HI-FI and The Good Guys and announced a number of key new partnerships including David Jones and Zenith Payments. We also launched into new categories such as bill management and renewable energy.

By adding in-store QR capability and an integrated sales finance application, we have leveraged our technology to enhance our merchant and customer experience.

An increased presence at trade events across Australia and New Zealand saw our partnerships team attend eighteen B2B retailer exhibitions and events this year, elevating our brand and increasing acquisition and awareness.

It was also an exciting time for our business in Asia with the launch of LatitudePay in Malaysia, building on our growing presence in the region. LatitudePay expanded further in Singapore, providing buy now, pay later services to 500+ merchants and ~50,000 customers.

In August 2022, we announced that Latitude had reached agreement for the sale of Hallmark to St Andrew's. Upon completion of the sale, approximately $90 million of capital will be released into our core business, simplifying the business model, streamlining technology and optimising shareholder returns.

MONEY

Through the acquisition and integration of Symple Loans, we introduced the new Latitude Money lending platform for personal and auto loans. This allows us to deliver a superior customer and partner experience and accelerate Latitude's growth strategy by delivering faster application and decisioning at a lower cost. In April 2022, we launched variable rate personal and auto loans in Australia, providing competitive rates and flexible packaging to support growth in market share. Overall, Australian personal loan volumes were up 31 per cent, reflecting our continued focus on delivering a great end-to-end experience for brokers and customers. Two of our personal loan products were recognised in Money magazine's 2023 awards with Latitude Low Rate Personal Loan Secured winning Non-Bank Best-Value Debt consolidation loan category.

Enhancing customer experience

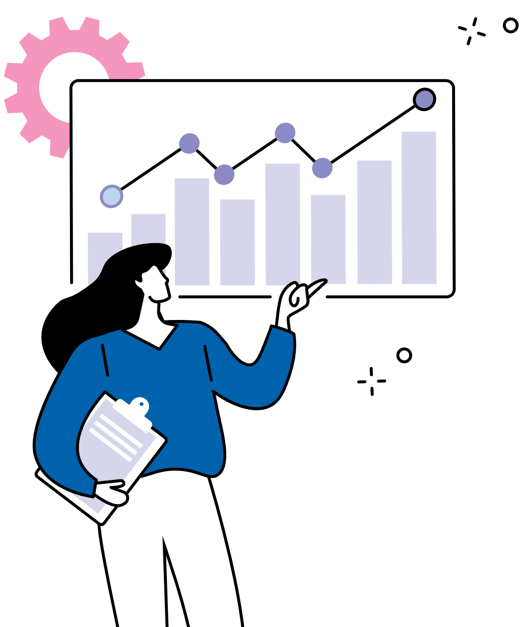
Throughout 2022, we continued to innovate to enable real-time, partner-driven offers as well as proactive merchant analytics and benefits, helping our merchant partners become smarter and offer a richer customer experience for our shared customer bases. Using data and machine learning to analyse patterns and AI to build relevant offers for specific customer groups, we connect customers and merchants with increased personalisation of customer communications, promotions and merchant content.

In May 2022, we launched our new Latitude Service Centre (LSC), delivering a superior experience for customers with the ability to view all their Latitude products in one place, online, at any time. We also began rolling out in-store unassisted applications for sales finance via QR codes, putting the customer in full control of completing the application and improving the experience for our merchants.

FLYING HIGH WITH 28°

With the resumption of international travel, our 28° Global Platinum Mastercard rebounded strongly in 2022 in a competitive segment, growing 45 per cent. In addition to the innovative features that offer cardholders convenience and savings while travelling, we introduced Mastercard Travel Rewards exclusively for our 28° Global customers and we extended our popular complimentary travel insurance offer until July 2022, for free, comprehensive travel insurance with a minimum spend on travel.

In September, Latitude 28° Global Platinum Mastercard was recognised with the Canstar Award for Outstanding Value Travel Credit Card for the seventh consecutive year, testament to the ease of use and relevance of the card to our customers.



Balance Sheet Strength

In 2022, we built on our existing balance sheet strength to ensure Latitude is well positioned to navigate the economic uncertainty and take advantage of the opportunities for growth that are emerging in 2023. With interest rates rising, we acted early to adjust our product rates and protect our margins. We refinanced a number of cards and personal loan portfolios early in the year, ensuring we have the funding headroom and flexibility to grow receivables while creating a competitive advantage in a rising interest rate environment. Disciplined cost management, prudent provisioning, surplus capital and a strong net cash position further demonstrate our underlying balance sheet strength.

Sustainable Growth

As the world and our home markets of Australia and New Zealand emerge from the pandemic, we have refreshed our strategy to navigate the volatile economic environment and better address the evolving needs of our customers, while positioning ourselves for growth.

We are doubling down on what we do best and where we see the most compelling value proposition for consumers – in our core businesses of Sales Finance and Personal Lending – to deliver volume and receivables growth that is profitable, sustainable, responsible and tactical.

Our domestic growth agenda centred on serving merchants and consumers across Australia and New Zealand is complemented by our select investment in Asia, and accelerated by our evolving technology solutions, strong balance sheet and energised corporate culture. The whole Latitude organisation is committed to delivering long-term value to our stakeholders and upholding our values.

Our People

In 2022, we continued to support our people so they could perform at their best in a hybrid environment. While the proposed acquisition of Humm's consumer business did not go ahead, the preparatory work we did in the first half of the year provided a solid launchpad for a refreshed operating model, focused on our core portfolios, as well as some key learnings for creating a better employee experience.

Diversity and Inclusion

At Latitude we celebrate diversity in all its forms including, but not limited to, cultural and linguistic backgrounds, gender identity and sexual orientation, disability, age, caring responsibilities, political and religious beliefs, education experience, perspective and thinking approaches.

One of our priority focus areas for 2022 has been gender diversity. Building on the work established in 2021, we have formalised our measurable diversity objectives as follows:

Objective		Measure
Executive and Senior Leadership Team Gender Balance	Increase female representation on the Executive and Senior Leadership teams (CEO, EGM and DR to EGM).	Not less than 30% of each gender.
Achieving gender balance in hiring	Hiring decision based on both suitability for role and gender diversity across teams.	Not less than 40% of each gender.
Succession	Improving the talent pipeline through to GM and EGM succession to work towards gender balance in our succession pipelines.	Equal representation of gender across talent pipelines through to GM and EGM.

A RISING STAR

In November, we celebrated Finance Analyst Mark Wilson who was awarded the acclaimed Rising Star Award at the New Zealand Financial Services Federation Gala Dinner. Mark was recognised for his outstanding contributions to the financial services industry through Latitude. Mark, who has cerebral palsy, has been a member of the team in New Zealand since 2019 and from day one has demonstrated a zeal for work, self-development and growth. In his submission he spoke strongly of his belief in putting customers first, his passion for making finance accessible to everyone and investing in community. Alongside growing his career, Mark is an ambassador for a children's charity which focuses on bettering the lives of underprivileged and disadvantaged kids.

Our People

We have also reviewed our recruitment processes to help bring awareness to bias in recruiting and hiring decisions.

In 2022 we can report the following:

50.1%

overall workforce are women

35%

female representation in Executive and Senior leadership teams

57.8%

gender balance in hiring

Latitude is committed to ensuring gender pay equity for women and men performing work to the same performance standard within roles of equal or comparable value across the organisation. To help mitigate gender pay disparities, we evaluate our data and decisions through a gender lens to ensure there are no inherent biases and implement a number of strategies so that equitable pay outcomes are achieved for comparable roles, irrespective of gender.

Distributed workforce

In 2022, we continued to embed our distributed working model.

We recognise the need for flexibility and that teams and individuals need to tailor their approach to how they work between home and the office. With the right support and enabled by technology, our teams have successfully adapted to our new way of working and maintained productivity and connection.

Inclusivity is at the core of Latitude's culture. We understand everyone has different needs and responsibilities and we know that having a workplace that is flexible and meets the needs of our people is essential to a thriving and high performing organisation.

We are committed to creating a positive work environment that supports flexibility and so we offer formal and informal flexible work arrangements, paid parental leave, purchased leave and volunteer days. Eligible employees can also benefit from taking their full annual leave entitlement in the calendar year with a bonus week's leave in our Take 5 Program.

We want to foster a corporate culture where every employee feels engaged and excited to help grow our business and themselves as they perform their role. Nurturing talent is a key part of this; we have aligned our teams to our portfolio model, we have sought to promote internally and support our people in their professional development. This year we were pleased to promote several employees to senior roles and have supported them with a General Manager Transition Program, tailored to focus on each leader's personal learning goals, needs and strengths while connecting them with other leaders across Latitude.

In an environment of significant change, including external uncertainty, this year's annual employee engagement score, from a survey conducted in October 2022, was 56 per cent. Overall participation in the survey remained high, indicating that our people feel empowered to provide feedback about their workplace. While many organisations have reported an impact to engagement as a result of the challenging environment, we will continue to prioritise employee experience as we re-energise our culture.

In November, we announced that our Melbourne headquarters would relocate to a new customised, modern space in Melbourne's CBD, in the heart of a major retail precinct, from January 2023. The leased space accommodates our distributed workforce over a single floor, actively supporting our distributed working model and fostering creativity, engagement and connection (more information on page 18).

Wellbeing & Financial capability

The Wellbeing program at Latitude encourages our people to foster their health and wellbeing through a range of initiatives:

- our Employee Assistance Program, available to all employees and their immediate families 24/7;
- wellbeing gateway digital platform for employees and their families;
- access to free virtual Health and Wellbeing consultations covering topics such as nutrition, exercise and sleep;
- flu shots; and
- webinars on tackling wellbeing challenges including burnout and improving family sleep habits.

As a financial services organisation our ambition is to help everyone live better with good money habits. This commitment includes our people.

Our Financial Capability program is designed to build the capability and financial literacy of our teams, with the added benefit of better equipping our people to understand and serve our customers. To this end, Latitude has partnered with Otivo in Australia and Sorted in New Zealand to offer a series of financial understanding programs and tools to assist our people. Over 250 employees have accessed the online tools and workshops to build personalised financial plans.

Latitude Life

Latitude Life is our employee-led network that manages activities across Diversity & Inclusion, Wellbeing, connection and community to drive awareness of social initiatives and celebrate significant dates such as International Women's Day, Diwali, NAIDOC week, Wear It Purple Day and Māori Language Week. This year, 44 events were held in a variety of formats, including online webinars with guest speakers, fundraisers, social activities and competitions to encourage comradery and bring people together.

Social Impact

As we mature our approach to our environmental, social and governance (ESG) responsibilities, a working group was established in 2022 to build out Latitude's ESG framework and guide activity. Led by our Group Treasurer and reporting to the CEO and Board, the ESG working group focuses on how we can embed ESG principles across our business as well as identifying new opportunities that will address customer and investor expectations.

Environment

Latitude is committed to monitoring the environmental impacts of our business and managing our climate-related risks. Both our business operations and product suite offer opportunities to reduce the environmental footprint of our business and support our customers to do the same.

In 2022, we launched a solar and battery loan to help our customers access energy efficient products such as solar panels and inverters, batteries and storage and electric vehicle charging solutions. In October we announced our first major solar energy partnership with Smart Energy to provide interest free payment plans to customers purchasing solar and battery solutions for their homes.

In line with operational efficiencies and our distributed work model, we announced in November that we would re-locate our Melbourne headquarters to a new building. The leased space is smaller, encouraging collaboration while naturally reducing our office space footprint. Our new building offers the following credentials:

- designed to achieve 5 Star NABERS Energy rating;
- designed to achieve 6 Star Green Star, design and As-Built v1.1 rating;
- targeting 4.5 Star NABERS Water rating; and
- designed to achieve WELL certification (Core and Shell) – PLATINUM v2.

In 2023, we will continue to develop our capability in environmental reporting and establish baseline metrics for our emissions and waste and water management to be provided in future reports.

Leased Office Space[1]

Location	Area (m^2)	NABERS rating (or equivalent)
Melbourne	8,844	5
Auckland	8,707	n/a

1 NABERS is a nationally recognised measure of environmental performance. Latitude's leased workspaces in Singapore and Malaysia are not considered material.

Hardship Care

Our hardship and vulnerable customer team, known as Hardship Care, is dedicated exclusively to assisting customers experiencing financial difficulty. We seek to understand each customer's financial situation to develop a tailored and achievable plan to restore their financial health. At the start of the year we launched our Vulnerable Customer Standard which sets out Latitude's approach to managing interactions with customers experiencing vulnerability. In 2022 we also supported customers impacted by the floods in Victoria, NSW, Queensland and Tasmania.

In 2022, 45,053 applications for hardship assistance were received from our customers. Of those requests 53 per cent were approved, with the majority receiving short-term arrangements. Just over AU$2.4 million in concessions and waivers were provided across Australia and New Zealand.

We continued to work closely with the Australian Financial Counsellor network to help our most vulnerable customers, including attendance at conferences across Australia to connect and receive feedback on our work with financial counsellors.

Responsible lending

Our mission and ambition are underpinned by lending responsibly. Latitude conducts credit and identity checks for applicants on all payments, instalments and lending products with tailored limits granted depending on individual circumstances.

Our responsible lending policy establishes the framework and standards that have been adopted to meet requirements for each of our products, and which are regulated by the National Consumer Credit Protection Act in Australia and the Credit Contracts and Consumer Finance Act in New Zealand. Our credit and operational procedures document sets out how the policy settings are complied with and their compliance monitored.

MOMENTS THAT MATTER

In 2022, we improved the Collections and Hardship Care experience for customers and employees with the introduction of PowerCurve Collections (PCC), a new digital platform to manage end-to-end Collections and Hardship processes for Australian and New Zealand products, starting with LatitudePay and Cards. PCC enables us to communicate with customers in a timely and easy to understand manner, as well as introducing new collections tools to help our agents get customers back on track. As part of our ongoing modernisation program, this automation of many Hardship Care processes has streamlined the application process for eligible customers and freed up Hardship Care Specialists to use their unique skill set where it's valued most – supporting customers that need our help in moments that matter.

Cyber Security

A strong cyber security culture is central at Latitude and our priority is embedding cyber security by increasing security capability, knowledge and resilience. We help our people build positive security attitudes and behaviours so that everyone knows how to protect Latitude and themselves from cyber security threats.

Throughout 2022, we continued to:

- improve and mature Latitude's cyber defence capabilities with our Cyber Security Uplift Program;
- strengthen our data security capability and risk profile; and
- run training programs around security awareness, phishing simulations and webinars on all aspects of cyber security at work and at home.

Social Impact

Community

Our mission to enhance financial access and inclusion through responsible lending applies not only to our customers and merchants but also the communities in which we operate.

Working with our charity partners, we're focused on creating better outcomes for our customers, employees and the community and our corporate responsibility program aligns with our mission and our values.

The charity partners we support work in areas our employees told us mattered most to them – supporting people fighting cancer, supporting better health and wellbeing and supporting individuals and families living with domestic and family violence. In Australia our partners are ReachOut, Redkite, The Salvation Army, Ardoch and Murdoch Children's Research Institute. In New Zealand we support Duffy Books in Homes, Child Cancer Foundation, Mental Health Foundation and Women's Refuge.

In recognition of our social impact and the support we provide our charity partners, we were proud to be named at number 15 in the Top 20 for 2022 Best workplaces to Give Back, up 9 places from last year. The Best Workplaces to Give Back list acknowledges organisations that empower their people to have a positive social impact through donations, fundraising and volunteering.

Workplace giving

Our employees can donate regularly through our workplace giving program, where donations are matched dollar for dollar by Latitude. In 2022, together we donated $128,969 to our charity partners and in 2023 we are aiming to surpass $1 million in total donations since the program launched in 2017.

It's not just Latitude employees that make a difference to these partners. Our customers also make an impact when they choose to donate small surplus balances on closed accounts and unclaimed monies. In 2022, we were able to share $44,865 amongst our charity partners in Australia and New Zealand.

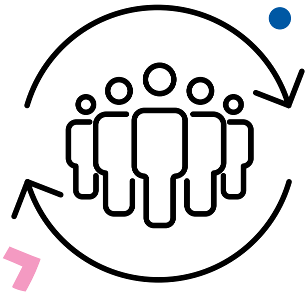
Many of our employees also collaborated to drive awareness and take part in fundraising activities for several other causes important to them including Child Cancer NZ, Darkness to Daylight, Bowel Cancer Australia and Autism NZ.

We were proud to be named at number 15 in the Top 20 for 2022 Best workplaces to Give Back.

Social Impact

Community partnerships

Our two local community partnerships with Ardoch in Australia and Duffy Books in Homes in New Zealand focus on empowering our communities and children through education. We provide financial, volunteering and in-kind support to these organisations. Duffy Books in Home provides free books to children in low-decile schools throughout New Zealand. In 2022, we supported 9 schools, providing 5,900 books to 1,470 students.



20 YEARS OF POSITIVE CHANGE

In 2022, Latitude celebrated 20 years of partnership with Ardoch to empower children through education and connect vulnerable children to working role models. We're very proud of our long-standing and successful partnership which brings to life our core value of Show Care, and we're extremely grateful to work with Ardoch to raise awareness of disadvantage in our community.

Since 2002, more than 2,500 committed employees have volunteered over 19,000 hours to Ardoch programs across Australia, including Literacy and Numeracy Big Buddies®, Learning Through Lunch, mock interviews, professional volunteering and sponsorship of corporate events. This year, a total of 49 volunteers from Latitude took part in the programs, equating to 606 hours, helping students develop vital literacy and numeracy skills and gain a bigger perspective of the opportunities and value that education can provide.

In November, to mark this significant milestone and continue to support their work, we were honoured to provide an additional donation of $20,000 to Ardoch.

Our joint major partnership with AFL club Richmond (RFC) helps bring to life our mission while supporting both Latitude's and Richmond Football Club's long-term growth aspirations. It also gives us an opportunity to recognise members of the RFC community who go above and beyond for their club.

In May, we were thrilled to announce Richmond volunteer Alan Hurley, as Latitude's representative for the Coin Toss honour. Alan has been volunteering with the Tigers for nearly 20 years, where his official match day duties include looking after the coin toss representative and junior mascots each week.

Volunteering

Our employees value the opportunity to volunteer and support those in the community and have access to three days of volunteer leave as well as additional leave for community service work. This year our teams have supported a variety of projects working with The Salvation Army, Collingwood Childrens' Farm, FareShare and Fair Food NZ.

In 2023, we will maintain our community partnerships, evolve our workplace giving program to provide capacity for deeper impact in the community and re-energise our volunteering activities.

Board of Directors

Michael Tilley

Independent Non-Executive Chairman
Appointed September 2020

Michael served as CEO of Challenger Financial Service Group Ltd from 2004 to 2008, having previously been Deputy Chairman. Prior to Challenger, Michael was Chairman and CEO of Merrill Lynch (Australasia) Pty Ltd and Chairman of Mergers & Acquisitions for the Asia Pacific Region. Michael was a Non-Executive Director of ASX listed Orica Ltd from 2003 to 2013 and has also served as Chairman of ASX listed Hotel Property Investments Ltd and Tubi Limited.

Michael holds a Post Graduate Diploma in Business Administration from Swinburne University and is a Fellow of The Australian Institute of Company Directors.

In October 2022, it was announced that Michael will retire as Chairman by the end of December 2023.

Ahmed Fahour

Managing Director and CEO
Appointed March 2021

Ahmed was appointed Managing Director and CEO of Latitude Financial Services in October 2018. Throughout his 30-year career, Ahmed has served in senior executive roles across banking and financial services, management consulting and postal services, including as Managing Director and CEO of Australia Post, CEO of the National Australia Bank Australia, CEO of Citigroup Alternative Investments in New York and as a Partner at Boston Consulting Group. Ahmed is also Chairman of the Hairhouse Group.

Ahmed has served as Australia's Special Envoy to the Organisation of Islamic Cooperation and is the Patron of the Islamic Museum of Australia. Ahmed was appointed an Officer of the Order of Australia in January 2017.

He holds a Bachelor of Economics (hons) and Honorary Doctorate from La Trobe University and a Master of Business Administration from Melbourne Business School.

In August 2022, it was announced that Ahmed will retire as Managing Director and CEO by the end of August 2023.

Mark Joiner

Independent Non-Executive Director
Appointed March 2021

Mark was the CFO of National Australia Bank Limited from 2008 to 2013, having previously worked for Citigroup in the United States and as a management consultant with Boston Consulting Group in Australia and the United States. Mark is also currently a director of Insignia Financial Limited's ex National Australia Bank's asset management business and Chairman of Pexa Limited, QBE Insurance Group Ltd's Australian and New Zealand subsidiaries and TAL Services Limited.

He is a Chartered Accountant and holds a Master of Business Administration from the Melbourne Business School. Mark was Chair of the Audit Committee until 31 December 2022 and became a member from 1 January 2023, and is the Chair of the Risk Committee.

The following persons held office as Directors of Latitude Group Holdings Limited during the financial year and up to the date of this report:

Alison Ledger

Independent Non-Executive Director
Appointed March 2021

Alison spent eight years with Insurance Australia Group Ltd in senior strategic and operational roles. As Executive General Manager for Product, Pricing & eBusiness and Chief Operating Officer of online only The Buzz Insurance, Alison led the digital transformation of the direct-to-consumer business. Prior to this, Alison was a Partner with McKinsey & Company in the United Kingdom and Australia and a banker with Chase Investment Bank and Bankers Trust. Alison is currently also a director of ASX listed Audinate Group Limited and CountPlus Limited.

She received her Master of Business Administration from Harvard Business School and graduated magna cum laude, with a Bachelor of Economics from Boston College. She is a Graduate and Member of the Australian Institute of Company Directors. Alison is Chair of the Remuneration & People Committee, Chair of the Technology Committee, and was a member of the Audit Committee until 20 October 2022.

Scott Bookmyer

Non-Executive Director
Appointed August 2017

Scott Bookmyer is a KKR Partner and has returned to North America after more than 12 years in the Asia Pacific region. From 2016 until the end of 2022, Scott was the head of KKR Australia and New Zealand and also served on KKR's Asia Private Equity Investment Committee and Portfolio Management Committee. Scott's other Board roles include the Australian Venue Company and the Laser Clinics Group. Scott first joined KKR Capstone in 2002, supporting operational improvements in KKR's North American private equity portfolio. Scott's prior experiences include brand management (Procter & Gamble) and management consulting (The Boston Consulting Group).

He holds a Bachelor of Arts with honours from Indiana University and a Master of Business Administration from The University of Chicago's Booth School of Business. Scott is a member of the Remuneration & People Committee.

James Corcoran

Non-Executive Director
Appointed January 2020

Prior to joining the Latitude Board, James was the CEO of NewDay Ltd in the United Kingdom. James also previously served in various senior management roles with Washington Mutual, HBOS plc, Bank One and Citibank. James is currently a director on the board of NewDay Ltd and Mercury Financial Partners in the United States. James is a member of the Audit Committee and the Risk Committee.

Board of Directors

Beaux Pontak

Non-Executive Director
Appointed June 2015

Beaux currently serves as a Managing Director and the Co Head for Deutsche Bank AG's Global Finance & Credit Trading business in Asia Pacific. Prior to joining Deutsche Bank AG in 2005, Beaux worked with Ernst & Young Global Limited as a Senior Manager in Management Consulting.

He has a Bachelor of Arts in Economics and a Bachelor of Arts in International studies. Beaux is a member of the Risk Committee, the Remuneration & People Committee, and the Technology Committee.

Julie Raffe

Independent Non-Executive Director
Appointed September 2022

Julie has held significant executive and non-executive roles across multiple sectors including customer service, tourism, entertainment and media. With 40 years of professional experience, Julie is a former Finance Director and Company Secretary for Village Roadshow Limited (previously listed in the ASX 200/300 with operations in Australia, Asia, USA and Europe).

Julie is also currently a Director of ASX listed Ridley Corporation Limited; non-executive member of the Advisory Committee and Chair of the Audit and Risk Committee for Ironman 4 x 4 Pty Ltd; President of the National Board for Finance Executives Institute of Australia; and Deputy Chair of Entertainment Assist (a not-for-profit mental health forum).

She is a Chartered Accountant, Fellow of the Financial Services Institute of Australasia and a Graduate and Member of the Australian Institute of Company Directors. Julie became a member of the Audit Committee on 20 October 2022, and Chair of the Audit Committee from 1 January 2023, and is a member of the Technology Committee from 1 January 2023.

Andrew Hoshino

Non-Executive Director
Resigned October 2022

Andrew currently serves as a Director and CEO of EasyLend Finance Company Limited, a Hong Kong based online personal loan company. Prior to taking his current role, Andrew has served in various leadership roles for Shinsei Bank Group including serving as the General Manager leading the consumer finance business unit. Andrew has over 30 years' work experience in consumer finance business in Japan, the United States, and Hong Kong with companies such as GE Capital. Andrew was a member of the Technology Committee until 20 October 2022.

Leadership Team

Paul Varro

Chief Financial Officer

Paul is Chief Financial Officer and Executive General Manager Risk & Finance. Prior to January 2022 he was Latitude's Chief Commercial Officer, with end-to-end responsibility for all payments and instalments, lending and insurance products, along with product marketing and credit risk.

Paul's career includes experience in financial services across Australia, United Kingdom, Ireland, and United States. A chartered accountant, he began his career with Deloitte and holds a Bachelor of Business degree in Accounting and Business Law.

Paul has held a range of senior positions since joining Latitude in 2008, including CFO Insurance, Group Treasurer, Executive General Manager, Product, and Executive General Manager, Pay and Insurance.

Bob Belan

Executive General Manager, Money

Bob is responsible for the growth of Latitude Money, Latitude's personal loans and auto loans business unit. He is the co-founder of Symple loans which was acquired by Latitude in 2021.

Bob brings 20 years of experience to the team. He has held senior roles at global financial services firms in North America and Australia including American Express, JPMorgan Chase & Co and ANZ Banking Group, leading large scale consumer and business lending teams and divisions.

Prior to co-founding Symple, Bob was Managing Director of Retail, Corporate & Commercial Products for ANZ in Australia.

David Gelbak

Executive General Manager, Pay (Acting)

David has responsibility for Latitude's important instalments and credit card business across Australia and New Zealand including our international expansion through our Asian business and the reinvention of our successful 28 Degrees travel card.

David was previously Chief Country Officer for New Zealand, with responsibility for all New Zealand business operations and customer experience and prior to that held the role of Managing Director – Commercial in Australia with P&L responsibilities across Credit Cards, Personal Loans and instalments with functional responsibilities across Product, Marketing, Digital, Customer Experience and Business Development.

David has 22 years' experience in General Management, Digital, Product, Business Development and Marketing roles and attended Monash University graduating with a Bachelor of Business Marketing. He also has a Diploma in Advanced Market Research from The Market Research Society of Australia and is a Graduate of the Australian Institute of Company Directors.

Andrew Walduck

Chief Operating Officer

Andrew joined Latitude in 2018 as Chief Operating Officer.

His career spans more than 25 years in leadership roles in multiple disciplines including sales, marketing, product management, digital, innovation and technology. Andrew has held executive roles in major Australian and global corporations including leading Australia Post's digital transformation and as a partner in the Communications and High-tech Practice at Accenture. He has also filled marketing leadership roles in small growing businesses.

Andrew and his partner Jane are strong advocates of community empowerment and actively work to strengthen how communities work and live.

Jo Mikleus

Executive General Manager, Insurance
KMP to June 2022

Jo joined Latitude as Chief Risk Officer in 2019. Having led the strategic review of Latitude's Insurance Business, she formally moved to the role of Executive General Manager, Insurance in January 2022 where she oversaw the successful M&A process that led to the announcement in August 2022 of the proposed sale of Hallmark to St Andrews.

Chris Blake

Executive General Manager, Corporate Services
KMP to July 2022

Chris joined Latitude as Executive General Manager, Corporate Services in 2019. Under his leadership, the Corporate Services team was responsible for developing and implementing a refreshed strategy, brand and culture at Latitude to capture the growth opportunities that exist in instalments and lending.

Financial Report

Contents

Directors' Report

For the year ended 31 December 2022

The Directors present their report together with the financial statements of Latitude Group Holdings Limited ('the Company') and the entities it controlled ('the Group') at the end of, or during, the year ended 31 December 2022 ('year') and the auditor's report thereon.

The Group reported a $57.9 million profit after tax from continuing operations for the year ended 31 December 2022 (2021: $144.0 million).

Directors

The following persons held office as Directors of Latitude Group Holdings Limited during the financial year and up to the date of this report:

Michael Tilley

Independent Non-Executive Chairman
Appointed September 2020

Michael served as CEO of Challenger Financial Service Group Ltd from 2004 to 2008, having previously been Deputy Chairman. Prior to Challenger, Michael was Chairman and CEO of Merrill Lynch (Australasia) Pty Ltd and Chairman of Mergers & Acquisitions for the Asia Pacific Region. Michael was a Non-Executive Director of ASX listed Orica Ltd from 2003 to 2013 and has also served as Chairman of ASX listed Hotel Property Investments Ltd and Tubi Limited.

Michael holds a Post Graduate Diploma in Business Administration from Swinburne University and is a Fellow of The Australian Institute of Company Directors.

In October 2022, it was announced that Michael will retire as Chairman by the end of December 2023.

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Managing Director and CEO
Appointed March 2021

Ahmed was appointed Managing Director and CEO of Latitude Financial Services in October 2018. Throughout his 30-year career, Ahmed has served in senior executive roles across banking and financial services, management consulting and postal services, including as Managing Director and CEO of Australia Post, CEO of the National Australia Bank Australia, CEO of Citigroup Alternative Investments in New York and as a Partner at Boston Consulting Group. Ahmed is also Chairman of the Hairhouse Group.

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Non-Executive Director
Appointed January 2020

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Appointed September 2022

Julie has held significant executive and non-executive roles across multiple sectors including customer service, tourism, entertainment and media. With 40 years of professional experience, Julie is a former Finance Director and Company Secretary for Village Roadshow Limited (previously listed in the ASX 200/300 with operations in Australia, Asia, USA and Europe).

Julie is also currently a Director of ASX listed Ridley Corporation Limited; non-executive member of the Advisory Committee and Chair of the Audit and Risk Committee for Ironman 4 x 4 Pty Ltd; President of the National Board for Finance Executives Institute of Australia; and Deputy Chair of Entertainment Assist (a not-for-profit mental health forum).

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Andrew currently serves as a Director and CEO of EasyLend Finance Company Limited, a Hong Kong based online personal loan company. Prior to taking his current role, Andrew has served in various leadership roles for Shinsei Bank Group including serving as the General Manager leading the consumer finance business unit. Andrew has over 30 years' work experience in consumer finance business in Japan, the United States, and Hong Kong with companies such as GE Capital. Andrew was a member of the Technology Committee until 20 October 2022.

Company Secretaries

Vicki Letcher

Appointed July 2022
Company Secretary

Vicki joined the Group in June 2021 as Deputy Company Secretary and was appointed Company Secretary in July 2022. She was previously Company Secretary at Service Stream Limited and is an experienced executive, and has extensive experiences across many functions including Governance, Company Secretary, Internal Audit and Risk. She holds a Bachelor of Law and a Bachelor of Commerce and is also a fellow of Chartered Accountants Australia and New Zealand and The Chartered Governance Institute.

Tiffany Barton

Appointed December 2022
Company Secretary

Tiffany joined the Group in August 2019 and was appointed as General Counsel in October 2022 and Company Secretary in December 2022. She was previously a partner at Ashurst and PwC Legal and has extensive experience in Mergers & Acquisitions, corporate and commercial law, across multiple sectors with a particular focus on financial services. Tiffany has a Bachelor of Laws (Honours).

Adrian Wong

Resigned October 2022
General Counsel and Company Secretary

Adrian joined the Group as General Counsel and Company Secretary in 2016. He previously held the position of Executive Counsel – Mergers & Acquisitions at General Electric, where he was responsible for all Mergers & Acquisitions activity in Australia and New Zealand. Prior to that, Adrian worked with Energy Australia, Linklaters LLP in London and Ashurst in Australia. Adrian has a Bachelor of Laws (Honours) and a Bachelor of Commerce.

Paul Burke

Resigned July 2022
General Manager Government Affairs and Company Secretary

Paul is an experienced senior executive with extensive experience over a career spanning more than 30 years across many functions including Governance, Company Secretary, Government Relations, Shareholder & Regulatory Affairs, Finance and Domestic & International Postal Products & Networks. Paul was responsible for managing company secretariat across the Group and was Chief of Staff. Paul has a Bachelor of Business (Accounting) and is also Graduate of the Australian Institute of Company Directors and a Fellow of Certified Practising Accountants Australia.

Directors' Meetings

The number of Directors' meetings held during the year and each Director's attendance at those meetings is set out in the table below.

	Board						Committees							
	Scheduled Meetings		Unscheduled Meetings[1]		Results Sub-Committee[2]		Risk		Audit		Remuneration & People		Technology	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Director														
Mike Tilley	8	8	6	6	2	2	4	4	4	4	6	6	2	2
Ahmed Fahour	8	8	6	6	2	2	4	4	4	4	6	6	2	2
Scott Bookmyer	8	8	6	2	–	–	–	–	–	–	6	5	–	–
James Corcoran[3]	8	4	6	4	–	–	4	2	4	2	–	–	–	–
Julie Raffe[4]	2	2	1	1	–	–	–	–	1	1	–	–	–	–
Andrew Hoshino[5]	7	7	6	5	–	–	3	3	3	3	4	4	2	2
Mark Joiner	8	8	6	5	2	2	4	4	4	4	–	–	–	–
Alison Ledger	8	8	6	4	–	–	–	–	3	3	6	6	2	2
Beaux Pontak	8	8	6	3	–	–	4	4	–	–	6	6	2	2

1 The number of meetings unscheduled in the Board's approved annual calendar. This number includes Board meetings in respect of acquisitions, and other out-of-cycle matters.

2 Sub-committee meetings held to approve half year and full year financial results for release to the market.

3 Due to illness James Corcoran took a leave of absence from July 2022 to December 2022.

4 Julie Raffe was appointed as Non-Executive Director on 20 September 2022.

5 Andrew Hoshino resigned as Non-Executive Director on 20 October 2022.

Directors' Interest

The relevant interest of each director in ordinary shares, (including escrowed), restricted STI shares and performance rights is presented in sections 9.1 and 9.2 of the Remuneration Report.

Principal Activities

The Group offers customers the following products:

Pay: the Group provides payment and finance solutions to merchants and their customers. Customers are provided choice and flexibility, ranging from small everyday purchases to monthly or flexible payment plans for bigger purchases and travel credit cards. Offered in Australia, New Zealand and Asia.

Money: where customers are directly seeking support with payments and financing needs, including personal loans and motor loans. Offered in Australia and New Zealand.

In August 2022 Latitude Group Holdings Limited announced to the ASX that it had entered into an agreement to sell Latitude Insurance Holdings Pty Ltd and its subsidiaries to the St Andrew's Insurance Group (St. Andrew's) for $20.3 million. Completion of the transaction is subject to certain conditions, including regulatory approval from APRA and RBNZ, and is expected to be completed in 1H23. The Insurance operations have been re-classified as discontinuing operations in accordance with applicable accounting standards.

Summary of Group Performance

Statutory profit after tax attributable to shareholders from continuing operations decreased from $144.0 million in 2021 to $57.9 million in 2022, a reduction of $86.1 million.

Cash NPAT[1] from continuing operations decreased from $200.1 million in 2021 to $153.5 million in 2022, a reduction of $46.6 million. The movements in Cash NPAT are discussed in detail below.

Summary financial results

($m)	2022	*2021	Change %
Net interest income	675.8	772.3	(12)%
Other income	36.4	23.9	52%
Total Operating Income	**712.2**	**796.2**	**(11)%**
Net Charge Offs	(147.6)	(149.5)	(1)%
Risk Adjusted Income	**564.6**	**646.7**	**(13)%**
Cash operating expenses[2]	(331.8)	(365.4)	(9)%
Cash PBT	**232.8**	**281.3**	**(17)%**
Movement in provision for impairment	28.1	33.5	(16)%
Depreciation & Amortisation (excl. leases)	(45.3)	(35.3)	28%
Profit before Tax & Notable Items	**215.6**	**279.5**	**(23)%**
Income tax expense	(62.1)	(79.4)	(22)%
Cash NPAT from continuing operations	**153.5**	**200.1**	**(23)%**
Notable items after tax[3]			
Amortisation of acquisition intangibles	(33.6)	(34.1)	(1)%
Amortisation of legacy transaction costs	(2.8)	(6.6)	(58)%
Other notable items	(59.2)	(15.4)	284%
Statutory profit after tax from continuing operations	**57.9**	**144.0**	**(60)%**
Discontinued operations	(21.6)	16.3	(233)%
Statutory profit after tax	**36.3**	**160.3**	**(77)%**
Profit/(loss) is attributable to:			
Owners of Latitude Group Holdings Limited	37.7	160.9	(77)%
Non-controlling interests	(1.4)	(0.6)	133%
Profit for the year	**36.3**	**160.3**	**(77)%**

* Comparative information has been restated for discontinued operations (refer to note 6.7) and revised definition of Cash NPAT.

1 Cash PBT, Risk Adjusted Income, Notable items and Cash NPAT are non-IFRS metrics used for management reporting. The Group believes Cash NPAT reflects what it considers to be the underlying performance of the business.

2 Cash operating expenses excludes notable items as defined below. Refer to 2022 reconciliation of cash net profit after tax to reported statutory profit after tax.

3 Notable Items are items outside the ordinary course of business and temporary in nature or relate to the costs associated with entering new segments and markets where the associated revenues or benefits from that investment will not evolve during the reporting period.

Summary financial analysis

Group volumes increased 8% during 2022 to $7,953m despite the residual impacts of COVID-19 and the unprecedented (in both size & speed) policy cash rate moves by central banks in Australia (+300bps) and New Zealand (+400bps). Customer repayment rates remain at elevated levels but have started to slowly normalise, down 134bps to 99%. Consequently, gross receivables increased 2% during 2022 to $6,474m. This compares favourably to the 3% reduction in 2021. More promisingly, gross receivables increased 3% in 2H22 to record the first sequential growth in receivables for five halves.

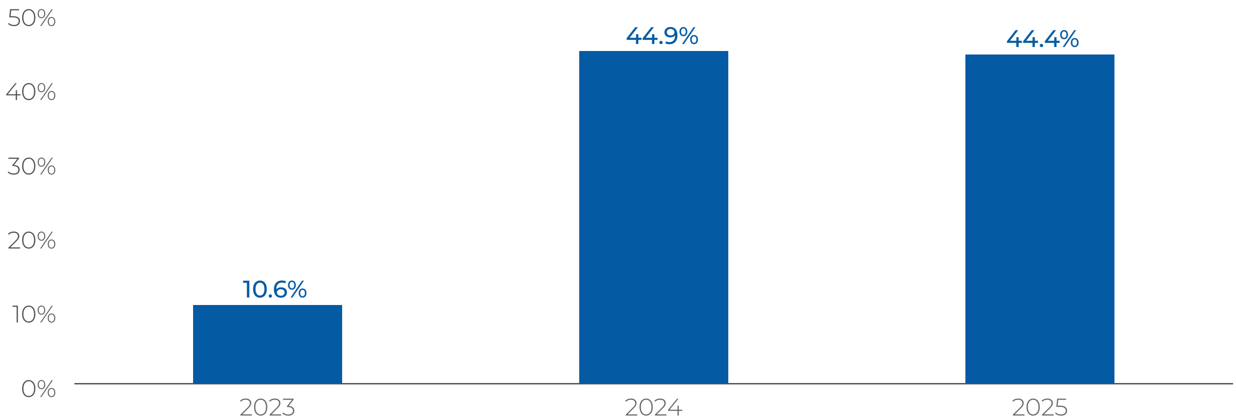
Cash NPAT of $153.5m declined by 23% with the key drivers as follows:

- **Total Operating Income** declined by 11% or $84.0m to $712.2m. The decrease was primarily driven by a 12% fall in net interest income as a result of a 132bps contraction in the net interest margin to 10.74% and 2% less average gross receivables. The margin contraction was a direct outcome of moves by central banks to tighten monetary policy and sharply increase interest rates, thereby directly increasing cost of funds. In response, Latitude has strategically increased product pricing to mitigate this impact. Pricing actions taken in 2022 and those planned in 2023 will provide yield benefits in 2023.
- **Net Charge Offs** fell by 1% or $1.9m to $147.6m. This decrease continues to reflect both the high quality of the receivables book and the very low levels of unemployment in both Australia (3.5%) and New Zealand (3.4%). Elevated repayment rates also delivered lower delinquency and charge off performance.
- **Operating expenses** decreased by 9% or $33.6m to $331.8m. The benefits of a sharp focus on the implementation of a productivity agenda and investments in simplification continue to persist. In addition, to align the interests of personnel with the owners, no short-term incentive was accrued in 2022.
- **Provision movement** declined by 16% or $5.4m to $28.1m. After an extended period of actual losses through the COVID-19 period, the level of coverage was reduced by 52bps to 3.75% as both the forward-looking economic model and management overlay was adjusted to reflect both the actual and expected performance outcomes.

During the year, the Group maintained a robust and conservative funding position remaining active in global funding markets to refinance and manage limits in accordance with our cost effective and diverse funding program. The Group systematically manages its maturity profile within the target range of no more than 50% of funding maturities in any given year and no more than 40% of funding maturities within the next 12 months.

The following graph sets out the Group's securitised debt maturity profile as at 31 December 2022.

Securitised Debt Maturity Profile



The above includes current balance of all securitised debt at the first contractual maturity.
AU 2020-1 and 2021-1 ABS included at 10% call option.

Across both our Warehouse and ABS facilities Latitude has drawn borrowings of $5.9bn with available headroom of $1.3bn to support future growth.

The Group's Return on Equity of 10.1% remains strong but has been adversely impacted by the increased cost of funding. The tangible equity to net receivables (TER) remained stable at 8.5%, comfortably above our target range of 6-7%, reflecting a prudent approach to managing the balance sheet for both future growth and economic uncertainty.

The Directors have declared a final dividend of 4.00 cents per share, fully franked, taking the full year dividend distribution to 11.85 cents per share which results in a full-year payout ratio of 80% – still above the stated target range of 60-70%.

Note on statutory profit and cash profit

Statutory profit is prepared in accordance with the *Corporations Act 2001* and the Australian Accounting Standards, which comply with International Financial Reporting Standards (IFRS). Figures disclosed in the Summary of Group Performance are on a cash NPAT basis unless stated as being on a statutory profit after tax basis. Cash NPAT exclusions relate to:

- Amortisation of acquisition intangibles – reflects the amortisation of customer lists and distribution agreements recognised as part of the acquisition accounting,
- Amortisation of legacy transaction costs – reflects the amortisation of capitalised costs for the original establishment of the warehouse funding program,
- Corporate development – reflects the costs associated with acquisitions and integrations,
- Restructuring costs – reflects the transition costs to simplified operating structure,
- Fixed asset impairment – primarily reflects the decommissioning of redundant platforms, and
- Decommissioned facilities – reflects the costs relating to facilities that were decommissioned as part of our operating model reviews and are not intended to be utilised as part of the Group's current hybrid working model.

2022 reconciliation of cash net profit after tax to reported statutory profit after tax

($m)	Cash net profit after tax	Amortisation of acquisition intangibles	Amortisation of legacy transaction costs	Corporate develop-ment	Restruc-turing costs	Fixed asset impairment	Decommis-sioned facilities	Statutory profit after tax
Net interest income	675.8	–	(3.9)	–	–	–	(0.3)	671.5
Other income	36.4	–	–	–	–	–	1.1	37.6
Total operating income	**712.2**	**–**	**(3.9)**	**–**	**–**	**–**	**0.7**	**709.1**
Net charge offs	(147.6)	–	–	–	–	–	–	(147.6)
Risk adjusted income	**545.6**	**–**	**(3.9)**				**0.7**	**561.5**
Cash operating expenses	(331.8)	–	–	(41.3)	(15.2)	(22.2)	(0.2)	(410.7)
Cash PBT	**232.8**	**–**	**(3.9)**	**(41.3)**	**(15.2)**	**(22.2)**	**0.6**	**150.8**
Movement in provision for impairment	28.1	–	–	–	–	–	–	28.1
Depreciation and amortisation	(45.3)	(47.6)	–	–	–	–	(4.0)	(96.9)
Profit before tax	**215.6**	**(47.6)**	**(3.9)**	**(41.3)**	**(15.2)**	**(22.2)**	**(3.4)**	**82.0**
Income tax expense	(62.1)	14.0	1.1	10.9	4.5	6.5	1.0	(24.1)
Profit after tax from continuing operations	**153.5**	**(33.6)**	**(2.8)**	**(30.4)**	**(10.7)**	**(15.7)**	**(2.4)**	**57.9**

Strategy and Outlook

As a leading provider in Australia and New Zealand of sales finance and lending, the Group is in a unique position to capitalise on growth opportunities and global expansion. Looking ahead to 2023 we are focused on our six key strategic priorities to continue our momentum and drive growth:

- Lead in Pay
- Lead in Money
- Scale in Asia
- Optimise technology and operations for growth
- Protect and deploy balance sheet strength
- Energise growth orientated culture

Directors' Report continued

Risks

Risk management is fundamental to the success of the Group. The Group is continually enhancing its risk management capabilities to cater for changes to its strategy, developments in the external environment, as well as the enduring focus of achieving the best customer outcomes. The Group's enterprise risk management framework ('ERMF'), risk appetite statement ('RAS') and supporting processes are designed to ensure that relevant risks in business activities are effectively identified, measured, monitored and managed.

The Group's operating model for risk management is intended to:

- Maintain an effective system of internal controls commensurate with the scale of the business and consistent with the 'three lines' approach. This incorporates management and staff taking primary responsibility for identifying and managing risks; and
- Support the business in enabling growth and productivity, while ensuring operational reliability and resilience.

The RAS articulates the nature and quantum of risk that the Group is willing to accept in pursuit of its strategic objectives and business plan. The RAS is reviewed and approved by the Board annually.

The Group sees its broad risk management capabilities as a core source of competitive advantage.

Leadership and oversight of risk management are executed through an established governance structure, risk assessment program and risk appetite metrics. Alignment and adherence to policies and procedures are monitored by management committees, Board committees and the Board.

Each executive reviews and attests to the appropriateness of the risk and control environment through completion of bi annual Risk and Control Self Assessments ('RCSA'). The results and observations are presented to the Enterprise Risk Management Committee, with material results reported to the Board Risk Committee.

The Group undertakes business unit testing of controls, second line review and independent third line audits to ensure appropriate risk management and oversight. This is formalised through a Responsibility Matrix, which articulates roles and responsibilities across key risk management activities.

Hallmark Insurance maintains a risk management strategy that is designed to be compliant with APRA's Prudential Standards. This includes both Insurance specific and enterprise wide policies, procedures and controls. Additionally, the Group manages a number of processes and risks for Hallmark Insurance. The Hallmark Insurance risk appetite statement is aligned with the Group RAS, to the extent that it is practicable and reasonable to do so.

Hallmark Insurance maintains a separate board and committee governance structure operating in parallel to that of the Group.

The Group also manages risk in the following areas:

- Technology enabled risk management – The Group uses data and technology to enhance risk management. This includes leveraging Internal Bureau and customer data through a proprietary tool that combines customer data on repayment behaviour and transactional history. Latitude also partners with third parties to build efficient and effective processes to assist in enhancing credit management and conduct.
- Enterprise risks – The Group Enterprise Risk Management Framework provides guidance on effective identification, management and monitoring of key risks. The Group's risk appetite for compliance risks is low and a strong culture is maintained whereby compliance obligations and risks are understood and demonstrably managed across the organisation. This is reinforced through values, Code of Conduct, policy framework, compliance training and management reinforcing a culture of good conduct.
- Cyber risk – The Group utilizes platforms and systems that are accessible via the Internet to support its operations and to deliver lending services to its customers and merchant partners. Given the evolving risks associated with cyber, the Group identifies key data assets and business processes, regularly assesses the effectiveness of its security control environment and designs and implements strategies to mitigate cyber risk to an acceptable level.

- Operational risk – The Group has established processes to manage and monitor key operational risks including business resilience, cybersecurity, fraud, operational processes and human resources. All employees are encouraged to identify, report and manage operational risks to ensure customer outcomes and business objectives are prioritised.
- Credit risk management – Credit risk management is a core feature of the Group's capability. It manages credit according to customer segments and product types across the credit risk lifecycle and makes credit approval decisions in accordance with applicable regulatory requirements and underwriting procedures. The Group is also a participant in Comprehensive Credit Reporting (CCR) and engages in ongoing customer account management.
- Asset quality – When a customer does not meet minimum monthly payment requirements, they are deemed to be delinquent on their contractual terms. The Group makes provisions for expected losses from the time of origination and thereafter each account is re assessed monthly. Refer to section 3.2 for further information on credit risk management.
- Funding and liquidity – The Group's funding strategy aims to provide diversity across multiple financiers, markets and facilities, and provides the business with a balanced funding maturity profile. The key features of Latitude's funding strategy include maintaining a funding platform with a broad base of financiers and a balanced maturity profile, while managing incremental receivables, funding capacity and foreign exchange risk.
- Regulatory and legislative reform – The industry in which the Group operates is subject to a range of laws and regulations across multiple jurisdictions. While these laws and regulations are complex and subject to change, we maintain an appropriately skilled and experienced workforce as well as relationships with specialist advisers to minimise the risk of non-compliance.
- Environmental, Social and Governance (ESG) – The Group's commitment extends beyond climate and the environment and includes its social and governance responsibilities. The Group recognises its responsibility to its customers and to the community and is developing an ESG strategy, dedicated initiatives and targeted reporting.

Dividends and Distributions

Information relating to dividends and distributions for the current and prior financial year, including dividends determined by the Board since the end of the financial year, is disclosed in section 2.4(a) & 2.4(b) of the financial report.

Significant Changes in the State of Affairs

In the opinion of the directors there were no significant changes in the state of affairs except for the below.

Latitude Group Holdings Limited made an announcement to the ASX on 6 January 2022 of its intention to acquire the consumer business of Humm Group Limited (ASX:HUM) incorporating its BNPL, Instalments and Cards operations. Subsequently, the Group announced on 18 February 2022 it has executed binding transaction documents confirming the acquisition for total consideration of approximately $335 million comprising of 150 million Latitude shares and $35 million in cash. The Group announced on 17 June 2022 that Latitude and Humm mutually agreed to terminate the proposed sale of Humm consumer finance (HCF) to Latitude.

On 8 August 2022 Latitude Group Holdings Limited announced to the ASX that it had entered into an agreement to sell Latitude Insurance Holdings Pty Ltd and its subsidiaries to the St Andrew's Insurance Group (St. Andrew's) for $20.3 million. The sale will allow Latitude to release approximately $90 million of capital into its core business, simplify its business model, reduce costs, streamline technology and optimise shareholder returns. Completion of the transaction is subject to certain conditions, including regulatory approval from APRA and RBNZ, and is expected to occur between late Q4 2022 and Q1 2023.

On 19 August 2022, the Group announced that Managing Director and Chief Executive Officer Ahmed Fahour will retire from Latitude by the end of August 2023.

On 20 October 2022, the Group announced that Chairman, Mike Tilley will extend his term as Chair until 31 December 2023.

Events Subsequent to Balance Date

There has not arisen in the interval between the end of the reporting period and the date of this report any other item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Group, to affect significantly the operations of the Group, the results of those operations or the state of affairs of the Group, in future financial years.

Environmental Regulation

The Group does not believe that its operations are subject to any other particular or significant environmental regulation under a law of the Commonwealth or of a State of Territory.

Insurance of officers and indemnities

(a) Insurance of officers

During the financial year and subsequent to the period end, Latitude Financial Services Australia Holdings Pty Ltd, a subsidiary of the Group, has paid Directors and Officers insurance and liability premiums on behalf of the Group's Parent and its subsidiaries. The insurance has a limit of liability unless specified within the policy.

The insurance policies prohibit the disclosure of limits of liability, the nature of liability indemnified and the premium payable.

(b) Indemnity of auditors

The Group has not during or since the end of the financial year, paid or agreed to pay any premiums in respect of any person who has been an auditor of the Group for the purposes of indemnifying them against any claims by third parties arising from their audit report.

Performance rights over issued shares

At the date of this report, Performance Rights on issue are shown in the following table:

Performance Period end date	Number of Performance Rights on Issue at 31 December 2022	Number of Performance Rights on Issue at 31 December 2021
31 December 2023	2,021,029	2,133,626
31 December 2024	3,106,619	n/a
Total	**5,127,648**	**2,133,626**

Shares allocated on vesting will rank equally with all other ordinary shares on issue.

These Performance Rights have no dividend or voting right prior to vesting.

Proceedings on behalf of the Group

No application for leave has been made under section 237 of the *Corporations Act 2001* in respect of the Group and no proceedings brought or intervened in on behalf of the Group under that section.

Non-Audit Services

The Board of Directors has considered the non-audit services provided during the year by the auditor and in accordance with advice provided by resolution of the Audit Committee, is satisfied that the provision of those non-audit services is compatible with, and did not compromise, the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- Non-audit services were subject to the corporate governance procedures adopted by the Group and have been reviewed by the Audit Committee
- Non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as an advocate for the Group or jointly sharing risks and rewards.

Refer to note 6.6(a) of the financial statements for Auditor's remuneration.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 72 and forms part of this report.

Rounding of amounts

The Company is of a kind referred to in *ASIC Corporations Instrument 2016/191*, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the Directors' report. Amounts in the Directors' report have been rounded off in accordance with that Instrument to the nearest hundred thousand dollars, unless otherwise indicated.

Remuneration Report

Introduction from the Chair of the Remuneration and People Committee

Dear Shareholder,

On behalf of the Board, I am pleased to present the Latitude Remuneration Report for 2022.

This year Latitude successfully responded to opportunities and challenges across the business. As our Annual Results released in February illustrated, Latitude Financial remains profitable and able to reward its shareholders with a 4.00 cents per share dividend.

The Managing Director and CEO (MD & CEO) and other Executive Key Management Personnel (KMP) displayed strong adaptive leadership to respond quickly to higher interest rates in the post-pandemic environment, strengthening our balance sheet and sharpening our focus on organic and inorganic growth opportunities in our core businesses of Pay and Money.

This Remuneration Report demonstrates our commitment to our remuneration principles and tracking performance against our Enterprise Scorecard when determining executive reward outcomes, in the best interests of our shareholders.

While Latitude met or exceeded many of its 2022 performance targets, we did not achieve the overall Cash PBT conditional gateway necessary to trigger Short Term Incentive (STI) outcomes, resulting in the Board's decision not to award any FY22 STI outcomes to KMP. The Board believes this is a reasonable decision and demonstrates that our senior executive team remained accountable for overall enterprise performance.

This report provides remuneration details for Latitude's KMP which includes the MD & CEO, other Executive KMP and Non-Executive Directors.

Solid Results in a Challenging Environment

As highlighted in the Chair and CEO letters, Latitude has delivered solid results despite a challenging external market environment characterised by rising inflation and higher interest rates. In evaluating the 2022 Enterprise Scorecard, there were several areas where strong progress was made including:

- Continued improvement in our key customer measure, NPS, which outperformed target.
- The successful integration of Symple Loans which is generating investment returns well beyond those expected.
- The increasing graduation of customers from small ticket to larger ticket products.
- Growth in volume thresholds met despite the impact of ongoing elevated customer repayments on receivables, an industry-wide trend that began during COVID-19 when customers used excess cash holdings to pay down debt.

We undertook a review of our operating model in 2022 and simplified the business to focus on Pay and Money. As a result, the divestment of Hallmark Insurance progressed (expected closing in the first half of 2023) and two senior executives, Jo Mikleus and Chris Blake left Latitude, which will reduce the overall executive remuneration expense in the future.

Both Jo and Chris made a significant contribution to Latitude during their years at the company, especially during the IPO process, and we thank them for their efforts.

Overall, our resilient business performance in 2022, along with the return to domestic and international travel which drove the recovery in volumes of Latitude 28°Global Platinum Mastercard credit card, should help deliver stronger future shareholder returns.

Remuneration Outcomes for FY22

The Enterprise Scorecard, which informs Executive KMP STI outcomes, contains growth orientated financial performance measures including Volume, Cash PBT and the financial synergies achieved through the acquisition of Symple Loans. The non-financial measures include Employee Engagement and Customer Loyalty.

For FY22, the Board made the decision not to award STI outcomes to the MD & CEO and Executive KMP (0% target opportunity). Despite solid performance against targets in several areas the Cash PBT conditional gateway was not achieved due to higher than anticipated Cost of Funds and elevated repayment rates.

However, the company remains committed to attracting and retaining the best people to work in the organisation, including KMP. Appropriate remuneration is imperative to achieving this objective. Consequently, the decision by the current CEO and Managing Director to retire from Latitude in 2023 led to one member of Latitude's executive team being incentivised with a retention payment. This will help ensure retention through the CEO transition in 2023.

Our remuneration principles have been simplified to be both internally and externally consistent with industry best practice. You will see further details of these principles in this Report. There were no other changes to the structure of executive remuneration in 2022 which are reflected in the remuneration tables outlined in this Remuneration Report.

I would also like to highlight the addition of Non-Executive Director Julie Raffe to the Board (appointed in September 2022), reflecting our focus on improving diversity at all levels of the organisation.

Looking forward

Globally, we are seeing a tight labour market and post-pandemic workforce who are seeking greater flexibility and connection to the purpose of their work. In late 2022, Latitude downsized and relocated its corporate office to create a working environment that meets these needs with easy access and flexible work arrangements promoting meaningful connection, collaboration and innovation.

The Board also intends to alter STI and LTI deferral requirements as well as consider long term instruments for 2023 and beyond to ensure we continue to offer a competitive incentive structure to retain talent in a tight labour market in Australia and New Zealand, as well as the evolving regulatory environment. These changes will be disclosed in detail in the 2023 Remuneration report along with the FY23 Enterprise Scorecard measures.

In addition, the impending arrival of a new CEO & MD in 2023 will allow the Board to re-evaluate the structure of CEO remuneration, moving closer to the industry norm of an equal split between fixed remuneration, short and long-term incentives. More details will follow the new CEO's appointment.

On behalf of your Board's Remuneration and People Committee, I invite you to read the full Remuneration Report which will be presented for adoption at Latitude's 2023 Annual General Meeting.

Alison Ledger

Alison Ledger
Chair of the Remuneration and People Committee

Remuneration Report continued

The Remuneration Report outlines the Group's remuneration information and outcomes for Key Management Personnel. The Remuneration Report is presented in accordance with the requirements of the *Corporations Act 2001* (Cth) (the Act). It has been audited as required by Section 308(3C) of the Act.

1. Key management personnel

Key Management Personnel (**KMP**) are individuals with the authority and responsibility for planning, directing and controlling Latitude's activities, either directly or indirectly. Latitude's 2022 remuneration report covers both the Non-Executive Directors and Executive KMP during FY22 and up to the date of this report, as detailed below.

1.1 Non-Executive Directors

Name	Role	Term as KMP
Michael Tilley	Independent Non-Executive Director and Chairman	Full year
Mark Joiner	Independent Non-Executive Director	
Alison Ledger[1]	Independent Non-Executive Director	
Julie Raffe	Independent Non-Executive Director	20 September to 31 December 2022
Scott Bookmyer	Non-Executive Director (Shareholder Representative, KKR)	Full year
James Corcoran	Non-Executive Director (Shareholder Representative, Varde Partners)	
Beaux Pontak	Non-Executive Director (Shareholder Representative, Deutsche Bank)	
Andrew Hoshino	Non-Executive Director (Shareholder Representative, Shinsei Bank Limited)	1 January to 20 October 2022

1 Ms Ledger is also a Director of Hallmark Insurance, a subsidiary of Latitude.

1.2 Executive KMP

Name	Role	Term as KMP
Ahmed Fahour[1]	Managing Director and Chief Executive Officer (MD & CEO)	Full year
Paul Varro	Executive General Manager, Finance & Risk (Chief Financial Officer)	
Bob Belan	Executive General Manager, Money	
David Gelbak[2]	Executive General Manager, Pay (Acting)	
Andrew Walduck[3]	Executive General Manager, Enterprise Services & Chief Operating Officer (COO)	
Jo Mikleus[4]	Executive General Manager, Insurance	1 January to 30 June 2022
Chris Blake[5]	Executive General Manager, Corporate Services	1 January to 8 July 2022

1 As announced to the market on 19 August 2022, Mr Fahour will retire as MD & CEO and cease as KMP by the end of August 2023.

2 As disclosed in the 2021 Remuneration Report, Mr Gelbak commenced FY22 as Executive General Manager, Group Development. During the year he moved into the Executive General Manager, Pay (Acting) role.

3 As disclosed in the 2021 Remuneration report, Mr Walduck commenced FY22 as Executive General Manager, Pay. He moved into the Executive General Manager, Enterprise Services & Chief Operating Officer role on 1 July 2022.

4 Ms Mikleus retired as KMP on 30 June 2022 and ceased employment with Latitude on 30 September 2022.

5 Mr Blake retired as KMP and ceased employment with Latitude on 8 July 2022.

2. Remuneration governance

2.1 Governance framework

The Governance of Latitude's remuneration framework ensures that it:

- Rewards our team for achieving performance that is aligned to the business strategy and shareholder expectations; and
- Rewards achievement of sustainable performance and behaviours and conduct aligned with our values.

Governance framework

ROLE OF THE BOARD

Latitude has clear processes for all remuneration decisions including with respect to Executive KMP remuneration that must be approved by the Board, following recommendations made by the Remuneration and People Committee.

The Board is also responsible for succession planning for the MD & CEO, Executive KMP and members of the Board (Non-Executive Directors).

ROLE OF THE REMUNERATION AND PEOPLE COMMITTEE

The Remuneration and People Committee facilitates and assists the Board to fulfil its responsibilities, including:

- Advising the Board on remuneration arrangements for Executive KMP and Non-Executive Directors;
- Overseeing remuneration strategies, policies and procedures, informed by market practice and regulatory requirements;
- Overseeing employee equity incentive plans and advising the Board on offers, performance hurdles and targets;
- Reviewing the performance assessment processes and results for all Executive KMP and conduct consistent with Latitude's values and risk appetite; and
- Succession planning for the MD & CEO and Executive KMP roles.

ROLE OF THE RISK COMMITTEE AND THE AUDIT COMMITTEE

The Audit Committee assists the Board with financial risk management and compliance, by overseeing the Company's results which lead to remuneration outcomes for Executive KMP. The Risk Committee advises the Remuneration and People Committee on material risk matters that may impact remuneration outcomes for Executive KMP.

EXTERNAL ADVISERS

The Remuneration and People Committee may seek advice or information from remuneration consultants in relation to remuneration policy and setting for Executive KMP and Non-Executive Directors.

2.2 Board oversight of remuneration outcomes: Malus and clawback

The Board can impose malus and/or clawback in respect of STI awarded and LTI granted to all Executive KMP, including the lapsing or forfeiture of restricted or unvested awards, to ensure that no unfair benefit is obtained as a result of an act which, in the Board's opinion:

- Constitutes fraud, dishonesty or gross misconduct;
- Brings the Company (or any other member of the Latitude Group) into disrepute;
- Is in breach of the Executive's obligations to Latitude (including compliance with any applicable Latitude policy);
- Does not adhere to Latitude's values or risk framework; or
- 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 Company performance in the longer term.

The Board's ability to impose malus and/or clawback payments on incentive awards is a deterrent to inappropriate risk behaviour.

The Board also maintains full discretion to adjust STI and LTI outcomes upwards or downwards (see sections 3.5 and 3.6 for further details).

2.3 Corporate Governance policies related to remuneration

2.3.1 Share Trading Policy

The Board adopted a Share Trading Policy in 2021 which explains the prohibited type of conduct in relation to dealings in securities under the Corporations Act and is intended to establish a best-practice procedure in relation to Directors', officers', KMP, employees', contractors' and their families and associates' dealing in shares.

A copy of the Share Trading Policy can be found on the Latitude website at https://investors.latitudefinancial.com.au/investor-centre/?page=corporate-governance.

2.3.2 Minimum Shareholding Requirement (MSR)

Section 9.2.2 provides details regarding the MSR for Executive KMP and the current position for each Executive against that policy.

There is currently no minimum shareholding requirement for Directors.

2.3.3 Other Corporate Governance policies related to remuneration

As previously disclosed, the Remuneration and People Committee does not comply with ASX Recommendations, 2.1 and 8.1. Full details regarding these recommendations are located in the sections relating to Principles 2 and 8 of the 2022 Corporate Governance statement.

3. FY22 Executive KMP remuneration overview

3.1 Remuneration principles

Latitude is committed to attracting and retaining the best people to work in the organisation. Key to achieving this objective is ensuring that Latitude appropriately remunerates all of its people.

Latitude's remuneration framework has been designed with reference to Latitude's business strategy, people strategy and values to effectively reward exceptional organisational and individual performance, while mitigating for inappropriate risk-taking behaviours. Furthermore, the framework aligns remuneration outcomes to the longer-term objectives of Latitude and shareholder value creation.

The key principles that support Latitude's remuneration framework were reviewed during FY22 and are outlined below.

CLEAR AND TRANSPARENT

Our reward offering will be simple, fair and understood by all. Remuneration frameworks will enable efficiency and agility.

MARKET COMPETITIVE

Our reward offering will be competitive and will reflect our broader employee value proposition to support the attraction and retention of talent with the right experience, skillset and capabilities to drive performance and deliver the Latitude strategy.

PERFORMANCE AND VALUES FOCUS

Instil and reinforce a common purpose by ensuring there is a clear link between remuneration and overall Latitude performance, recognising both what is achieved and how this is achieved.

Our values and ethical conduct are at the centre of our approach to incentives.

PRUDENT AND ALIGNED

Remuneration arrangements encourage behaviours that support effective risk management, responsible conduct, and deliver outcomes which appropriately manage culture, long-term sustainable growth, and align with the expectations of key stakeholders.

3.2 FY22 Remuneration Framework

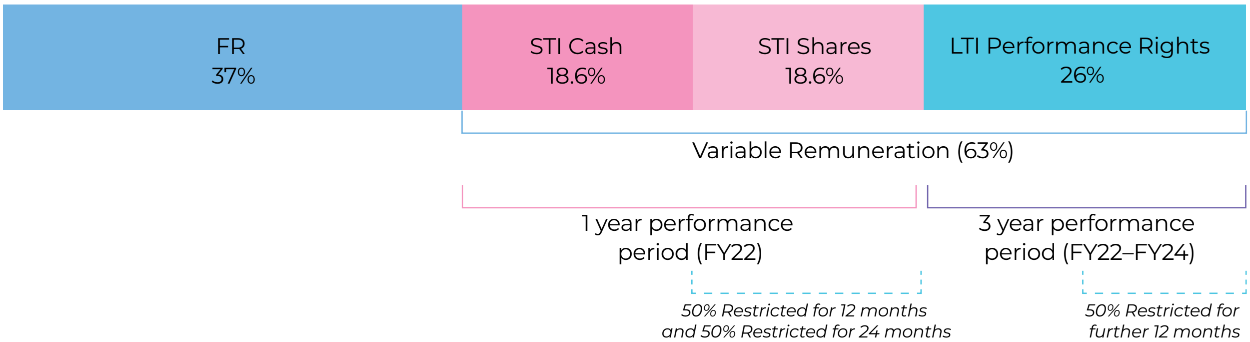
The FY22 remuneration framework for Executive KMP is outlined below:

	Fixed Remuneration (FR)	Short-Term Incentive (STI) Plan	Long-Term Incentive (LTI) Plan
Purpose	To attract and retain the best talent to deliver Latitude's business strategy.	To reward short-term performance.	To reward long-term performance.
Composition and delivery	Comprises base salary and superannuation, paid in equal monthly instalments.	Annual performance incentive: • Half paid as cash; and • Half delivered as restricted STI Shares, 50% for one year and 50% for two years.	Award of Performance Rights subject to the satisfaction of specific vesting conditions over a three-year performance period (with a further one-year restriction period).
Rationale	Set with reference to the external market and • Role size, scope and complexity; • The competitive landscape for Executive talent; • Internal relativities; and • The individual's experience, skills and performance.	STI supports and rewards achievement of annual Enterprise and Individual / Business Unit performance targets, in a sustainable and risk focused manner.	LTI is aligned to the achievement of long-term Group performance outcomes and shareholder value creation.

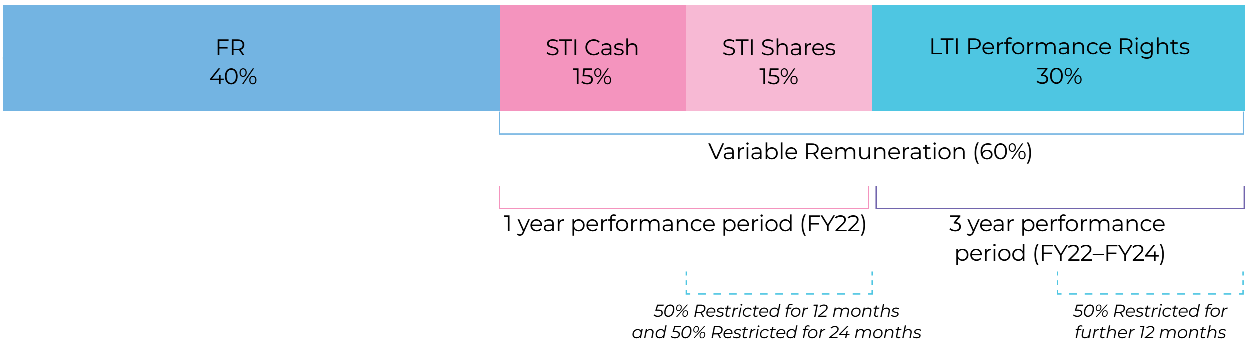
3.3 FY22 Remuneration Mix and Delivery

The following diagram illustrates the remuneration mix and delivery[1] at target for Executive KMP for FY22[2]. For the MD and CEO approximately 63% of remuneration is variable and at risk.

MD & CEO



Other Executives



1 Section 3.5 details the delivery and restriction period of the STI Shares for all Executive KMP, and Section 3.6 details the restriction period for the LTI.

2 Refer to Section 6.5.1 regarding the remuneration mix and delivery to apply in FY23 for the current MD & CEO, and section 6.5.2 for Executive KMP.

3.4 Fixed Remuneration (FR)

The MD & CEO, and other Executive KMP receive FR in equal monthly instalments.

Element	FY22 FR Principles
Market data	Considers similar Executive roles within two ASX comparator groups: • The primary group is organisations with a comparable market capitalisation; and • A subset of the primary group that includes companies in the 'Financials' Global Industry Classification Standard (GICS) sector only.
Timing of Reviews	• Annual review: conducted each year and reviewed against external market data, with any approved changes applicable from 1 April. • Other circumstances: adjustments may be made for a change in role or promotion, internal relativities or significant market change.

Mr Varro's remuneration was reviewed as a result of his move to the Executive General Manager, Finance and Risk (Chief Financial Officer) on 1 January 2022. Ms Mikleus' and Mr Gelbak's remuneration was also reviewed upon their role changes to EGM Insurance and EGM Corporate Development respectively, effective 1 January 2022.

3.5 Short-term Incentive Plan (STI)

The MD & CEO and other Executive KMP were eligible to participate in the FY22 STI under the following terms:

Feature	Key Terms of the FY22 STI
Performance Period	1 January to 31 December 2022[1]
Opportunity	The STI opportunity as a percentage of FR was as follows:

	MD & CEO	Other Executive KMP
Maximum (125% of Target)	125%	93.75%
Target	100%	75%
Minimum	0%	0%

Feature	Key Terms of the FY22 STI
Gateway	A Cash PBT conditional gateway must be met for any STI to be paid.
Weighting	STI outcomes are weighted dependent upon the type of business unit an Executive KMP leads. Executive KMP with Strategic Business Unit (SBU) responsibilities (Money, Pay and Insurance) have an equal weighting for the performance of the Business Unit/Individual and the Enterprise Scorecard. Executive KMP for Corporate Centre business units (Finance & Risk, Corporate Services, Enterprise Services) have a greater weighting to the Enterprise Scorecard given their roles span across all areas of Latitude. The following weightings applied to STI outcomes:

	MD & CEO	Other Executive KMP (SBU)	Other Executive KMP (Corporate Centre)
Enterprise Scorecard	100%	50%	80%
Business Unit/Individual Performance	–	50%	20%

Feature	Key Terms of the FY22 STI
Outcome Scale	The outcome for each performance measure in the Enterprise Scorecard was as follows:

Performance achieved	% Outcome
Stretch (maximum)	125%
Target	100%
Threshold	50%
Below Threshold	0%

Straight-line pro-rata % outcome between Threshold and Target, and Target and Stretch.

Feature	Key Terms of the FY22 STI
Modifiers	The Board retains the discretion to modify STI outcome upwards (to maximum) or downwards (including to zero) including by reference to the following:

Modifier	Assessment
Leadership behaviours/values	Assessment of behaviours against Latitude's Code of Conduct, qualitative stakeholder feedback and other policies.
Risk management	Risk and compliance outcomes, informed with input received from the Risk Committee.

Feature	Key Terms of the FY22 STI
Delivery[2]	March 2023: Half (50%) paid in cash. During or after March 2023: remaining half (50%) delivered as restricted shares (**STI Shares**), with 50% restricted for 12 months and 50% for 24 months.
STI Shares awarded	The number of restricted STI Shares awarded is one-half of the participant's FY22 STI outcome, divided by the 5-day Volume Weighted Average Price (VWAP) from the second trading day following the release of the FY22 results (17 February 2023).
Restriction period	February 2024: 50% of STI Shares are released from restriction following the release of the FY23 full-year results. February 2025: the remaining 50% of STI Shares are released from restriction following the release of the FY24 full-year results.
Treatment of restricted STI Shares during restricted period	*Cessation of Employment* Participants who depart Latitude prior to the restriction end date, are generally treated as follows, although the Board retains discretion to determine a different treatment: • Misconduct or summary dismissal for cause: STI Shares lapse. • All other circumstances: STI Shares will remain on foot, subject to the original performance conditions and restriction period. *Dividend and voting rights* STI Shares rank equally with other Shares and are eligible for both. *Dividend Reinvestment Plan (DRP)* STI Shares are not eligible to participate in the DRP. *Restriction on dealing* See section 2.3.1. *Other events* Subject to Board discretion (e.g. change of control, capital restructure), within ASX listing Rules.
Treatment of STI Shares following the restriction end date	Restrictions cease and STI Shares are held subject to restrictions under the Share Trading Policy (section 2.3.1).

1 Where Other Executives completed part of the performance period, and left by reason of redundancy, their STI participation is calculated on a pro rata basis for time served.

2 Where Executives depart Latitude prior to the grant of STI Shares and remained eligible for STI any deferred component will be delivered as deferred cash, one year after the initial cash component is paid. From 1 January 2023, the entire STI will be delivered in cash, with 50% deferred for 12 months.

3.6 Long-term Incentive Plan (LTI)

3.6.1 LTI Key Terms

The MD & CEO and other Executive KMP were eligible to participate in the FY22 LTI under the following terms:

Feature	Key Terms of the FY22 LTI
Offer	Rights to acquire Shares (**Performance Rights**), subject to the satisfaction of specific performance conditions and vesting conditions over the Performance Period.
Performance Period	1 January 2022 to 31 December 2024
Opportunity	The LTI opportunity as a percentage of FR was as follows:
Grant	Performance Rights were granted on 28 April 2022 to eligible KMP. The number of Performance Rights granted was calculated based on a 5-day Volume Weighted Average Price (VWAP) of $1.998468 for the period 22-28 February 2022.
Performance conditions and weightings	The following performance conditions and weightings apply: See section 3.6.2 for further detail on the performance conditions.
Testing outcomes	Following the release of the FY24 full-year results in 2025, the Performance Rights will be tested equally against each measure and the number that vest will be calculated as: Performance Rights that vest are automatically exercised into Shares. Performance Rights that don't vest will lapse and are not retested. In certain circumstances, participants may receive a cash equivalent value of the vested element after testing. The FY22 LTI outcomes will be reported in the 2025 Remuneration Report.

LTI opportunity (Opportunity):

	MD & CEO	Other Executive KMP
Maximum (100% target)	69.4%	75%
Minimum	0%	0%

Performance conditions and weightings:

Return on Equity (ROE)	Cash earnings per share growth (EPS)
50% of Performance Rights may vest subject to the ROE performance condition.	50% of Performance Rights may vest, subject to the EPS growth performance condition.

Testing outcomes:

ROE/EPS performance level achieved over the Performance Period	% of Performance Rights subject to the ROE/EPS hurdles that will vest
At or above target	100%
Between threshold and target	Straight-line pro-rata vesting between 50% and 100%
At threshold	50%
Below threshold	0%

Feature	Key Terms of the FY22 LTI
Restriction Period[1]	50% of Shares allocated in respect to vested and automatically exercised Performance Rights will be subject to a trading restriction, on the transfer and disposal of the Shares over the Restriction Period (being a one-year period from the Vesting Date). *Dividend and voting rights* Ordinary dividend and voting rights apply to Shares.
Treatment of Performance Rights prior to vesting	*Cessation of Employment* Participants who depart Latitude prior to the vesting date, are generally treated as follows, although the Board retains discretion to determine a different treatment: • Misconduct or summary dismissal for cause: Performance Rights will lapse. • Resignation: the Performance Rights will lapse, subject to the Board exercising discretion to determine otherwise. • All other circumstances: Performance Rights will remain on foot, subject to the original performance conditions and vesting period. The Board may elect to pro rata the original grant based on time served during the Performance Period. Performance Rights that vest at the end of the original vesting period for former employees are automatically exercised. *Dividend and voting rights* Performance Rights have no dividend or voting rights prior to vesting. *Dividend Reinvestment Plan (DRP)* LTI Performance Rights are not able to participate in the DRP. *Restriction on dealing* See section 2.3.1. *Other events* Subject to Board discretion (e.g. change of control, capital restructure), within ASX listing Rules.

1 For any grants made under the FY23 LTI, the Restriction Period will no longer apply to any Performance Rights that vest and are automatically exercised into Shares following testing.

3.6.2 FY22 LTI Performance Conditions

The following table provides further information on the LTI performance conditions.

Measures	ROE	Cash EPS Growth
Description	ROE measures the amount of cash earnings generated as a percentage of shareholders' equity.	Cash EPS growth measures the compound annual growth rate of the profit/loss for the period attributable to ordinary equity holders in the Company.
Rationale	The ROE measure evidences Latitude's return on total shareholder's equity, aligning Executive reward to shareholder experience.	The measure demonstrates the Company's ability to generate cash NPAT, that may be utilised to facilitate growth activities and future distributions to shareholders.
Calculation	Cash Net Profit After Tax (NPAT)/average shareholders equity	Cash Net Profit After Tax (NPAT)/weighted average number of ordinary shares outstanding during the performance period.
Measure type	The average ROE achieved for each financial year of the performance period (FY22, FY23 and FY24).	The growth rate is determined by comparing the final performance period (FY24) with the base year (FY21). This point-to-point approach focuses on long-term cash EPS growth by measuring final-year EPS without regard to performance in intervening years, and is aligned with market practice.
Setting of targets	The Board sets the targets at the outset of each performance period. Targets are set to be sufficiently challenging for Executives and deliver appropriate returns for shareholders.	
FY22 LTI Plan targets	Target 18% Threshold 15%	Target 8% Threshold 5%
Adjustments	Where mergers/acquisitions occur during the Performance Period, the outcome against measures may be adjusted to remove the impact of the transaction. The target won't be adjusted. The Board may adjust the performance conditions in exceptional circumstances to ensure participants are neither advantaged nor disadvantaged by matters outside management's influence that materially affect Company performance.	

3.7 Other information

Under the terms of their employment agreements and/or company policy, Executives may receive additional benefits such as car parking and an additional week of annual leave (aligned to the leave policy that applies for all employees).

3.8 Executive KMP Service Agreements

All Executive KMP have notice period and cascading restraint of trade clauses in their Service Agreement, summarised as follows:

Name	Notice Period	Restraint of Trade
MD & CEO	12 months	Non-compete and non-solicit: 12, 6, 3 months. Restricted Area: Australia, Victoria, Melbourne
Other Executive KMP	6 months	Non-compete and non-solicit: 12, 6, 3 months. Restricted Area: Australia, Victoria, Melbourne

Employment may be terminated by either the Company or the Executive providing written notice of the minimum period stated in the Notice Period above. In certain circumstances (including serious misconduct), Latitude may terminate an Executive's employment immediately without notice and provide payment in-lieu of the Notice Period.

4. Linking Executive remuneration outcomes with company performance

4.1 Remuneration outcomes aligned with Company performance

In line with the remuneration strategy, performance measures are chosen to align rewards for Executive KMP with the achievement of annual performance targets in a sustainable manner over the short-term, and shareholder value creation over the long-term.

As Latitude listed on the ASX on 20 April 2021, it is not possible to meet the statutory requirement to provide five years of results to analyse the link between performance and remuneration. This section will be expanded each year to provide comparative measures for the financial years for which Latitude is listed.

The short-term measures in this section have been updated to align with the STI Plan effective 1 January 2022. Cash PBT and Volume measures have replaced the non-statutory measure of Cash NPAT, and Gross Receivables.

The long-term measures have been restated using the revised NPAT definition disclosed to the market on 27 May 2022. As a result, the FY20 and FY21 values differ to those provided in the FY21 Remuneration Report.

Prior year values are provided for each measure for comparative purposes, with all values rounded to one decimal place.

	Measure	FY22	FY21	FY20[1]
Short-term measures	Volume	$8.0 bn	$7.3 bn	$7.0 bn
	Cash PBT	$232.8 m	$281.3 m	$309.3 m
Long-term measures	Return on equity	10.1%	14.3%	16.6%
	Earnings per share (EPS)[2]	14.8 cents	19.9 cents	20.4 cents
Other measures	Closing share price	$1.31	$2.00	n/a (pre–listing)
	Dividends per share[3]	11.85 cents	15.7 cents	

1 FY20 financials are in line with the revised Cash NPAT disclosed on 27 May 2022 but have not been restated for discontinued operations treatment.

2 EPS of 14.8 cents (FY22) is based on EPS Cash. EPS of 19.9 cents (FY21) and 20.4 cents (FY20) is based on Pro Forma EPS Cash – Basic.

3 Dividend per share of 11.85 cents (FY22) is based on 7.85 cents interim dividend paid 26 October 2022, plus 4.0 cents full year dividend to be paid 24 April 2023. Dividend per share of 15.7 cents (FY21) is based on 7.85 cents interim dividend paid 14 October 2021 plus 7.85 cents full year dividend paid on 22 April 2022.

5. FY22 Executive KMP remuneration overview and outcomes

The following table provides an overview of at-risk, performance-based remuneration outcomes for FY22 and prior years. Further detail about the FY22 STI outcomes are contained in the following sections.

		MD & CEO			Other Executive KMP[1]		
		FY22	FY21	FY20	FY22	FY21	FY20
STI	% of Target	0%	90%	131%	0%	93.75%	74%
	% of Maximum[2]	0%	72%	66%	0%	75%	37%
LTI	% of opportunity vested	n/a during FY22 (first testing will be reported after FY23)					

1 Average % of target for eligible other Executive KMP.

2 The maximum STI opportunity in 2020 was 200% of target and reduced to 125% of target from 1 January 2021.

5.1 STI

5.1.1 Performance against FY22 STI Enterprise Scorecard measures

Each year the Board aligns the performance measures that comprise the Enterprise Scorecard with Latitude's strategic priorities. For FY22, performance measures were aligned to three key themes: growth and performance, leadership and culture, and reputation and sustainability.

While Latitude made significant progress in FY22 towards achieving its long-term strategic objectives and promptly took actions to position the business for future growth in a rapidly changing macroeconomic environment, the year presented multiple challenges with the continued effects of COVID-19, rising inflation, unprecedented rapid central banks tightening impacting cost of funding as well as higher than expected repayment rates. These challenges ultimately affected the Company's ability to fully achieve the measures contained within the FY22 Enterprise Scorecard.

Notwithstanding that there was strong performance against many measures within the Enterprise Scorecard, the Cash PBT conditional gateway set by the Board at the outset of the performance period was not met, resulting in the Board's decision not to award any FY22 STI outcomes.

The following table outlines performance against the FY22 Enterprise Scorecard measures.

Measure Category	Measures	Weight	Outcome
Growth and Performance	**Cash PBT** *(conditional gateway measure for any STI outcome)* Cash PBT was lower than expected and below threshold, primarily due to higher than expected cost of funds and higher customer repayments.	25%	
	Volume Threshold performance was achieved, on the back of softer than expected consumer spending in FY22.	25%	
	Graduation Despite a shift of focus away from BNPL, the graduation of customers from small ticket to larger ticket products saw this target met.	15%	
	Symple Integration & Synergy Case[1] Synergies and operational integration is on track, with FY23 plan expected to be realised on time.	15%	
Leadership and Culture	**Employee Engagement** In an environment of significant change, including an operating model review and external uncertainty, the employee engagement target was not met.	10%	
Reputation and Sustainability	**Customer Loyalty** Customer loyalty measures continued to see positive improvements throughout FY22 with stretch performance achieved.	10%	

Key:

- Below threshold performance
- Threshold performance achieved
- Target performance achieved
- Stretch performance achieved

1 The Symple Integration & Synergy case measure had no threshold or stretch target set.

5.1.2 FY22 MD & CEO STI outcome

The MD & CEO's STI outcome is equivalent to the Enterprise Scorecard outcome and as a result was 0% of target (0% of maximum) in FY22.

In considering remuneration outcomes for FY22, the Remuneration and People Committee and the Board still considered shareholder, customer and community stakeholders and the achievements of the MD & CEO against the delivery of Latitude's strategy and business plan. No modifications were made to the STI outcome with reference to these considerations.

Continuing the process adopted in FY21, the Committee and Board also considered Latitude's Workplace Behaviour Policy and Values and determined the leadership behaviours and risk management outcomes were appropriate with no adjustment required. No modification was made to the STI outcome with reference to these considerations.

5.1.3 FY22 STI Other Executive KMP outcomes

In the same way that the Remuneration and People Committee and the Board considered individual performance of the MD & CEO as detailed in section 5.1.2, all Other Executive KMP's performance was reviewed, including consideration for satisfactory risk, values and conduct requirements. However, as the Cash PBT conditional gateway was not met the Board determined that no STI outcomes would be awarded to any Other Executive KMP for FY22.

FY22 STI outcome information for all Executive KMP are outlined below.

			STI Actual				
Name	STI target[1] $	STI Maximum[1] $	Total $	Cash $	Restricted Shares $	STI actual as a % of STI target	STI actual as a % of STI maximum[2]
Ahmed Fahour	1,800,000	2,250,000	–	–	–	0 %	0 %
Paul Varro	562,500	703,125	–	–	–	0 %	0 %
Bob Belan	450,000	562,500	–	–	–	0 %	0 %
David Gelbak	450,000	562,500	–	–	–	0 %	0 %
Andrew Walduck	543,750	679,688	–	–	–	0 %	0 %
Jo Mikleus	223,151	278,938	–	–	–	0 %	0 %
Chris Blake	233,014	291,268	–	–	–	0 %	0 %

1 STI target and maximum are reported based on eligibility for the year. Departing Executives' (Jo Mikleus and Chris Blake) values are pro rata for time served as KMP during FY22.

2 The percentage of FY22 STI forfeited (as a % of STI maximum) was 100% for all Executive KMP, including the MD & CEO.

6. Key events impacting remuneration

6.1 Director Resignation and Appointment

Andrew Hoshino resigned as a Director on 20 October 2022.

Julie Raffe was appointed to the Board on 20 September 2022. She commenced as a member of the Audit Committee on 20 October 2022 and replaced Mark Joiner as the Committee chair on 1 January 2023.

She also commenced as a member of the Technology Committee on 1 January 2023.

6.2 Chairman Retirement

At the 2022 AGM held on 27 April 2022, Mike Tilley announced his intention to retire from Latitude effective following the 2023 AGM (to be held on 27 April 2023).

As announced to the ASX on 20 October 2022, Mr Tilley extended his term to ensure smooth transition to a new MD & CEO, to 31 December 2023.

6.3 MD & CEO Retirement

As disclosed to the ASX, Mr Fahour announced his retirement from Latitude on 19 August 2022.

Mr Fahour will remain as MD & CEO until the appointment of his successor, to occur no later than the end of August 2023.

6.4 Operating Model changes and impact on Executive Roles

In FY22, Latitude transitioned to a portfolio operating model based around Instalments and Credit Cards (Pay) and Personal and Auto loans (Money), to create end-to-end capability and accountability to capture the opportunities unique to each segment.

As a result of the transition two Executive KMP departed in FY22.

The role of Executive General Manager, Corporate Services was removed and Chris Blake ceased as KMP and departed Latitude on 8 July 2022. The corporate services functions were re-distributed to report through to the Executive General Manager, Finance and Risk (CFO) and Executive General Manager, Enterprise Services & Chief Operating Officer (COO).

The role of Executive General Manager, Insurance was removed from the Executive team on 30 June 2022 and Jo Mikleus ceased as KMP. Following this Ms Mikleus oversaw the proposed sale of the Hallmark Insurance business through until her departure from Latitude on 30 September 2022.

These executives made a significant contribution to the Company during their time with Latitude. Section 8 and relevant footnotes provide further details regarding the remuneration they received for the year ending 31 December 2022.

A third EGM role was also impacted as part of the transition, and Mr Gelbak moved from EGM, Group Development into EGM, Pay (Acting) during FY22.

6.5 Remuneration Framework for FY23

6.5.1 FY23 CEO Remuneration Mix

Mr Fahour's remuneration from 1 January 2023 will incorporate fixed remuneration only and he will not be eligible to participate in either the STI or LTI for FY23, as agreed in his termination arrangements.

6.5.2 FY23 Executive KMP Remuneration Mix

The Board has recently undertaken a review of how awards under the STI are delivered as well as the Restriction Period as detailed in section 3.5. Effective from the commencement of the FY23 STI on 1 January 2023, any STI outcome awarded to Executive KMP will be delivered entirely in cash, with 50% deferred and payable after 12 months. Full details will be provided in the 2023 Remuneration Report.

The Board has also undertaken a review of the Restriction Period under the LTI. For any grants made under the FY23 LTI and thereafter, the Restriction Period as detailed in section 3.6.1 will no longer apply to any Performance Rights that vest and are automatically exercised into Shares following testing.

These changes have been made to offer a competitive incentive structure to attract and retain talent in a tight labour market.

6.6 Retention Award

As a result of several events during FY22 including the termination of the proposed sale of Humm consumer finance to Latitude, the announcement of the current MD & CEO's upcoming departure, and the operating model changes, the Board considered the need to retain Andrew Walduck's corporate knowledge and capability in the role of EGM Enterprise Services (and COO). To ensure his continued leadership, the Board offered Mr Walduck a Retention Award, payable in January 2024 and subject to him remaining with Latitude, without having given notice of resignation until at least 31 December 2023.

The Retention Award of $500,000 will be paid in cash in January 2024 and is equivalent to approximately 50% of Fixed Remuneration over the 16 months of the Retention Period (1 September 2022 to 31 December 2023).

This once-off retention award will only be paid if the service requirements are met, all duties are fulfilled satisfactorily, and the Board is satisfied that Mr Walduck has, at all times, satisfied the risk, values and conduct requirements of the Company during the Retention Period.

Please see section 8 for the accrued accounting cost associated with this award for FY22.

In addition, should Mr Walduck provide notice of resignation after the Retention Period, but prior to the payment of any FY23 STI award in March 2024, he will remain eligible to receive the FY23 STI award (subject to Board determination and usual performance conditions).

7. Non-Executive Director remuneration

7.1 Non-Executive Director remuneration framework

Non-Executive Director (NED) remuneration, is reviewed by the Remuneration and People Committee and recommended to the Board for approval, to attract and retain appropriately qualified and experienced individuals.

NEDs receive fees for their service as directors of Latitude. Excluding the Chairman, NEDs also receive fees for their membership or chairing of Board Committees. NEDs may receive reimbursement for reasonable travel, accommodation and other expenses incurred while attending Board and Committee meetings, or when engaged in the business of the Company. Since listing, NEDs are not eligible for variable remuneration or participation in Latitude share plans.

Shareholder representative NEDs (identified in Section 1) also receive fees payable at the same level as Independent NEDs.

At present there is no minimum shareholding requirement for NEDs, nor retirement benefit scheme, other than statutory superannuation contributions, which are included within their fees where applicable.

7.2 Current NED Remuneration Approach

The current NED aggregate fee limit is $2,200,000 per annum and any change requires shareholder approval.

There is no proposed change to the aggregate fee limit in 2023.

7.2.1 FY22 Board and Committee fees

Board and committee fees for FY22 for all Directors (including Shareholder directors) are as follows:

Board and Committee Fees[1]	Chair	Member
Board	$400,000[2]	$200,000
Audit Committee	$20,000	$10,000
Remuneration and People Committee	$15,000	$7,500
Risk Committee	$15,000	$7,500
Technology Committee	$15,000	$7,500

1 All Board and Committee fees are stated inclusive of superannuation, where applicable.

2 The Chair of the Board receives a single fee, with no additional fees for membership of the Board or Board Committees.

7.3 FY22 Statutory Remuneration – NEDs

The table below sets out the NED remuneration for FY22, prepared in accordance with relevant Australian Accounting Standards.

	FY	Short-term Benefits Directors' Fees[1] $	Post-Employment Benefits Super $	Total Statutory Remuneration $
Michael Tilley	**FY22**	**375,570**	**24,430**	**400,000**
	FY21	318,820	21,545	340,365
Mark Joiner[2]	**FY22**	**223,835**	**11,165**	**235,000**
	FY21	218,099	15,405	233,504
Alison Ledger[3]	**FY22**	**270,315**	**27,811**	**298,126**
	FY21	267,884	26,131	294,015
Julie Raffe[4]	**FY22**	**53,215**	**5,621**	**58,836**
	FY21	–	–	–
Scott Bookmyer	**FY22**	**185,653**	**19,928**	**205,581**
	FY21	150,809	14,816	165,625
James Corcoran[5]	**FY22**	**217,500**	**–**	**217,500**
	FY21	212,263	–	212,263
Beaux Pontak[5]	**FY22**	**222,500**	**–**	**222,500**
	FY21	155,919	–	155,919
Andrew Hoshino[5,6]	**FY22**	**172,917**	**–**	**172,917**
	FY21	109,631	–	109,631
Total	**FY22**	**1,721,505**	**88,955**	**1,810,460**
	FY21	1,433,425	77,897	1,511,322

1 Directors' fees include fees for both Board membership as well as Committee representation as detailed in section 7.2.1. Full details regarding membership of Committees is provided in each Directors' biography in the Directors' Report.

2 Mr Joiner did not have superannuation deductions from 1 October 2021 to 30 June 2022, in line with the employer shortfall exemption certificate received from the Australian Tax Office.

3 Ms Ledger ceased as a member of the Audit committee on 20 October 2022. Her remuneration includes fees received for services as a director of Hallmark Insurance, being $54,670 plus superannuation of $5,330 in FY21 and $54,422 plus superannuation of $5,578 in FY22.

4 As detailed in section 6.1, Ms Raffe's FY22 Board fees commenced from her appointment on 20 September 2022, and her committee fees (member of Audit Committee) from 20 October 2022.

5 No superannuation is applicable for Mr Corcoran, Mr Pontak or Mr Hoshino as they did not provide services in Australia.

6 Mr Hoshino ceased as a Director in October 2022, and his FY22 fees represent his part year service.

7.4 Other details relating to NEDs at Latitude

The Insurance of Officers and Indemnities Section of the Directors' Report provides details regarding the insurance that applies for Directors and Officers of Latitude.

8. FY22 Statutory remuneration – Executive KMP

The table below sets out the Executive KMP remuneration for FY22, prepared in accordance with relevant Australian Accounting Standards.

More information on the policy and operation of each element of remuneration is provided in the notes below the table and other sections of this Report.

		Short-term Benefits			Post-Employment Benefits
	FY	Salary $	Other benefits[1] $	Cash STI[2] $	Super[3] $
Ahmed Fahour	**FY22**	**1,775,570**	**39,986**	–	**24,430**
	FY21	1,687,596	7,748	1,080,000	22,631
Paul Varro	**FY22**	**725,570**	**8,163**	–	**24,430**
	FY21	577,369	7,748	270,000	22,631
Bob Belan[5]	**FY22**	**575,570**	**8,163**	–	**24,430**
	FY21	100,641	1,041	–	6,349
David Gelbak[6]	**FY22**	**575,570**	**37,919**	–	**24,430**
	FY21	515,700	249,756	250,893	32,403
Andrew Walduck	**FY22**	**700,570**	**155,222**	–	**24,430**
	FY21	702,369	7,748	371,563	22,631
Jo Mikleus[7]	**FY22**	**288,216**	**3,971**	–	**24,430**
	FY21	477,369	7,748	225,000	22,631
Chris Blake[8]	**FY22**	**301,900**	**4,144**	–	**25,867**
	FY21	577,369	7,748	270,000	22,631
Total	**FY22**	**4,942,966**	**257,567**	–	**172,447**
	FY21[9]	5,335,857	622,283	2,973,706	174,538

1 Other benefits include the cost of car parking available to each Executive across both years. In FY21 it also included temporary relocation assistance while on international assignment to New Zealand and repatriation benefits for the return to Australia in December 2021 for Mr Gelbak; and a retention payment for Ms Duarte (see footnote 9 for further details). FY22 includes legal fees as part of the separation agreement for Mr Fahour; final repatriation benefits for David Gelbak; and the pro-rata accrual for the Retention Award for Mr Walduck as detailed in section 6.6.

2 In FY21 the Cash STI was two-thirds of the FY21 outcome with the balance delivered as STI Shares. There was no STI awarded in FY22, so the Restricted Shares value for FY22 is nil.

3 For Mr Gelbak, the amount shown represents employer contributions to Kiwisaver in New Zealand during FY21 and superannuation contributions in Australia in FY22.

4 As detailed in footnote 2, restricted STI shares representing one-third of the FY21 STI outcome were purchased on market and allocated to Executives on 30 March 2022. In FY22, there was no STI awarded so no Restricted Shares are required to be allocated to Executive KMP in 2023.

5 Mr Belan's FY21 remuneration is stated following his appointment as KMP on 26 October 2021.

6 Mr Gelbak's FY21 remuneration was paid in NZD (with the exception of share-based payments). His FY21 remuneration is reported in AUD using the average monthly exchange rate for the financial year (FY21: 0.9426) in line with the approach adopted by Latitude. His FY22 remuneration was paid in AUD following his relocation back to Australia.

Long-term Benefits	Termination benefits	Share-based payments			
LSL $	Termination benefits $	Performance Rights $	Restricted Shares[2,4] $	Total Statutory Remuneration $	Variable Remuneration as a % of Total %
27,797	**–**	**774,612**	**–**	**2,642,395**	**29%**
23,075	–	390,679	540,000	3,751,729	54%
68,186	**–**	**313,414**	**–**	**1,139,763**	**27%**
9,420	–	140,644	135,000	1,162,812	47%
24,709	**–**	**138,216**	**–**	**771,088**	**18%**
690	–	–	–	108,721	0%
41,736	**–**	**255,419**	**–**	**935,074**	**27%**
–	–	117,204	125,447	1,291,402	38%
8,474	**–**	**336,956**	**–**	**1,225,652**	**27%**
6,623	–	169,945	185,781	1,466,660	50%
5,921	**436,359**	**649,054**	**–**	**1,407,951**	**46%**
4,093	–	117,204	112,500	966,545	47%
4,858	**440,718**	**695,935**	**–**	**1,473,422**	**47%**
5,361	–	140,644	135,000	1,158,753	47%
181,681	**877,077**	**3,163,606**	**–**	**9,595,344**	**–**
63,372	187,500	1,603,736	1,233,728	12,194,721	–

7 As noted in section 6.4 Ms Mikleus retired as Executive KMP effective 30 June 2022 and ceased employment on 30 September 2022 and her remuneration is reported to include all amounts associated with her role as KMP for FY22. This includes fixed remuneration for the period 1 January to 30 June 2022 (salary and superannuation), car parking, pay in lieu of notice equivalent to six months base salary being $287,354 (plus superannuation of $12,646) and a redundancy payment of $149,005 paid in October 2022. The FY21 and FY22 LTI Performance Rights granted in April 2021 and April 2022 respectively are fully expensed and accounted for in FY22 as $649,054 and will remain on-foot, subject to testing at the usual vesting dates. The FY21 STI Shares granted in March 2022 will remain on-foot, subject to the usual restriction end date.

8 As noted in section 6.4 Mr Blake retired as Executive KMP and ceased employment effective 8 July 2022 and his remuneration is reported to include all amounts associated with his role as KMP for FY22. This includes fixed remuneration for the period 1 January to 8 July 2022 (salary and superannuation), car parking, pay in lieu of notice equivalent to six months base salary being $287,354 (plus superannuation of $12,646) and a redundancy payment of $153,364 paid in July 2022. The FY21 and FY22 LTI Performance Rights granted in April 2021 and April 2022 respectively are fully expensed and accounted for in FY22 as $695,395 and will remain on-foot, subject to testing at the usual vesting dates. The FY21 STI Shares granted in March 2022 will remain on-foot, subject to the usual restriction end date.

9 The FY21 total remuneration values align to the FY21 Remuneration Report and is based on remuneration for FY21 Executive KMP. These totals are higher than a summation of the remuneration for the individual FY22 Executive KMP reported above as Ms Duarte ceased as KMP on 31 December 2021, however is not included in FY22.

9. Additional statutory disclosures

9.1 Executive KMP restricted shareholding and Performance Rights

9.1.1 Restricted STI Shares

The 2022 Remuneration Report includes the first grant of STI Shares in March 2022 related to the FY21 STI. No STI Shares for Executive KMP were released or forfeited during FY22.

		Movement during financial period				Additional information
Name	Opening Balance at 1 January 2022	Granted	Released	Forfeited	Closing Balance at 31 December 2022[1]	Market price at grant per share[2]
Ahmed Fahour	–	270,206	–	–	270,206	$1.9985
Paul Varro	–	67,551	–	–	67,551	$1.9885
Bob Belan[3]	–	–	–	–	–	–
David Gelbak	–	62,771	–	–	62,771	$1.9885
Andrew Walduck	–	92,961	–	–	92,961	$1.9885
Jo Mikleus[4]	–	56,293	–	–	56,293	$1.9885
Chris Blake[4]	–	67,551	–	–	67,551	$1.9885
Total	**–**	**617,333**	**–**	**–**	**617,333**	

1 The FY21 STI shares granted during FY22 were reported and accounted for in the 2021 Annual Report.

2 The market price at grant was $1.998468 per share, being the 5-day VWAP from the second trading day following the release of the FY21 results.

3 Mr Belan did not participate in the FY21 STI.

4 Ms Mikleus and Mr Blake's FY21 STI Shares granted in March 2022 remain on-foot as at 31 December 2022 and subject to restrictions until the usual vesting date.

9.1.2 Performance Rights

The table below sets out details of Performance Rights that were granted to KMP during FY22. No Performance Rights for KMP were vested, exercised or forfeited during FY22.

		Movement during financial period				Additional information
Name	Opening Balance at 1 January 2022[1]	Granted	Vested/ Exercised	Forfeited	Closing Balance at 31 December 2022	Accounting fair value of grant yet to vest[2]
Ahmed Fahour	496,573	625,479[3]	–	–	1,122,052	$2,323,836
Paul Varro	178,766	281,465	–	–	460,231	$940,241
Bob Belan[4]	–	225,172	–	–	225,172	$414,647
David Gelbak	148,972	225,172	–	–	374,144	$766,258
Andrew Walduck	216,009	272,083	–	–	488,092	$1,010,867
Jo Mikleus[5]	148,972	225,172	–	–	374,144	$836,579
Chris Blake[5]	178,766	225,172	–	–	403,938	$766,258
Total	**1,368,058**	**2,079,715**	**–**	**–**	**3,447,773**	**$7,058,686**

1 The opening balance at 1 January 2022 is 223,458 less than the closing balance at 31 December 2022 (as detailed in the 2021 Remuneration Report). This represents Ms Duarte's FY21 LTI Performance Rights, who has been removed from the report as she was not KMP during FY22. Her holding will continue to be held until the usual testing and vesting dates, as detailed in the 2021 Remuneration Report.

2 Fair value based upon market price at grant of $2.517250, excluding dividend yield of $0.157 for FY21 grant, and market price at grant of FY22 LTI of $1.998468, excluding dividend yield.

3 Shareholder approval for the issue of Performance Rights to Mr Fahour was obtained under ASX Listing Rule 10.14 at the AGM on 27 April 2022.

4 Mr Belan didn't participate in the FY21 LTI.

5 Ms Mikleus and Mr Blake retain their FY21 LTI Performance Rights granted in April 2021 and FY22 LTI Performance Rights granted in April 2022. These Performance Rights remain on foot as at 31 December 2022 and subject to testing at the usual vesting dates.

9.2 Ordinary shareholdings

9.2.1 NED ordinary shareholdings

The relevant interest of NED in the shares issued by the Company is as follows.

Name	Opening Balance at 1 January 2022	Shares acquired	Shares disposed	Closing Balance at 31 December 2022
Michael Tilley	3,737,266	–	–	3,737,266
Mark Joiner	514,322	–	–	514,322
Alison Ledger	98,760	–	–	98,760
Julie Raffe	–	79,527	–	79,527
Scott Bookmyer	–	–	–	–
James Corcoran	–	–	–	–
Beaux Pontak	–	–	–	–
Andrew Hoshino	–	–	–	–
Total	**4,350,348**	**79,527**	**–**	**4,429,875**

9.2.2 Executive KMP ordinary shareholdings

Executives are expected to hold a Minimum Shareholding Requirement (MSR) within five years of listing or joining the Company, whichever is the later as follows:

- 100% of Fixed Remuneration for the MD & CEO; and
- 50% of Fixed Remuneration for other Executive KMP.

The calculation of the MSR includes ordinary and escrowed shares, but excludes Performance Rights, and utilises the closing share price on 31 December 2022 ($1.3050). As outlined in the table below, as at 31 December 2022 all Executive KMP exceed their MSR.

Name	Share type	Opening Balance at 1 January 2022	Escrow shares movement	Shares acquired	Shares disposed	Closing Balance at 31 December 2022	Alignment to MSR
Ahmed Fahour	Ordinary	–	2,692,308	235,000[1]	–	2,927,308	All Executive KMP, including the MD & CEO, exceed the MSR at 31 December 2022.
	Escrow[2]	2,692,308	(2,692,308)	–		–	
Paul Varro	Ordinary	93,935	497,768	–	–	591,703	
	Escrow[3]	497,768	(497,768)	–	–	–	
Bob Belan	Ordinary	–	–	–	–	–	
	Escrow[4]	11,730,769	–	–	–	11,730,769	
David Gelbak	Ordinary	536,026	1,235,215		–	1,771,241	
	Escrow[3]	1,235,215	(1,235,215)	–	–	–	
Andrew Walduck	Ordinary	359,076	594,344	–	–	953,420	
	Escrow[3]	594,344	(594,344)	–	–	–	
Jo Mikleus[5]	Ordinary	89,577	116,194	–	–	205,771	Not applicable
	Escrow[3]	116,194	(116,194)	–	–	–	
Chris Blake[5]	Ordinary	179,153	246,709	–	–	425,862	
	Escrow[3,6]	246,709	(246,709)	–	–	–	

1 As disclosed to the ASX, Mr Fahour purchased two tranches of shares on market, in arm's length transactions: 200,000 on 22 February 2022 and 35,000 on 10 March 2022.

2 As detailed in section 9.3, Mr Fahour held escrowed shares subject to dealing restrictions until 1 November 2022.

3 As detailed in section 9.3, these Executives held escrowed shares subject to dealing restrictions in two equal tranches that were released on 5 April 2022 and 21 September 2022. Upon release from escrow the shares were transferred to ordinary shares, as detailed.

4 Mr Belan holds escrowed shares subject to dealing restrictions until 26 October 2023, as part of the Symple acquisition.

5 As detailed in section 6.4, Ms Mikleus and Mr Blake retired as KMP during the year. Their closing balance is shown at 31 December 2022, however their alignment to MSR has not been calculated due to their departures.

6 Mr Blake's second tranche of escrowed shares were released on 18 July 2022 following his departure from Latitude.

9.3 Equity Arrangements with KMP – Escrow arrangements

As previously disclosed, prior to Latitude listing on the ASX in April 2021 all Executive KMP (excluding Mr Belan) agreed to enter into Escrow Deeds with the Company. The Escrow Deeds prevents Executives from dealing in Escrowed Shares, until the dealing restrictions lift, and applies additional terms during the escrow period relating to security interests, court orders, insolvency or bankruptcy, takeover bids, bid acceptance facilities, reorganisation and death or incapacity.

If for any reason any or all Escrowed Shares are not transferred or cancelled in accordance with a takeover bid, bid acceptance facility or reorganisation, the escrow restrictions will continue to apply and the holding lock will be reapplied to all Escrowed Shares that are not transferred or cancelled for the remainder of the escrow periods.

The Escrowed Shares held by KMP (excluding Mr Belan and the MD & CEO) were released into ordinary shares on 5 April 2022 and 21 September 2022, once the requisite time periods following the release of both the FY21 full year and the FY22 first half results announcements had elapsed. Similarly, Mr Fahour's escrowed shares were released into ordinary shares on 1 November 2022 at the end of the escrow period.

Following employment with Latitude ceasing on 8 July 2022, Mr Blake's obligations under the Escrow Deed were released and his Escrowed Shares released to him on 18 July 2022. As detailed in section 9.2.2, the escrowed shares Mr Belan acquired in October 2021 remain subject to escrow until 26 October 2023 as part of the acquisition of the Symple business.

9.4 Employee Share Acquisition Plan (ESAP)

The April 2021 grant continues under restriction until April 2024. No KMP participated in the Employee Gift Offer.

9.5 Other disclosures

9.5.1 Directors' declaration and related party transactions

Please refer to the Directors' Report for details of all other directorships held by KMP. Please refer to section 6.5 of the Financial Statements for Related party transactions for KMP.

Details regarding the aggregate of all lending balances, guaranteed or secured by any entity in the Group to KMP and their related parties, and the number of individuals in each group as at 31 December 2022 are as follows:

	2022 $
Outstanding balances at 31 December 2021	53,459
Interest paid and payable for the period	278
Outstanding balances at 31 December 2022	44,091
Total available credit facility during the period	208,500
Maximum drawn amount during the period[1]	107,710
Number of individuals in the group	8

1 This is the sum of each individual's maximum drawn down amount during the year.

Lending balances made to KMP and their related parties are made in the ordinary course of business on normal commercial terms and conditions no more favourable than those given to other employees or customers, including the term of the loan, security required and the interest rate. No lending balances were written off during the period, and no individual KMP's indebtedness to the organisation is greater than $100,000.

9.5.2 Call Options (MD & CEO)

As previously disclosed, prior to Latitude listing on the ASX in April 2021 Ahmed Fahour and KVD Singapore Pty Ltd. (**Selling Shareholder**) entered into a call option arrangement (**Call Option**) pursuant to which Mr Fahour purchased (either directly or indirectly via an investment vehicle), in total, 16.5 million options with the features described below from the Selling Shareholder.

The Call Option has been entered between Mr Fahour and the Selling Shareholder on arm's length terms. Mr Fahour paid an amount determined by an independent valuer to the Selling Shareholder as consideration for the grant of the Call Option.

On 30 June 2022, Latitude disclosed that the Selling Shareholder extended the exercise date for 18 months from March 2023 to September 2024. Mr Fahour made a payment to the Selling Shareholder based on an independent assessment of the value arising from the amendment. This agreement will have no cash or accounting impact upon Latitude or its shareholders other than KVD Singapore. Latitude will make no payment to KVD Singapore or Mr Fahour and is not party to the agreement.

Mr Fahour may exercise one or more tranches of the Call Option on any trading day falling in the period commencing 1 September 2024 and ending on 27 September 2024 (each trading day on which a tranche of the Call Option is exercised, being the **Exercise Date**).

The features of the Call Option are summarised in the table below:

Call Option Tranche #	Total number of options granted to Mr Fahour (Total Options)	Exercise price (per Share) (Exercise Price)
Tranche #1	5.5 million	$3.12 per Share
Tranche #2	5.5 million	$3.25 per Share
Tranche #3	5.5 million	$3.50 per Share

If Mr Fahour exercises one or more tranches of the Call Option, Mr Fahour will receive from the Selling Shareholder a net settlement to a value equal to the sum of (i) the Closing Market Price per Share on the Trading Day immediately prior to the relevant Exercise Date less (ii) the Exercise Price for that tranche, multiplied by the number of Total Options for that tranche.

Mr Fahour may also exercise one or more tranches of the Call Option on the occurrence of certain change of control events in respect of the Company.

The Call Option will lapse if it is not exercised by 27 September 2024.

Mr Fahour will not be entitled to participate in any dividends of the Company in his capacity as the holder of the Call Option.

The cessation of Mr Fahour's employment with Latitude and position as KMP does not affect his participation in the Call Option.

9.6 Use of consultants/associated parties

No consultants or associated parties made any remuneration recommendation as defined by the *Corporations Amendment (Improving Accountability on Director and Executive Remuneration) Act 2011* (the **Act**).

While EY were engaged during FY22 to provide executive remuneration benchmark data and advice on equity plans, no remuneration recommendations as defined by the Act were provided by EY.

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

Michael Tilley
Director

Melbourne
17 February 2023

Directors' Declaration

The Directors of Latitude Group Holdings Limited declare that:

(a) the consolidated financial statements and notes set out on pages 79 to 153 are in accordance with the *Corporations Act 2001*, including:

(i) section 296, that they comply with the Australian Accounting Standards and any further requirements in the *Corporations Regulations 2001*; and

(ii) section 297, that they give a true and fair view of the Group's financial position as at 31 December 2022 and of its performance for the year ended on that date; and

(b) the financial statements also comply with the International Financial Reporting Standards.

(c) as at the date of this declaration, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

(d) at the date of this declaration, there are reasonable grounds to believe that the members of the extended closed group identified in section 6.1(a) will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in section 6.8(a).

The Directors have received declarations required under section 295A of the *Corporations Act 2001* from the Chief Executive Officer and the Chief Financial Officer for the financial year ended 31 December 2022.

Signed in accordance with a resolution of the Directors.

Michael Tilley
Director

Melbourne
17 February 2023

Auditor's Independence Declaration

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Latitude Group Holdings Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of Latitude Group Holdings Limited for the financial year ended 31 December 2022 there have been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

ii. no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

Chris Wooden

Partner

Melbourne

17 February 2023

Consolidated Income Statement

For the year ended 31 December 2022

	Notes	2022 $'m	*2021 $'m
Continuing operations			
Interest income	2.2(a)	890.2	932.4
Interest expense	2.2(a)	(218.7)	(169.7)
Net interest income		**671.5**	**762.7**
Other operating income	2.2(b)	37.6	25.0
Total operating income		**709.1**	**787.7**
Loan impairment expense	3.2(g)	(119.5)	(116.0)
Operating expenses			
Employee benefit expense		(168.1)	(168.9)
Depreciation and amortisation expense		(105.3)	(92.8)
IT and data processing expenses		(65.7)	(53.6)
Marketing expenses		(27.5)	(37.8)
Administrative and professional expenses		(81.4)	(32.9)
Occupancy and operating expenses		(15.5)	(21.2)
Other expenses		(44.1)	(59.8)
Total operating expenses		**(507.6)**	**(467.0)**
Distribution to trust beneficiaries		–	(3.2)
Profit before income tax		**82.0**	**201.5**
Income tax expense	2.3(a)	(24.1)	(57.5)
Profit from continuing operations		**57.9**	**144.0**
Discontinued operations			
Net profit/(loss) after tax from discontinued operations	6.7(b)	(21.6)	16.3
Profit for the year		**36.3**	**160.3**
Profit/(loss) is attributable to:			
Owners of Latitude Group Holdings Limited		37.7	160.9
Non-controlling interests		(1.4)	(0.6)
Profit for the year		**36.3**	**160.3**

* Comparative information has been restated to reflect prior period adjustments detailed in note 6.7.

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

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2022

	Notes	2022 $'m	*2021 $'m
Profit for the year		**36.3**	**160.3**
Other comprehensive income			
Items that may be reclassified to income statement			
Cash flow hedges – fair value gain/(losses)	4.1(b)	50.3	23.0
Cash flow hedges – related taxes	4.1(b)	(15.8)	(5.4)
Currency translation differences arising during the period	4.1(b)	0.2	5.6
Other comprehensive income, net of tax		**34.7**	**23.2**
Total comprehensive income for the year		**71.0**	**183.5**
Total comprehensive income/(loss) is attributable to:			
Owners of Latitude Group Holdings Limited		72.4	184.1
Non-controlling interests		(1.4)	(0.6)
Total comprehensive income		**71.0**	**183.5**

Earnings per share for profit attributable to the ordinary equity holders of the Company		**Cents**	**Cents**
Earnings per share	2.5	3.6	17.8
Diluted earnings per share	2.5	3.3	16.4

Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the Company		**Cents**	**Cents**
Earnings per share	2.5	5.7	16.0
Diluted earnings per share	2.5	5.2	14.7

* Comparative information has been restated to reflect prior period adjustments detailed in note 6.7.

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

Consolidated Balance Sheet

As at 31 December 2022

	Notes	2022 $'m	2021 $'m
Assets			
Cash and cash equivalents	3.1(b)	364.0	605.7
Investments	3.1(c)	–	83.6
Derivative financial instruments	3.1(e)	64.2	12.3
Loans and other receivables	3.1(d)	6,163.2	6,008.1
Other assets		10.8	8.2
Deferred tax assets	2.3(d)	155.9	178.3
Current tax assets		28.6	–
Other financial assets		1.6	1.6
Property, plant and equipment	5.1(a)	33.6	69.2
Intangible assets	5.1(b)	949.3	1,047.9
Assets classified as held for sale	6.7(c)	149.5	0.2
Total assets		**7,920.7**	**8,015.1**
Liabilities			
Trade and other liabilities	3.1(f)	226.5	380.7
Current tax liabilities		–	36.8
Derivative financial instruments	3.1(e)	–	1.0
Provisions	5.1(f)	48.3	74.5
Gross insurance policy liabilities		–	19.2
Deferred tax liabilities	2.3(d)	66.3	72.2
Borrowings	3.1(g)	6,085.9	5,865.2
Liabilities held for sale	6.7(c)	19.2	–
Total liabilities		**6,446.2**	**6,449.6**
Net assets		**1,474.5**	**1,565.5**
Equity			
Contributed equity	4.1(a)	2,222.0	2,221.0
Reserves	4.1(b)	(627.2)	(667.2)
Retained earnings/(losses)	4.1(c)	(123.4)	7.2
Capital and reserves attributable to owners of Latitude Group Holdings Limited		1,471.4	1,561.0
Non-controlling interests		3.1	4.5
Total equity		**1,474.5**	**1,565.5**

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

Consolidated Statement of Changes in Equity

For the year ended 31 December 2022

	Attributable to owners of Latitude Group Holdings Limited					
	Contributed equity $'m	Reserves $'m	Retained earnings/ (losses) $'m	Total equity $'m	Non-controlling interests $'m	Total equity $'m
At 1 January 2022	**2,221.0**	**(667.2)**	**7.2**	**1,561.0**	**4.5**	**1,565.5**
Profit/(loss) for the year	–	–	37.7	37.7	(1.4)	36.3
Other comprehensive income	–	34.7	–	34.7	–	34.7
Total comprehensive income/(loss) for the year	–	34.7	37.7	72.4	(1.4)	71.0
Amounts transferred from reserves, net of tax from continuing operations	–	1.5	0.9	2.4	–	2.4
Transactions with owners in their capacity as owners:						
Issue of ordinary shares – dividend reinvestment plan	1.0	–	–	1.0	–	1.0
Dividends paid	–	–	(163.0)	(163.0)	–	(163.0)
Capital note distributions paid	–	–	(6.2)	(6.2)	–	(6.2)
Share-based compensation payments	–	3.8	–	3.8	–	3.8
At 31 December 2022	**2,222.0**	**(627.2)**	**(123.4)**	**1,471.4**	**3.1**	**1,474.5**
At 1 January 2021	**1,110.0**	**(676.0)**	**(73.8)**	**360.2**	**–**	**360.2**
Profit/(loss) for the year	–	–	160.9	160.9	(0.6)	160.3
Other comprehensive profit for the year	–	23.2	–	23.2	–	23.2
Total comprehensive income/(loss) for the year	–	23.2	160.9	184.1	(0.6)	183.5
Amounts transferred from reserves, net of tax from continuing operations	–	4.6	–	4.6	–	4.6
Transactions with owners in their capacity as owners:						
Issue of ordinary shares	964.0	–	–	964.0	5.1	969.1
Issue of capital notes	147.0	–	–	147.0	–	147.0
Dividends paid	–	–	(78.5)	(78.5)	–	(78.5)
Capital note distributions payable	–	–	(1.4)	(1.4)	–	(1.4)
Share-based compensation payments	–	5.3	–	5.3	–	5.3
Transfers to common control reserve from restructure	–	(24.3)	–	(24.3)	–	(24.3)
At 31 December 2021	2,221.0	(667.2)	7.2	1,561.0	4.5	1,565.5

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

Consolidated Statement of Cash Flows

For the year ended 31 December 2022

	Notes	2022 $'m	2021 $'m
Cash flows from operating activities			
Interest received		872.2	897.2
Interest paid		(219.5)	(157.9)
Other operating income received		35.0	27.8
Net insurance income:			
Premiums received		11.9	13.9
Claims paid		(10.4)	(16.0)
Investment income		2.1	0.6
Operating expenses paid		(401.6)	(317.6)
Income taxes paid		(83.5)	(17.9)
Cash flow from operating activities before changes in operating assets and liabilities		**206.2**	**430.1**
Changes in operating assets and liabilities arising from cash flow movements			
Net decrease/(increase) in loans and other receivables		(334.2)	21.2
Net decrease in trade and other liabilities		(45.0)	(19.5)
Net increase/(decrease) in gross insurance policy liabilities		(0.2)	0.1
Net increase in other assets		–	(0.2)
Changes in operating assets and liabilities arising from cash flow movements		**(379.4)**	**1.6**
Net cash provided by/(used in) operating activities		**(173.2)**	**431.7**
Cash flows from investing activities			
Acquisition of Symple Loans, net of cash acquired	6.10	–	(89.5)
Acquisition of OctiFi assets, net of cash acquired	6.11	–	(13.1)
Net purchases of intangible assets, property, plant & equipment		(24.9)	(84.2)
Net investment in debt investments		64.3	(51.9)
Net cash provided by/(used in) investing activities		**39.4**	**(238.7)**

Consolidated Statement of Cash Flows continued

	Notes	2022 $'m	2021 $'m
Cash flows from financing activities			
Proceeds from issuance of capital notes		–	150.0
Transaction costs paid on capital note issuance		–	(4.0)
Proceeds from borrowing issuances and drawdowns		1,709.3	2,706.5
Repayment of borrowings		(1,632.8)	(2,778.3)
Net proceeds from facility agreements		144.8	–
Net movement from restructuring		–	(29.7)
Net outflow from share-based payment plan		–	(0.1)
Payment of lease liabilities		(11.4)	(13.1)
Payments of transaction costs from financing activities		(1.8)	(5.6)
Deferred consideration paid		(39.4)	–
Dividends paid		(162.1)	(78.5)
Capital note distributions paid		(6.2)	–
Distributions paid pre-IPO listing		–	(3.0)
Net cash provided by/(used in) financing activities		**0.4**	**(55.8)**
Net increase/(decrease) in cash and cash equivalents		**(133.4)**	**137.2**
Cash and cash equivalents at beginning of financial period		605.7	463.0
Cash and cash equivalents reclassified to assets held for sale		(116.7)	–
Effects of exchange rate changes on cash and cash equivalents		8.4	5.5
Cash and cash equivalents at end of financial year	3.1(b)	**364.0**	**605.7**

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

Notes to the Financial Statements

For the year ended 31 December 2022

Section 1 | Basis of Preparation

1.1 Basis of preparation

(a) Reporting entity

The Financial report is for Latitude Group Holdings Limited (the 'Company') and its controlled entities (the 'Group'). Latitude Group Holdings Limited is a for-profit public company limited by shares, incorporated and domiciled in Australia. Effective 15 December 2022, Latitude changed its registered office and principal place of business from 800 Collins Street, Docklands, Melbourne, Victoria, 3008 to Level 18, 130 Lonsdale Street, Melbourne, Victoria, 3000.

These consolidated financial statements were authorised for issue by the Directors' on 17 February 2023.

(b) Statement of compliance

The financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (AASs) and other pronouncements of the Australian Accounting Standards Board (AASB), the *Corporations Act 2001* and International Financial Reporting Standards (IFRS) and interpretations published by the International Accounting Standards Board (IASB).

(c) Common control transaction

The Group undertook a restructure in March 2021 in preparation for the ASX Listing. On 25 March 2021, the Company acquired control of Latitude Financial Services Limited (and its controlled entities), the top operating entity of the Latitude New Zealand operations, an entity under the control of the Company's ultimate parent entity KVD Singapore Pte Ltd. Additionally, the Group entered into agreements to acquire the legal and beneficial interests in the Australian warehouse trusts from the original shareholders (or related entities of those parties), together with an assignment right to the income (and associated distribution entitlements) attaching to those interests from and after 1 January 2021. Completion of this sale was conditional on FIRB approval which was obtained on 21 July 2021 and the restructure steps were completed on 1 August 2021.

The transactions occurred between entities under common control. The Group has elected an accounting policy to use book value accounting for the common control transactions, where all assets and liabilities were transferred at their book values in the accounts of the transferor. The results and cashflows for the year ended 31 December 2021 and the prior year comparatives, reflect trading results for the Company and all its controlled entities as if they were a consolidated group in both reporting periods. The entity has elected as its accounting policy to restate comparatives. In addition, some transactions required to enact the internal common control restructure have been presented as if they occurred prior to the date of common control restructure, and are therefore included in the opening balance of the comparative period:

- The acquisition of 79,593,376 ordinary shares of Latitude Financial Services Limited by the Company;
- The removal of the historical consulting and monitoring fees paid or payable to the original investors; and
- The removal of distributions from the Group's trusts to trust beneficiaries of residual income units historically owned by the original investors.

(d) Basis of measurement

These consolidated financial statements have been prepared under the historical cost basis, except for the following:

- Financial instruments measured at fair value, including financial assets backing insurance policies designated at fair value through profit or loss, equity investments designated at fair value through other comprehensive income and derivatives; and
- Assets held for sale – measured at the lower of carrying amount and fair value less costs of disposal.

(e) Functional and presentation currency

These consolidated financial statements are presented in Australian Dollars, which is Latitude Group Holdings Limited's deemed functional and presentation currency.

Notes to the Financial Statements continued

1.1 Basis of preparation (continued)

(f) Rounding of amounts

The Company is of a kind referred to in ASIC Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the Financial report. Amounts in the Financial report have been rounded off in accordance with that Instrument to the nearest hundred thousand dollars, unless otherwise indicated.

(g) Significant estimates and judgements

The preparation of financial statements that conform to accounting standards requires Management to exercise judgement in applying the Group's accounting policies and to make estimates and assumptions. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Group and that are believed to be reasonable under the circumstances.

Areas involving assumptions and estimates that are significant to the financial statements or areas requiring a higher degree of judgement, are disclosed in the following sections:

- Section 3.1: Recoverability of loans and other receivables
- Section 5.1: Recoverability of goodwill and other intangible assets and estimated useful life (other than goodwill)
- Section 5.1: Customer remediation
- Section 6.7(f): Estimation of insurance claims liability

Measurement of expected credit losses

The methodologies and assumption setting process applied in the Expected Credit Loss (ECL) calculations remain consistent with those applied in the financial statements for the year ended 31 December 2021. The Group continues to incorporate estimates, assumptions, and judgements specific to the impact of current and future economic conditions into the measurement calculations as described in section 3.2. The application of model risk overlays is used to offset inherent model risks, as agreed to by Management in line with the Group's provision policy and governance process.

1.2 Other significant accounting policies

Significant accounting policies adopted in the preparation of these consolidated financial statements have been included in the relevant notes to which the policies relate. Other significant accounting policies are listed below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Foreign currency translation

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').

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement. 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 income statement on a net basis within other operating income.

1.2 Other significant accounting policies (continued)

Group companies

The results and financial position of foreign operations that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each consolidated balance sheet presented are translated at the closing rate at the date of that balance sheet;
- Income and expenses for each consolidated income statement and consolidated statement of other comprehensive income are translated at average exchange rates (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.

(b) Principles of consolidation

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. 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 to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. The acquisition method of accounting is used to account for business combinations by the Group (except for the common control transaction described in section 1.1(c)). Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statement, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated balance sheet respectively.

(c) Hedge accounting

On 1 January 2022, the Group adopted hedge accounting under *AASB 9 Financial Instruments*. This resulted in a change of accounting policy to all derivative instruments and hedging activities entered into by the Group. The Group policy is:

- all derivatives are marked to market at fair value at each balance date;
- changes in fair value of derivatives in a cash flow hedge relationship are split out with:
  - the effective hedging portion being recognised in Other Comprehensive Income; and
  - the ineffective portion recognised in Profit or Loss;
- the balance of Other Comprehensive Income is then reclassified to Profit or Loss to match the effect of when the hedged item is recognised in Profit or Loss;
- changes in fair value for all other derivatives are recognised in Profit or Loss; and
- the Group must not enter into derivative transactions for speculative purposes.

The change in policy had no impact on the Group's financial results for the period.

1.2 Other significant accounting policies (continued)

(d) Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which:

- represents a separate major line of business or geographic area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographic area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held-for-sale.

When an operation is classified as a discontinued operation, the comparative statement of profit or loss and statement of other comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative period.

(e) Assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to financial assets, deferred tax assets, employee benefit assets or investment property, which continue to be measured in accordance with the Group's other accounting policies. Impairment losses on initial classification as held-for-sale or held-for-distribution and subsequent gains and losses on remeasurement are recognised in profit or loss.

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

1.3 New and amended standards

(a) New and amended standards adopted

Other amended standards

Other amended Standards that became effective for the financial year ended 31 December 2022 did not have a material impact on the Group.

(b) New standards and interpretations not yet adopted

The following standard has been published that is not mandatory for 31 December 2022 reporting periods and has not been early adopted by the Group.

AASB 17 Insurance Contracts – AASB 17 is effective for financial years commencing on or after 1 January 2023. The new standard establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts.

The insurance operations are discontinued operations and classified as held for sale in the reporting period. The new requirements are not material to the continuing operations of the Group.

Other Standards

Other Standards and interpretations that have been published that are not mandatory for 31 December 2022 reporting periods have not been early adopted by the Group. The Group expects to adopt these on their effective dates, but none are expected to have a material impact on the Group.

Section 2 | Results

2.1 Segment information

(a) Description of segments

The Group's Managing Director and Chief Executive Officer (CEO) and Executive Committee (EC) are responsible for the overall performance of the Group and take accountability for monitoring the Group's business, affairs and setting its strategic direction, establishing policies and overseeing the Group's financial position. The CEO and the EC assess the business on a Cash NPAT basis where the Cash NPAT is calculated by adding back the after tax impact of amortisation of acquisition intangibles, amortisation of legacy transaction costs and notable items to Statutory Profit/(Loss) after tax from continuing operations.

During the period, the Group changed its reportable segments following the completion of the restructure of the Group into its new business units. The CEO and EC have identified three reportable segments of its business:

- **Australia and New Zealand Pay (A&NZ Pay):** sales finance, BNPL products and credit cards.
- **Australia and New Zealand Money (A&NZ Money):** personal loans, motor loans.
- **Other/unallocated:** international businesses, runoff portfolios and unallocated central costs.

Comparative financial information reflects the change in reportable segments and revised definition of Cash NPAT as released to the Australian Stock Exchange on 27 May 2022.

A management fee is charged to the A&NZ Pay and A&NZ Money segments from a central entity within the 'Other' segment. Transactions between segments are carried out at arm's length and are eliminated on consolidation when they arise within the Group.

No single customer contributes revenue greater than 10% of the Group's revenue.

	External Revenue from continuing operations		Non-current assets*	
	31 December 2022 $'m	31 December 2021 $'m	31 December 2022 $'m	31 December 2021 $'m
Geographical information				
Australia	722.2	738.9	3,225.3	3,275.5
New Zealand	205.5	218.5	751.4	713.2
Other	0.1	–	23.5	–
Total	**927.8**	**957.4**	**4,000.2**	**3,988.7**

* Non-current assets exclude financial instruments and deferred tax assets.

2.1 Segment information (continued)

(b) Operating segment overview

Year ended 31 December 2022*	A&NZ Pay $'m	A&NZ Money $'m	Other/ Unallocated $'m	Total $'m
Segment income statement information				
Net interest income	441.8	242.6	(8.6)	675.8
Other income	32.7	4.9	(1.2)	36.4
Total operating income	**474.5**	**247.5**	**(9.8)**	**712.2**
Net charge offs	(92.9)	(54.0)	(0.7)	(147.6)
Risk adjusted income	**381.6**	**193.5**	**(10.5)**	**564.6**
Cash operating expenses	(199.6)	(118.1)	(14.1)	(331.8)
Cash PBT	**182.0**	**75.4**	**(24.6)**	**232.8**
Movement in provision	2.1	26.9	(0.9)	28.1
Depreciation & Amortisation (excluding leases)	–	–	(45.3)	(45.3)
Profit before tax & notable items	**184.1**	**102.3**	**(70.8)**	**215.6**
Income tax expense	–	–	(62.1)	(62.1)
Cash NPAT	**184.1**	**102.3**	**(132.9)**	**153.5**
Amortisation of Acquisition intangibles	–	–	(47.6)	(47.6)
Amortisation of Legacy Transaction Costs	–	–	(3.9)	(3.9)
Notable Items				
Corporate Development	–	–	(41.3)	(41.3)
Restructuring Costs	–	–	(15.2)	(15.2)
Fixed Assets Impairment	–	–	(22.2)	(22.2)
Decommissioned Facilities	–	–	(3.4)	(3.4)
Tax effect of adjustments	–	–	38.0	38.0
Statutory Profit/(Loss) after tax from continuing operations	**184.1**	**102.3**	**(228.5)**	**57.9**
Discontinued operations				(21.6)
Statutory Profit after tax				**36.3**
Segment balance sheet information				
Total assets reported by the Consolidated Group	3,510.5	3,542.0	868.2	7,920.7
Total liabilities reported by the Consolidated Group	(2,447.7)	(3,126.4)	(872.1)	(6,446.2)

* Comparative information has been restated for discontinued operations (refer to note 6.7), change in reportable segments and revised definition of Cash NPAT.

2.1 Segment information (continued)

Year ended 31 December 2021	A&NZ Pay $'m	A&NZ Money $'m	Other/ Unallocated $'m	Total $'m
Segment income statement information				
Net interest income	515.9	264.6	(8.2)	772.3
Other income	21.1	1.8	1.0	23.9
Total operating income	**537.0**	**266.4**	**(7.2)**	**796.2**
Net charge offs	(100.5)	(48.2)	(0.8)	(149.5)
Risk adjusted income	**436.5**	**218.2**	**(8.0)**	**646.7**
Cash operating expenses	(198.7)	(109.6)	(57.1)	(365.4)
Cash PBT	**237.8**	**108.6**	**(65.1)**	**281.3**
Movement in provision	21.8	12.1	(0.3)	33.6
Depreciation & Amortisation (excluding leases)	–	–	(35.3)	(35.3)
Profit before tax & notable items	**259.6**	**120.7**	**(100.7)**	**279.7**
Income tax expense	–	–	(79.6)	(79.6)
Cash NPAT	**259.6**	**120.7**	**(180.3)**	**200.1**
Amortisation of Acquisition intangibles	–	–	(48.3)	(48.3)
Amortisation of Legacy Transaction Costs	–	–	(9.4)	(9.4)
Notable Items				
Investment related	–	–	(12.1)	(12.1)
Restructuring	–	–	(2.1)	(2.1)
Asset/work in progress impairment	–	–	(2.5)	(2.5)
Decommissioned Facilities	–	–	(3.8)	(3.8)
Tax effect of adjustments	–	–	22.1	22.1
Statutory Profit/(Loss) after tax from continuing operations	**259.6**	**120.7**	**(236.4)**	**144.0**
Discontinued operations				16.3
Statutory Profit after tax				**160.3**
Segment balance sheet information				
Total assets reported by the Consolidated Group	3,749.9	3,398.6	866.6	8,015.1
Total liabilities reported by the Consolidated Group	(2,406.7)	(2,991.3)	(1,051.6)	(6,449.6)

2.2 Revenue and expenses

Accounting Policy

Revenue Recognition

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Interest is applied to the gross carrying value of a financial asset unless the asset is credit impaired, in which case it is applied to the net carrying value.

Net interest income

Interest income and expense on loans is recognised using the effective interest method. The effective interest method is a way of calculating the amortised cost using the effective interest rate (EIR) of the financial asset or financial liability. The EIR is a rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument (portfolio average expected life; sales finance 15 months; personal loans 18 months and motor loans 20 months), or when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. Loan origination fees and costs are deferred over the life of the loan and are recognised as an adjustment of the yield. Unless included in the EIR calculation, fees and commissions are recognised on an accruals basis when the service has been provided and all other loan-related costs are expensed as incurred.

Fair value adjustments in relation to acquisition date fair value measurement of loan receivables recorded as a result of business combinations are amortised and included as part of interest income over the estimated customer repayment period. The amortisation period is accelerated when the remaining fair value adjustment is determined to be less than 10% of the original amount.

Other expenses

Operating expenses are recognised as services are provided to the Group, over the period in which an asset is consumed, or once a liability is created.

Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST 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 inclusive of the amount of GST receivable or payable. The net GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the consolidated balance sheet. 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.

2.2 Revenue and expenses (continued)

(a) Net interest income

	2022 $'m	*2021 $'m
Interest income	890.2	932.4
Total interest income	**890.2**	**932.4**
Finance costs on borrowings	(216.3)	(166.8)
Lease interest expense	(2.4)	(2.9)
Total interest expense	**(218.7)**	**(169.7)**
Net interest income	**671.5**	**762.7**

* Comparative information has been restated to reflect prior period adjustments detailed in note 6.7.

(b) Other operating income

	2022 $'m	*2021 $'m
Net interchange and operating fees	32.9	22.7
Other	4.7	2.3
Total other operating income	**37.6**	**25.0**

* Comparative information has been restated to reflect prior period adjustments detailed in note 6.7.

(c) Reconciliation of profit after income tax to net cash inflow/(outflow) from operating activities

	2022 $'m	2021 $'m
Net profit/(loss) after income tax	36.3	160.3
Increase in interest receivable	(19.5)	(34.7)
Increase in interest payable	(2.5)	11.8
Depreciation and amortisation	105.6	92.9
Non-cash charge offs	177.8	171.2
Other (income)/expenses including income tax	(91.5)	28.6
(Increase)/decrease in loans and other receivables	(334.2)	21.2
Net increase/(decrease) in trade and other liabilities	(45.0)	(19.5)
Net increase/(decrease) in gross insurance policy liabilities	(0.2)	0.1
Increase in other assets	–	(0.2)
Net cash (used in)/provided by operating activities	**(173.2)**	**431.7**

Reconciliation of profit after income tax to net cash inflow from operating activities has been prepared on a continuing and discontinued basis

Notes to the Financial Statements continued

2.3 Income tax expense and deferred tax

Accounting Policy

Taxation

Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses. The current income tax charge is calculated based on the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate, based on amounts expected to be paid to the tax authorities.

Deferred tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts. Deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination, that, at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and liabilities are offset when there is a legally enforceable right to offset and an intention to settle the liability simultaneously. Current and deferred tax is recognised in the consolidated income statement except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity respectively.

Tax consolidation legislation (Australian Parent and Group only)

The Company and some wholly-owned controlled entities have implemented the tax consolidation legislation from December 2015. On adoption of the tax consolidation legislation, the entities in the tax consolidated group entered into a tax sharing agreement which limits the joint and several liability of the wholly-owned entities in the case of a default by the head entity, Latitude Group Holdings Limited. The entities are taxed as a single entity and the deferred tax assets and liabilities of these entities are set-off in the consolidated financial statements. The head and controlled entities in the tax consolidated group account for their own current and deferred tax accounts. These tax amounts are measured as if each entity in the tax consolidation group was a separate taxpayer with the Group. In addition to its own current and deferred tax amounts, the Company also recognises the current tax liabilities (assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidation group.

The entities have also entered into a tax funding agreement under which the wholly-owned entities fully compensate the Company for any current tax payable assumed. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial statements. The amounts receivable or payable under the tax funding agreement are due upon receipt of the funding advice from the head entity. The funding amounts are recognised as intercompany receivables. Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the Group.

2.3 Income tax expense and deferred tax (continued)

(a) Income tax expense

	2022 $'m	2021 $'m
Current tax expense		
Current tax on profits for the period	20.6	55.8
Adjustments recognised in the period for current tax of prior periods	(2.5)	(2.7)
Foreign exchange differences arising on translation	0.1	–
	18.2	53.1
Deferred tax expense		
Origination and reversal of temporary differences	3.2	9.3
	3.2	9.3
Income tax expense	**21.4**	**62.4**
Income tax expense/(benefit) is attributable to:		
Profit from continuing operations	24.1	57.5
Profit/(loss) from discontinued operations	(2.7)	4.9
Income tax expense	**21.4**	**62.4**

(b) Numerical reconciliation of income tax expense to prima facie tax payable

	2022 $'m	2021 $'m
Profit from continuing operations before income tax expense	82.0	201.5
Profit/(loss) from discontinued operations before income tax expense	(24.3)	21.2
	57.7	222.7
Tax at the Australian tax rate of 30% (2021: 30%)	17.3	66.8
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Permanent differences^	4.6	(1.2)
Effect of differences in tax rates in foreign jurisdictions	0.9	(1.1)
Other	1.1	0.6
Adjustments of prior periods	(2.5)	(2.7)
Income tax expense	**21.4**	**62.4**

^ Includes impairment of goodwill, non-deductible transaction costs and benefit on tax losses not recognised.

Notes to the Financial Statements continued

2.3 Income tax expense and deferred tax (continued)

(c) Deferred tax expense represents movements in deferred tax assets/liabilities

	2022 $'m	2021 $'m
Provisions and other liabilities	19.1	15.5
Deferred income	4.2	1.6
Acquisition transaction costs	0.4	–
Intangible assets – software	(9.1)	(0.7)
Property, plant and equipment	–	0.6
Intangible assets – other	(14.5)	(14.6)
Deferred expenses and prepayments	1.5	2.2
Trust net income	(1.2)	3.9
Other	2.8	0.8
Deferred tax expense	**3.2**	**9.3**

The Group has $3.6 million (2021: $0.6 million) of unused tax losses and $2.3 million (2021: $0.2 million) deductible temporary differences for which no deferred tax asset is recognised in the balance sheet (2021: $nil). These relate to the Symple Loans and OctiFi business acquisition described in sections 6.10 and 6.11. The losses may be carried forward indefinitely subject to shareholding test requirements.

(d) Deferred tax assets and liabilities

	2022 $'m	2021 $'m
Deferred tax assets		
Provisions and other liabilities	88.5	107.7
Deferred income	31.6	35.5
Acquisition transaction costs	0.7	–
Lease liability	8.8	20.0
Intangible assets – software	19.1	11.2
Property, plant and equipment	2.9	1.6
Other	4.3	2.3
Deferred tax assets	**155.9**	**178.3**
Deferred tax liabilities		
Intangible assets – other	24.3	38.8
Deferred expenses & prepayments	13.0	11.5
Right-of-use assets	9.6	17.7
Interest rate swaps	15.5	–
Trust net income	3.4	3.9
Other	0.5	0.3
Deferred tax liabilities	**66.3**	**72.2**
Net deferred tax assets	**89.6**	**106.1**
Amounts expected to be settled within 12 months	55.3	70.9
Amounts expected to be settled after more than 12 months	34.3	35.2
Net deferred tax assets	**89.6**	**106.1**

2.3 Income tax expense and deferred tax (continued)

(e) Other tax recognised

	2022 $'m	2021 $'m
Income tax recognised in other comprehensive income:		
Cash flow hedge reserve	15.8	7.2
Income tax recognised directly in equity:		
Capital note issuance costs	–	(1.0)

2.4 Dividends and distributions

Accounting Policy

Dividends

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 reporting period but not distributed at the end of the reporting period.

(a) Dividends

On 17 February 2023, the following dividends were declared by the Directors.

	Cents per share	Total $m	Date of payment	Franked amount per share
Final 2022 dividend	4.00	41.6	24 April 2023	Fully franked

The following dividends were declared and paid by the Company during the current and preceding financial year:

2022	Cents per share	Total $m	Date of payment	Franked amount per share
Interim 2022 dividend	7.85	81.5	26 October 2022	Fully franked
Final 2021 dividend	7.85	81.5	22 April 2022	Fully franked

2021	Cents per share	Total $m	Date of payment	Franked amount per share
Interim 2021 dividend	7.85	78.5	14 October 2021	Unfranked

Dividend reinvestment plan

In 2022, Latitude Group Holdings Limited established a Dividend Reinvestment Plan (DRP). Eligible shareholders can elect to reinvest their entitlement in Latitude ordinary shares under the Company's Dividend Reinvestment Plan (DRP).

Shares issued under the DRP are provided through the issue of new shares and rank equally in all respects with existing fully paid Latitude ordinary shares.

Franking credits

The franking credits balance of the Group at the time of listing on the ASX in April 2021 automatically converted to become exempting credits. They are held only for the benefit of those non-resident shareholders that held shares in the Group immediately prior to listing and continue to effectively hold the same shares in the Group at the time a dividend is paid.

2.4 Dividends and distributions (continued)

The amount of Australian franking credits available to shareholders at 31 December 2022 for subsequent financial years is nil (2021: $5.0 million).

(b) Distributions payable on other equity instruments

	2022 $'m	2021 $'m
Latitude Capital Note (ASX: LFSPA)	1.5	1.4
	1.5	1.4

Distributions relate to capital notes issued as described in section 4.1(a).

2.5 Earnings per share

Accounting Policy

Earnings per share

Basic Earnings per Share (EPS) amounts are calculated by dividing the profit or loss for the period attributable to ordinary equity holders of the Company by the sum of the weighted average number of ordinary shares outstanding during the period.

Diluted Earnings per Share (Diluted EPS) amounts are calculated by dividing the profit or loss for the period attributable to ordinary equity holders of the Company by the sum of the weighted average number of ordinary shares outstanding, adjusted for the effects of all dilutive potential ordinary shares.

(a) Earnings per share

The earnings and weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share are as follows:

	Basic		Diluted	
	2022	2021	2022	2021
Earnings ($'m)				
Profit for the year attributable to owners of the Company	37.7	160.9	37.7	160.9
Net profit/(loss) from discontinued operations attributable to owners of the Company	(21.6)	16.3	(21.6)	16.3
Adjusted earnings from continuing operations attributable to owners of the Company	59.3	144.6	59.3	144.6
Weighted average number of ordinary shares (millions)				
Weighted average number of ordinary shares	1,038.6	902.0	1,038.6	902.0
Potential dilutive weighted average number of ordinary shares:				
Conversion of capital notes	–	–	112.2	79.1
Total weighted average number of ordinary shares	**1,038.6**	**902.0**	**1,150.8**	**981.1**
Earnings per share (cents) attributable to owners of the Company				
Earnings per share (cents)	3.6	17.8	3.3	16.4
Earnings per share (cents) from continuing operations	5.7	16.0	5.2	14.7

Section 3 | Financial Instruments and Risk Management

3.1 Financial assets and liabilities

Accounting Policy

Classification – Financial assets and liabilities

Amortised cost

Debt instruments are measured at amortised cost if both the following conditions apply:

(a) the instrument is held to collect contractual cash flows, rather than being sold prior to contractual maturity to realise fair value changes; and

(b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Recognition and derecognition

Financial instruments are recognised when the Group becomes party to the contractual provisions of the instrument. Financial assets are derecognised when the Group's contractual rights to the cash flows from the instrument expire or if the Group transfers the instrument to another party without retaining control or substantially all the risks and rewards of the asset. Financial liabilities are derecognised when the Group's obligation under the contract is discharged, cancelled or it expires.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions, restricted cash and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash.

Investments

Investments include Hallmark term deposits held at call with financial institutions and other highly liquid investments with original maturities of three months or more that are readily convertible to known amounts of cash. Investments are carried at the face value of the amounts deposited as their carrying amounts approximate their fair value.

Loans and other receivables

Loan receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Group did not intend to sell immediately or in the near term. Loans and advances are amounts due from customers in the ordinary course of business. They are initially recognised at fair value plus directly attributable transaction costs and subsequently measured at amortised cost, using the effective interest method, net of any provision for doubtful debts.

Trade and other liabilities

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 60 days of recognition.

Borrowings

Borrowings are initially recognised at fair value, net of directly attributable transaction costs and subsequently measured at amortised cost, using the effective interest method. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired.

Notes to the Financial Statements continued

3.1 Financial assets and liabilities (continued)

Fair value through profit or loss (FVPL)

The Group may choose to designate, at initial recognition, a financial asset or a financial liability at FVPL if it eliminates or reduces an accounting mismatch. Equity investments are measured at FVPL unless the Group has elected to measure them as FVOCI below.

Financial assets backing insurance liabilities

Financial assets backing insurance policies are measured at fair value through profit or loss, with gains and losses being recognised through profit or loss.

Fair value through other comprehensive income (FVOCI)

Other financial assets

The Group may elect to measure its non-traded equity instruments at fair value through other comprehensive income, with only dividend income being recognised in profit or loss.

Loss provisioning

Provision for losses on loans and advances

Loss provisioning is based on a three-stage approach to measuring expected credit losses (ECLs) for loans and advances which is based on the change in credit quality of financial assets since initial recognition:

Stage 1: Where there has been no significant increase in the risk of default since origination, reserves reflect the portion of the lifetime ECL from expected defaults in the following twelve months.

Stage 2: For assets where there has been a significant increase in risk since origination but are not credit impaired, a lifetime ECL is recognised.

Stage 3: For assets deemed as credit impaired, a lifetime ECL is recognised.

The Group determines that a significant increase in risk occurs when an account is more than 30 days delinquent since origination. Exposures are assessed as credit impaired where the Group determines that an account is in default, being an account that is either 90 days or more past due or it is an account identified as bankrupt, deceased or fraudulent or any account in litigation or in hardship. ECLs are derived from probability-weighted estimated loss measures taking account of possible outcomes, the time value of money and current and future economic conditions. Customer loans are grouped on the basis of shared credit risk characteristics and lending type, by product category. As asset quality deteriorates an exposure will move through ECL stages. As asset quality improves, an asset that was previously assessed as a significant increase in credit risk that had lifetime ECL, may in subsequent periods revert back to Stage 1.

The Group's Buy Now Pay Later (BNPL) small ticket product provision model was implemented in 2022 and follows a three-stage approach to measuring expected credit losses (ECLs) for loans and advances. Under this approach loans will be grouped by arrears aging and for each segment the expected loss applied to the balance. Given the short-term nature of the product, the definitions across stage 1, 2 and 3 differ from Latitude's revolving and loans products. The Group determines that a significant increase in risk occurs when an account is 7 days delinquent since origination, representing one missed payment. Exposures are assessed as credit impaired where the Group determines that an account is in default, being an account that is either 29 days or more past due or it is an account identified as bankrupt, deceased or fraudulent. As asset quality deteriorates an exposure will move through ECL stages. As asset quality improves, an asset that was previously assessed as a significant increase in credit risk that had lifetime ECL, may in subsequent periods revert back to Stage 1. FLI is applied using an empirical approach combined with expert judgement to produce multiple economic scenario ECLs which are weighted to produce a final ECL at each significant reporting date.

3.1 Financial assets and liabilities (continued)

Modified loans comprise financial assets under a hardship arrangement or those in the process of litigation. When a flag indicator is removed from the account of a modified financial asset, signalling the end of the modification arrangement, then the loss allowance for the financial asset will revert to being measured at an amount equal to Stage 1 12-month ECL if the financial asset is less than 30 days past due and is not flagged as bankrupt, deceased, fraud, hardship or litigation status. ECL for a previously modified financial asset can subsequently be remeasured at an amount equal to lifetime ECL when the delinquency is between 30 and 89 days past due (Stage 2), or when the delinquency is greater than or equal to 90 days past due, or is flagged as bankrupt, deceased, fraud, hardship or litigation status (Stage 3).

Loans and advances from customers are written off when they are deemed non-collectable at a portfolio level, or at an earlier date depending on customer status. Subsequent recoveries of loans from legal enforcement relating to an amount previously charged off are set off against loan impairment expenses in the statement of profit or loss and statement of other comprehensive income.

The estimation of expected credit losses and assessment of credit risk, leverages various information including past events, current conditions, and reasonable information about future events including economic conditions. As part of the measurement of expected credit losses (ECLs) for loans and advances, the Group leverages a forward-looking macroeconomic model with multiple economic scenarios, including baseline forecasts, upside, and downside scenarios, to produce multiple ECLs. These are weighted according to the Group's AASB 9 governance process, to determine a final probability weighted ECL. The forward-looking macroeconomic model is a regression-based model leveraging various economic indicators, including Consumer Price Index (CPI), house prices, household disposable income, retail sales, and claims on the private sector. The forward-looking economic variables are used to project defaults over the next twelve months (Stage 1) and lifetime (Stage 2), with the outcome an adjustment to the probability of default within the ECL model.

Impaired accounts existing in the portfolio, resulting from the purchase of impaired accounts from GE as part of the business acquisition in November 2015, are referenced as 'Purchased or Originated Credit-Impaired' (POCI) assets under AASB 9. In accordance with AASB 9, POCI should be reserved for on a lifetime basis. The Group therefore identifies any POCI accounts in Stage 1 and adjusts the reserve for these to ensure lifetime coverage is achieved.

Derivative Financial Instruments

Derivatives are classified as FVPL unless they are designated hedging instruments. They 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 derivatives as hedges of a particular risk associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges). The Group documents at the inception of the hedging transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. It also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values of cash flows on hedged items.

Cash flow hedge

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 operating income. 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.

3.1 Financial assets and liabilities (continued)

Derivatives that do not qualify for hedge accounting

Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in profit or loss within other operating income.

Offsetting

Financial assets and liabilities are offset and the net amount is presented in the balance sheet when the Group has a legal right to offset the amounts and intends to settle on a net basis or to realise the asset and settle the liability simultaneously.

(a) Financial assets and financial liabilities

Financial assets	Notes	Assets designated FVOCI $'m	Assets designated FVPL $'m	Assets at fair value $'m	Assets at amortised cost $'m	Total $'m
2022						
Cash and cash equivalents	3.1(b)	–	–	–	364.0	364.0
Derivative financial instruments		–	–	64.2	–	64.2
Loans and other receivables	3.1(d)	–	–	–	6,163.2	6,163.2
Other financial assets		1.6	–	–	–	1.6
Total financial assets		**1.6**	**–**	**64.2**	**6,527.2**	**6,593.0**
2021						
Cash and cash equivalents	3.1(b)	–	–	–	605.7	605.7
Investments	3.1(c)	–	83.6	–	–	83.6
Derivative financial instruments		–	–	12.3	–	12.3
Loans and other receivables	3.1(d)	–	1.2	–	6,006.9	6,008.1
Other financial assets		1.6	–	–	–	1.6
Total financial assets		**1.6**	**84.8**	**12.3**	**6,612.6**	**6,711.3**

Financial liabilities	Notes	Liabilities designated FVOCI $'m	Liabilities at fair value $'m	Liabilities at amortised cost $'m	Total $'m
2022					
Trade and other liabilities	3.1(f)	–	–	226.5	226.5
Borrowings	3.1(g)	–	–	6,085.9	6,085.9
Total financial liabilities		**–**	**–**	**6,312.4**	**6,312.4**
2021					
Trade and other liabilities	3.1(f)	–	–	380.7	380.7
Derivative financial instruments		–	1.0	–	1.0
Borrowings	3.1(g)	–	–	5,865.2	5,865.2
Total financial liabilities		**–**	**1.0**	**6,245.9**	**6,246.9**

3.1 Financial assets and liabilities (continued)

(b) Cash and cash equivalents

	2022 $'m	2021 $'m
Current assets		
Cash and cash equivalents	358.3	580.9
Hallmark short term deposits	–	17.9
Restricted cash[1]	5.7	6.9
Cash and cash equivalents	**364.0**	**605.7**

1 Being cash deposited as security.

(c) Investments

	2022 $'m	*2021 $'m
Investments		
Cash investments – greater than 3 months	–	70.0
Investments – RMBS	–	13.6
Investments	**–**	**83.6**

* Relates to discontinued operations and classified as held for sale in 2022. See note 6.7.

(d) Loans and other receivables

	Notes	2022 $'m	2021 $'m
Loans and advances			
Loans and advances		6,474.2	6,352.1
Unearned income		(80.6)	(100.2)
Provision for impairment losses	3.2(f)	(242.7)	(271.6)
Total loans and advances		6,150.9	5,980.3
Other receivables			
Trade receivables		9.6	18.8
Other receivables		2.7	9.0
Total other receivables		12.3	27.8
Total loans and other receivables		**6,163.2**	**6,008.1**
Current		3,145.9	3,076.2
Non-current		3,017.3	2,931.9
Total loans and other receivables		**6,163.2**	**6,008.1**

As the majority of the Group's customer loans are variable rate products, their fair values are deemed not to be significantly different to their carrying amounts. Other receivables are generally of a short-term nature whose fair value approximates their carrying amounts.

Information about the impairment of loans and other receivables, their credit quality and the Group's exposure to credit risk can be found in section 3.2.

3.1 Financial assets and liabilities (continued)

(e) Derivatives

	2022 $'m	2021 $'m
Current derivative assets		
Interest rate swap contracts – cash flow hedges	2.9	–
Forward foreign exchange contracts	3.2	0.4
Total current derivative financial instrument assets	6.1	0.4
Non-current derivative assets		
Interest rate swap contracts – cash flow hedges	58.1	11.9
Total non-current derivative financial instruments	58.1	11.9
Total derivative assets	**64.2**	**12.3**
Non-current derivative liabilities		
Interest rate swap contracts – cash flow hedges	–	1.0
Total non-current derivative financial instrument liabilities	–	1.0
Total derivative liabilities	**–**	**1.0**

The Group enters into derivative transactions for economic hedging purposes under International Swaps and Derivatives Association ('ISDA') master agreements. The agreements generally allow for simultaneous netting of payments in relation to each party's obligations for derivative assets and liabilities. Therefore, although the Group does not have a current legal enforceable right of set off and does not offset the assets and liabilities on the balance sheet, it will settle the derivative on a net basis simultaneously when the amounts due or owed are with the same counterparty.

3.1 Financial assets and liabilities (continued)

(f) Trade and other liabilities

	Notes	2022 $'m	2021 $'m
Current			
Trade and other payables		52.2	79.9
Accrued expenses		37.4	55.9
Payables to related parties	6.5(c)	11.9	39.4
Customer credit balances		59.4	55.0
Promissory note		–	24.0
Outstanding Insurance claims liability		–	7.5
Lease liability		6.2	10.5
Capital note distributions		1.5	1.4
Current trade and other liabilities		**168.6**	**273.6**
Non-Current			
Payables to related parties	6.5(c)	33.2	45.1
Outstanding Insurance claims liability		–	4.4
Lease liability		24.7	57.6
Non-current trade and other liabilities		**57.9**	**107.1**
Total trade and other liabilities		**226.5**	**380.7**

The carrying amounts of trade and other liabilities approximates fair value. When measuring lease liabilities, the Group discounts lease payments using its incremental borrowing rate. The weighted-average discount rate applied is 3.92% as at 31 December 2022 (31 December 2021: 3.79%).

(g) Borrowings

	2022			2021		
	Current $'m	Non-current $'m	Total $'m	Current $'m	Non-current $'m	Total $'m
Secured						
Securitisation liabilities	743.2	5,196.2	5,939.4	949.1	4,916.1	5,865.2
Total secured borrowings	743.2	5,196.2	5,939.4	949.1	4,916.1	5,865.2
Unsecured						
Facility agreements	36.5	110.0	146.5	–	–	–
Total unsecured borrowings	36.5	110.0	146.5	–	–	–
Total borrowings	**779.7**	**5,306.2**	**6,085.9**	**949.1**	**4,916.1**	**5,865.2**

3.1 Financial assets and liabilities (continued)

Securitisation liabilities

The Group's principal sources of funding are through revolving warehouse facilities and asset-backed securities (ABS) issued in Australia and New Zealand. These debt issuances fund pools of customer loans and advances that are sold to the special purpose entities that issue the debt.

The contractual maturities attached to the securitisation liabilities range between 1-8 years. Actual securitisation liability repayments occur when the trust reaches contractual amortisation periods (commencing in 0-5 years) based on assumed repayment patterns in the underlying receivables. Refer to section 3.2(t) for further details relating to liquidity management. The funding platform provides additional committed facilities as described in section 3.2(s). Significant changes in funding during the year included:

- **January:** New Zealand Sales Finance and Credit Card Warehouse was extended to 24 January 2025, maintaining current commitments of NZ$864 million. The refinance was documented in December 2021.
- **March:** Australian Sales Finance and Credit Card Warehouse was refinanced. Total commitments were reduced by $129 million to $801 million, and the scheduled amortisation date extended to 24 March 2025.
- **March:** Australian Personal Loans Series 2017-1 was redeemed on the payment date following a call date trigger in February. All noteholders were repaid in full, with the remaining balance of loans sold to the Australian Personal Loans Warehouse.
- **March:** Symple Warehouse Trust 2019-1 was extended to 31 March 2024. It was subsequently redocumented and renamed the Australian Personal Loans Trust No. 2 in September.
- **May:** Australian Personal Loans Warehouse was refinanced at its existing facility size and the scheduled amortisation date was extended to 19 May 2025.
- **August:** Australian Credit Card Master Trust Series 2017-2 was redeemed on its expected redemption date. All noteholders were repaid in full.
- **November:** Australian Auto Loans Trust was extended to 19 December 2024, with total commitments remaining at $926 million.
- **December:** Latitude agreed and documented the refinance of the New Zealand Personal Loans Trust, extending the scheduled amortisation date to 17 December 2025 with the refinance being completed on the payment date 17 January 2023.

Facility Agreements

The Group also entered into new Bilateral Facility Agreements for the following facilities:

- effective 18 March 2022 for USD $20 million single draw bullet term credit facility
- effective 17 November 2022 for SGD $30 million revolving credit facility
- effective 21 December 2022 for USD $30 million single draw bullet term credit

3.1 Financial assets and liabilities (continued)

Transaction costs incurred to establish funding

Borrowings are shown net of capitalised transaction costs incurred to establish the funding programme. Unamortised transaction costs of $4.9 million are set off against borrowings at 31 December 2022 (31 December 2021: $8.5 million). During the year $1.8 million (31 December 2021: $5.6 million) of borrowing costs were capitalised.

Covenants

Under the terms of the major borrowing facilities, the Group is required to comply with financial covenants. The Group has complied with these covenants during the year.

Fair value

For the Group's borrowings, the fair values are not materially different to their carrying amounts, since the interest payable on those borrowings is either close to current market rates or the borrowings are of a short-term nature.

(h) Recognised fair value measurements

The Group uses valuation techniques and hierarchy levels to determine the value of its financial instruments measured at fair value. Three classification levels are used. There were no transfers between levels for recurring fair value measurements during the period.

Level 1: This includes instruments for which the valuation is based on quoted market prices.

Level 2: This includes instruments that do not have quoted market prices, where observable market data is used to determine fair value.

Forward exchange contracts are valued using forward pricing valuation techniques. The fair value is determined using quoted forward exchange rates at the reporting date and present value calculations based on high credit quality yield curves in the respective currencies.

Interest rate swaps are valued using 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, future 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.

Level 3: This category level has no observable market data inputs.

The Group holds two unquoted equity investments with no active market within this level, of which one has previously been recognised at nil value and remains as such at the reporting date. The fair value inputs are based on entity specific financial statement information, discounted for their non-marketable nature and any other considerations such as the proximity of the transaction to the reporting date.

3.1 Financial assets and liabilities (continued)

(i) Recurring fair values

	Level 1 $'m	Level 2 $'m	Level 3 $'m	Total $'m
2022				
Financial assets				
Derivative financial assets				
Derivatives used for hedging – interest rate swaps	–	61.0	–	61.0
Derivatives used for hedging – foreign exchange contracts	–	3.2	–	3.2
Other financial assets	–	–	1.6	1.6
Total financial assets	**–**	**64.2**	**1.6**	**65.8**

	Level 1 $'m	Level 2 $'m	Level 3 $'m	Total $'m
2021				
Financial assets				
Hallmark Insurance assets designated at fair value		84.8		84.8
Derivative financial assets				
Derivatives used for hedging – interest rate swaps	–	11.9	–	11.9
Derivatives used for hedging – foreign exchange contracts	–	0.4	–	0.4
Other financial assets	–	–	1.6	1.6
Total financial assets	**–**	**97.1**	**1.6**	**98.7**
Financial liabilities				
Derivative financial liabilities				
Derivatives used for hedging – interest rate swaps	–	1.0	–	1.0
Total financial liabilities	**–**	**1.0**	**–**	**1.0**

The table shows the fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

Financial assets using significant unobservable inputs (Level 3), have no impact on profit or loss or other comprehensive income for the reporting period.

3.1 Financial assets and liabilities (continued)

(j) Level 3 fair values

Reconciliation from the opening balance to the closing balance for level 3 fair values:

	2022 $'m	2021 $'m
Other financial assets:		
Balance 1 January	1.6	1.6
Balance 31 December	1.6	1.6

3.2 Financial risk management

The main risks arising from the Group's financial instruments are credit risk, liquidity risk and market risk (interest rate risk and foreign currency risk). The Group has established risk management processes and has an enterprise risk management framework in place that aims to ensure enterprise risks are effectively identified, measured, monitored and managed. The Group operates under a governance and risk management culture, managed ultimately by a Board Risk Committee, responsible for all enterprise risk. Risk management is cascaded to the business through a Board approved Risk Appetite Statement, approved strategies and policies and operating procedures that establish appropriate limits and controls to monitor and manage the Group's level of risk exposure. Management committees supporting risk governance include an Enterprise Risk Management Committee, which manages strategic, credit, fraud, operational and regulatory risks, and an Asset and Liability Committee, which manages funding, liquidity and market risks A 'three-lines' of defence model is operated to comply with the Group's risk management framework. Separate Committees govern the Hallmark Insurance business, including for risk and compliance.

The Company and its subsidiaries may, from time to time, be involved in legal proceedings (including class actions), regulatory actions or arbitration. Such litigation could be commenced by a range of plaintiffs, such as customers, shareholders, suppliers, counterparties and regulators.

In recent years there has been an increase in regulatory action and class action proceedings, many of which have resulted in significant monetary settlements. The risk of regulatory and class actions has been heightened by a number of factors, including regulatory enforcement actions (such as the civil penalty proceedings brought by AUSTRAC), an increase in the number of regulatory investigations and inquiries (such as the Royal Commission), a greater willingness on the part of regulators to commence court proceedings, more intense media scrutiny and the growth of third-party litigation funding. Regulatory investigations and class actions commenced against a competitor could also lead to similar proceedings against the Group.

Litigation (including class actions) may, either individually or in aggregate, adversely affect the Group's business, operations, prospects, reputation or financial condition. This risk is heightened by increases in the severity of penalties for certain breaches of the law. Such matters are subject to many uncertainties and the outcome may not be predicted accurately. Furthermore, the Group's ability to respond to and defend litigation may be adversely affected by inadequate record keeping.

Depending on the outcome of any litigation, the Group may be required to comply with broad court orders, including compliance orders, enforcement orders or otherwise pay significant damages, fines, penalties or legal costs.

3.2 Financial risk management (continued)

Credit risk

Credit risk is the risk of financial loss to the Group if a customer fails to meet their contractual obligations, arising principally from the Group's loans to customers. Credit risk management is a core feature of Latitude's capability, having developed and refined its credit risk management capabilities to foster prudent underwriting, portfolio management and effective controls. These processes included risk-based loan pricing and lending limits for its customers, allowing Latitude to approve credit to customers while also seeking to ensure adequate compensation for risk to maintain delinquencies and net charge offs in accordance with Latitude's Risk Appetite Statement (RAS). Along with the Risk Appetite Statement, management has a credit policy in place that ensures our portfolios are diversified across various risk rating grades. Management continually assesses the effectiveness of internal credit controls and policies as part of the overall asset management at Latitude.

Exposure

(a) Total undrawn exposure of loans and advances to credit risk by credit risk rating grades

	12-month ECL $'m	Lifetime ECL not credit impaired $'m	Lifetime ECL credit impaired, not POCI^ $'m	Lifetime ECL credit impaired, POCI^ $'m	Total $'m
Very low risk	7,332.6	–	–	2.3	7,334.9
Low risk	477.8	–	–	0.5	478.3
Medium risk	161.1	–	–	0.2	161.3
Moderate risk	23.7	–	–	0.1	23.8
High risk	2.9	–	–	–	2.9
2022	**7,998.1**	**–**	**–**	**3.1**	**8,001.2**
Very low risk	7,823.1	–	–	2.6	7,825.7
Low risk	535.1	–	–	0.6	535.7
Medium risk	174.3	–	–	0.3	174.6
Moderate risk	27.2	–	–	0.1	27.3
High risk	3.5	–	–	–	3.5
2021	**8,563.2**	**–**	**–**	**3.6**	**8,566.8**

^ POCI: Purchased or Originated Credit Impaired.

3.2 Financial risk management (continued)

Credit risk rating

(b) Loans and advances by credit risk rating grades

	12-month ECL $'m	Lifetime ECL not credit impaired $'m	Lifetime ECL credit impaired, not POCI^ $'m	Lifetime ECL credit impaired, POCI^ $'m	Total $'m
Very low risk	2,485.0	3.9	–	1.7	2,490.6
Low risk	1,703.5	10.0	–	2.3	1,715.8
Medium risk	1,176.4	18.2	–	1.8	1,196.4
Moderate risk	335.9	17.8	–	0.7	354.4
High risk	335.1	164.3	189.4	4.4	693.2
Unrated	19.4	2.8	1.6	–	23.8
2022	**6,055.3**	**217.0**	**191.0**	**10.9**	**6,474.2**

^ POCI: Purchased or Originated Credit Impaired.

	12-month ECL $'m	Lifetime ECL not credit impaired $'m	Lifetime ECL credit impaired, not POCI^ $'m	Lifetime ECL credit impaired, POCI^ $'m	Total $'m
Very low risk	2,365.8	2.7	–	1.9	2,370.4
Low risk	1,750.8	8.1	–	2.4	1,761.3
Medium risk	1,113.8	15.5	–	2.6	1,131.9
Moderate risk	313.5	17.1	–	1.1	331.7
High risk	289.8	147.6	220.9	6.3	664.6
Unrated	89.5	1.8	0.9	–	92.2
2021	**5,923.2**	**192.8**	**221.8**	**14.3**	**6,352.1**

^ POCI: Purchased or Originated Credit Impaired.

The credit risk grade scale is used to summarise the risk distribution of the portfolio, based on the probability of an account going to default as determined by behavioural scorecards.

3.2 Financial risk management (continued)

Credit quality

(c) Loans and advances by credit quality

Gross loans and advances	2022 $'m	2021 $'m
Neither past due or impaired (not POCI^)	5,633.2	5,541.2
Past due but not impaired (not POCI^)	639.1	574.8
Impaired (not POCI^)	191.0	221.8
POCI^	10.9	14.3
Total	**6,474.2**	**6,352.1**

^ POCI: Purchased or Originated Credit Impaired.

(d) Loans and advances aging

Gross loans and advances	2022 $'m	2021 $'m
Current	5,759.2	5,699.3
Past due 1-29 days	543.5	504.5
Past due 30-89 days	127.3	105.2
Past due > 90 days	44.2	43.1
Total	**6,474.2**	**6,352.1**

Counterparty risk

The Group is exposed to counterparty risk by holding cash and cash equivalents, and entering into derivatives with financial institutions. Their credit quality can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

(e) Counterparty risk

	2022 $'m	2021 $'m
Cash and cash equivalents		
Investment grade (credit rating range A-2 to A-1+)	364.0	605.7
Investments		
Investment grade (credit rating range A-1+ to AAA)	–	83.6
Derivative financial assets		
Investment grade (credit rating AA-)	64.2	12.3

Other financial assets held by the Group are with counterparties with no external credit rating.

3.2 Financial risk management (continued)

Provision for impairment losses

(f) Movements in the provision for impairment of loans and advances

Movements in the provision for impairment of loans and advances that are assessed for impairment collectively below include transition between stages of loans considered modified.

	Collective provision 12-month ECL $'m	Collective provision lifetime ECL not credit impaired $'m	Collective provision lifetime ECL credit impaired, not POCI^ $'m	Collective provision lifetime ECL credit impaired, POCI^ $'m	Collective provision Total $'m
At 1 January 2022	**196.3**	**13.1**	**60.8**	**1.4**	**271.6**
Effects of exchange rate on translation	(0.2)	–	(0.1)	–	(0.3)
Changes in the loss allowance contributed to by changes in the gross carrying amount of financial instruments, due to:					
(i) financial instruments originated during the reporting period	43.4	1.5	3.5	–	48.4
(ii) derecognition of financial instruments during the reporting period	(22.4)	(2.6)	(13.6)	(0.1)	(38.7)
(iii) change in balance during reporting period	(11.6)	(0.2)	(2.6)	(0.1)	(14.5)
(iv) transfers between stages	(2.7)	2.2	8.6	–	8.1
Net remeasurement of loss allowance	(6.7)	0.2	6.1	0.1	(0.3)
Net change in overlays and other	(18.7)	(2.0)	(10.4)	(0.5)	(31.6)
At 31 December 2022	**177.4**	**12.2**	**52.3**	**0.8**	**242.7**
At 1 January 2021	**206.8**	**18.8**	**73.7**	**2.0**	**301.3**
Effects of exchange rate on translation	0.3	–	0.1	–	0.4
Changes in the loss allowance contributed to by changes in the gross carrying amount of financial instruments, due to:					
(i) financial instruments originated during the reporting period	43.7	1.0	2.6	–	47.3
(ii) derecognition of financial instruments during the reporting period	(25.6)	(3.7)	(16.0)	(0.3)	(45.6)
(iii) change in balance during reporting period	(18.6)	(0.2)	(3.2)	(0.3)	(22.3)
(iv) transfers between stages	(0.3)	(2.0)	1.9	–	(0.4)
Financial instruments acquired through Symple business combination	3.4	–	–	–	3.4
Net remeasurement of loss allowance	(21.5)	(0.8)	(1.8)	–	(24.1)
Net change in overlays and other	8.1	–	3.5	–	11.6
At 31 December 2021	**196.3**	**13.1**	**60.8**	**1.4**	**271.6**

^ POCI: Purchased or Originated Credit Impaired.

3.2 Financial risk management (continued)

The Group's total provision for impairment losses decreased $28.9 million between 31 December 2021 and 31 December 2022 ($271.6 million to $242.7 million) and the coverage ratio decreased by 53bps (4.28% at December 2021 to 3.75% at December 2022). The application of model risk overlays is used to offset a number of inherent model risks.

A consistent approach has been applied to the following model risk overlays held by the Group in December 2022, compared to the equivalent overlays applied in 2021:

- A model imprecision overlay first adopted in 2018, set at 15% of the core model coverage rate and applied evenly across all products (excluding benchmarked products) $29.1 million; and
- A seasonality overlay to adjust for ordinary course movements in the stage distribution of receivables due to seasonal delinquency trends exhibited by the underlying portfolios $3.1 million.

The following updates have been made to the model risk overlays held by the Group for the December 2022 reporting period:

- The removal of the 'COVID-19 normalisation' overlay held by the Group in 2021, which was calculated looking at the year-on-year change in the core model coverage or the prior 12-month period ($52.7) million;
- An economic overlay to cater for forward looking impacts and uncertainty that are not easily modelled, comprised of two components: analysis leveraging alternative variables to calculate change in probability-of-default adjustments $1.3 million, and sensitivity on staging taking into consideration the potential impacts to hardship and delinquency from the changing economic outlook $13.8 million.

The Group applied the below scenario weightings as part of the 31 December 2022 financial period:

Scenario	Weighting 2022	Weighting 2021
Scenario One – Upside A 100% weighting to this scenario would result in a decrease to the total ECL provision at the reporting date of $10.3 million	5%	10%
Scenario Two – Baseline A 100% weighting to this scenario would result in a decrease to the total ECL provision at the reporting date of $4.5 million	55%	50%
Scenario Three – Downside A 100% weighting to this scenario would result in an increase to the total ECL provision at the reporting date of $7.4 million	40%	40%

The Group applies inflation, GDP, unemployment rate, retail sales, claims on the private sector and household disposable income in the macroeconomic scenarios noted above.

Notes to the Financial Statements continued

3.2 Financial risk management (continued)

Impairment losses

(g) Losses recognised in relation to loans and advances

During the year, the following losses were recognised:

	2022 $'m	*2021 $'m
Recognised in profit or loss		
Movement in provision on loans and advances	27.5	32.7
Net impairment loss on loans and advances	(147.0)	(148.7)
Losses recognised in relation to loans and advances	**(119.5)**	**(116.0)**

* Comparative information has been restated for discontinued operations (refer to note 6.7).

Enforcement activity

Loans and advances with a contractual amount of $62.3 million (2021: $63.7 million) written off during the year and still subject to enforcement activity.

Collateral

(h) Collateral held

	2022	2021
Maximum exposure ($'m)	**6,484.7**	**6,352.1**
Collateral classification:		
Secured (%)	19.9	20.5
Unsecured (%)	80.1	79.5

Both secured and unsecured personal loans are offered to the customer. Subject to lending criteria, allowable collateral for a secured loan includes motor vehicles and other vehicles such as caravans and camper trailers, motorcycles, motor homes and boats. There is no minimum or maximum loan value ratio applicable to a secured personal loan and a minimum value of security applies.

When an Australian customer takes a motor loan for the purposes of acquiring a new or used car, motorcycle or other recreational vehicle, certain allowable vehicles are accepted as security for the loan.

Guarantees

The Group does not have any guarantees at 31 December 2022 (2021: $nil).

Foreign exchange risk

Foreign exchange risk arises where changes in foreign exchange rates impact the Group's profit after tax and equity.

The Group has exposures primarily arising from investment in foreign subsidiaries whose functional currency is not A$ (primarily NZ$ with increasing exposure to CAD, SGD and MYR). Additional exposure arises from transactions denominated in non-functional currencies, such as US$ debt and expenses.

Risk management

Material transactions denominated in currencies which are not denominated in a functional currency are hedged where they are highly probable.

The Group uses forward foreign exchange contracts to manage its foreign exchange risk. These contracts are not designated as hedging instruments.

3.2 Financial risk management (continued)

Exposure

(i) Exposure to foreign currency risk, expressed in Australian Dollars

	2022 $'m	2021 $'m
Net open position – US Dollar	0.9	3.2

Foreign exchange gains or losses

(j) Gains/(losses) recognised in relation to changes in foreign exchange rates

During the year, the following gains/(losses) were recognised:

	2022 $'m	2021 $'m
Recognised in profit or loss		
Net foreign exchange gain/(loss) included in other operating income	2.9	1.1
Recognised in other comprehensive income		
Translation of entities with a non-Australian denominated functional currency recognised in foreign currency translation reserve	6.1	5.6

Sensitivity

(k) Sensitivity to changes in exchange rates to financial instruments denominated in foreign currency

	Impact on post-tax profit		Impact on other components of equity	
Index	2022 $'m	2021 $'m	2022 $'m	2021 $'m
USD/AUD exchange rate – increase 10%	0.1	0.2	–	
USD/AUD exchange rate – decrease 10%	(0.1)	(0.2)	–	
NZD/AUD exchange rate – increase 10%	–	–	9.1	10.7
NZD/AUD exchange rate – decrease 10%	–	–	(9.1)	(10.7)
SGD/AUD exchange rate – increase 10%	–	–	3.0	3.3
SGD/AUD exchange rate – decrease 10%	–	–	(3.0)	(3.3)
CAD/AUD exchange rate – increase 10%			0.7	1.0
CAD/AUD exchange rate – decrease 10%	–	–	(0.7)	(1.0)
MYR/AUD exchange rate – increase 10%			(0.1)	–
MYR/AUD exchange rate – decrease 10%	–	–	0.1	–

3.2 Financial risk management (continued)

Interest rate risk

The Group's main interest rate risk arises from mismatches in the interest rate characteristics of its receivables assets and the corresponding funding liabilities.

Risk management

The Groups receivables consist of three types of applicable interest rate:

- Fixed rate personal and auto loans where the interest rate is fixed for the life of the contract. Fixed rate personal loans are typically provided on a term of one to seven years and amortise fully over this term. Auto loans are typically provided on a term of one to seven years with the majority fully amortising over this term and a small proportion partially amortising to a residual balance.
- Interest free instalment products; and
- Variable rate personal loans and auto loans, credits and instalment products which bear interest and whose interest varies over time as the applicable rate changes.

The Groups funding facilities are variable rate borrowings where rates are reset at regular intervals (generally monthly) in-line with current market rates.

Interest rate risk is managed by entering into derivatives (pay fixed interest rate swaps) whereby the Group agrees to pay a fixed interest rate and in return receive a variable market interest rate to hedge the variable borrowing costs.

Swaps are currently in place over floating rate securitisation liabilities relating to fixed rate personal and auto loans sold into securitisation trusts. Hedging amounts and tenors reflect the expected repayment profiles of these fixed rate receivables. Additional swaps are in place to cover a portion of the floating rate securitisation liabilities relating to interest free instalment products sold into securitisation trusts. These derivatives are designated in hedging relationships to minimise profit and loss volatility.

The Group determines the existence of an economic relationship between the hedging instrument and hedged item based on the reference interest rates, tenors, repricing dates and the maturities and amounts. The Group assesses whether the derivative designated in each hedging relationship is expected to be effective in offsetting changes in cash flows of the hedged item using the hypothetical derivative method.

Exposure

(l) Interest rate profile

The exposure of the Group's borrowing to interest rate changes and the contractual re-pricing dates of the interest rate borrowings at the end of the reporting period are as follows:

	2022 $'m	2021 $'m
Variable rate borrowings	6,080.4	5,868.0
	6,080.4	**5,868.0**

(m) Interest rate swaps

As at the end of the reporting period, the Group had the following interest rate swap contracts outstanding:

	2022		2021	
	Weighted average interest rate %	Balance $'m	Weighted average interest rate %	Balance $'m
Interest rate swaps (nominal amount)	1.76%	2,309.5	0.65%	2,314.4

3.2 Financial risk management (continued)

Hedged items and hedging instruments

(n) Amounts relating to items designated as hedged items

Amounts at the reporting date relating to items designated as hedged items were as follows:

	Change in value used for calculating hedge ineffectiveness $'m	Cash flow hedge reserve $'m	Balances remaining in the cash flow hedge reserve from hedging relationships for which hedge accounting is no longer applied $'m
2022			
Interest rate risk			
Variable rate borrowings	50.0	43.0	–
Discontinued hedges[1]	–	–	(0.2)
2021			
Interest rate risk			
Variable rate borrowings	23.5	8.5	–
Discontinued hedges[1]	–	–	(1.7)

1 Balance in Cash flow hedge reserve related to discontinued hedges – Refer to section 3.2(o).

(o) Amounts relating to items designated as hedging instruments and hedge ineffectiveness

	Nominal amount $'m	Carrying amount Assets $'m	Carrying amount Liabilities $'m	Changes in the value of the hedging instrument recognised in OCI $'m	Hedge ineffective-ness recognised in profit or loss $'m	Amount reclassified from hedging reserve to profit or loss $'m
2022						
Interest rate risk						
Interest rate swaps	2,309.5	61.0	0.0	50.3	(0.3)	–
Discontinued hedges[1]	–	–	–	–	–	2.1
2021						
Interest rate risk						
Interest rate swaps	2,314.4	11.9	1.0	23.0	0.5	–
Discontinued hedges[1]	–	–	–	–	–	6.3

1 A number of hedge relationships were discontinued in 2019 in order to rebase the economics of the fixed rate portfolios of the Group. Gains or losses on discontinued hedges that were in cash flow hedge relationships remain in the reserves until the underlying transactions occur. Any changes in the market value of the discontinued hedges are recognised in the consolidated statement of other comprehensive income.

3.2 Financial risk management (continued)

(p) Amounts relating to hedged items as continuing hedges and discontinued hedges

	Hedged risk	Continuing hedges $'m	Discontinued hedges $'m	Total $'m
2022				
Cash flow hedges				
Variable rate borrowings	Interest rate	43.0	(0.2)	42.8
2021				
Cash flow hedges				
Variable rate borrowings	Interest rate	8.5	(1.7)	6.8

Fair value gains or losses

(q) Gains/(losses) recognised in relation to derivatives designated as cash flow hedges

During the year, the following gains/(losses) were recognised:

	2022 $'m	2021 $'m
Recognised in profit or loss		
Net gain/(loss) for ineffective portion of derivatives designated as cash flow hedges	(0.3)	0.5
Recognised in other comprehensive income		
Gain/(loss) recognised in other comprehensive income	34.5	15.8

Sensitivity

(r) Sensitivity to changes in interest rates

	Impact on pre-tax profit		Impact on other components of equity	
	2022 $'m	2021 $'m	2022 $'m	2021 $'m
Interest rates – increase by 100 basis points – Increase/(decrease) in profit	(14.1)	(11.8)	29.4	30.6
Interest rates – decrease by 100 basis points – Increase/(decrease) in profit	14.1	11.8	(30.2)	(31.4)

The analysis above shows the impact of shifts in interest rates on the Group's profit over a year assuming all other things remain equal at the end of the reporting period.

3.2 Financial risk management (continued)

Liquidity risk

The Group ensures it has access to liquidity and has the resources to meet its contractual financial obligations during the normal course of business and in periods of stress. This includes maintaining sufficient cash and other liquid assets and flexibility in funding through committed credit lines.

Risk management

Funding is monitored on a regular basis and risk management includes forecasts and modelling including stress testing scenarios.

(s) Undrawn facilities

Financing arrangements – Corporate facilities

The Group has an existing syndicated facility agreement for the following lines of credit:

- Facility A: A$160 million multicurrency bullet revolving credit facility;
- Facility B: US$41 million bullet revolving credit facility.

As at 31 December 2022, $110.8 million of the Facility A was utilised to finance bank guarantees and to support operational liquidity. $49.2 million of Facility A remained undrawn.

Since its establishment, Facility B has been utilised to refinance existing letters of credit provided as collateral for access to Schemes. US$3.1 million of Facility B remained undrawn.

The Group also entered into new Bilateral Facility Agreements for the following lines of credit:

- effective 18 March 2022, for USD $20 million single draw bullet term credit facility. As at 31 December 2022 the facility was fully drawn.
- effective 17 November 2022, for SGD $30 million revolving credit facility. As at 31 December 2022, SGD $5.0 million was utilised and SGD $25.0 million of facility remained undrawn.
- effective 21 December 2022, for USD $30 million single draw bullet term credit facility. As at 31 December 2022 the facility remained undrawn.

Financing arrangements – Securitisation facilities

In addition to the lines of credit above, the Group had access to the following undrawn borrowing facilities in relation to securitisation borrowings disclosed in section 3.1:

Floating rate	2022 $'m	2021 $'m
Borrowing facilities available	7,280.7	8,222.9
Drawn facilities	(5,937.9)	(5,868.0)
Undrawn facilities	1,342.8	2,354.9

3.2 Financial risk management (continued)

Maturities of financial liabilities

The tables below analyse the Group's financial liabilities into relevant maturity groupings based on their contractual maturities. The amounts disclosed are the undiscounted cash flows, including both principal and associated future interest payments, but exclude transaction costs that have been set off and therefore will not agree to the carrying amounts on the balance sheet.

(t) Contractual maturities of financial liabilities

	Less than 6 months $'m	6-12 months $'m	Between 1-2 years $'m	Between 2-5 years $'m	Over 5 years $'m	Total contractual cash flows $'m	Carrying amount (assets)/ liabilities $'m
2022							
Non-derivatives							
Borrowings – Securitisation liabilities	384.1	491.9	1,048.7	4,916.0	–	6,840.7	5,939.4
Borrowings – facility agreements	35.6	9.8	112.4	–	–	157.8	146.5
Trade and other liabilities	154.8	15.6	23.5	29.8	7.3	231.0	226.5
Total non-derivatives	**574.5**	**517.3**	**1,184.6**	**4,945.8**	**7.3**	**7,229.5**	**6,312.4**
2021							
Non-derivatives							
Borrowings – Securitisation liabilities	312.4	440.8	1,605.3	3,683.0	2.3	6,043.8	5,865.2
Trade and other liabilities	262.5	19.3	25.1	65.5	18.6	391.0	380.7
Total non-derivatives	**574.9**	**460.1**	**1,630.4**	**3,748.5**	**20.9**	**6,434.8**	**6,245.9**
Derivatives							
Derivatives – interest rate swaps	(4.3)	0.7	7.2	7.0	–	10.6	1.0
Total derivatives	**(4.3)**	**0.7**	**7.2**	**7.0**	**–**	**10.6**	**1.0**

Notes to the Financial Statements continued

Section 4 | Capital Management

4.1 Capital Management

Accounting Policy

Contributed equity

Ordinary shares and capital notes that meet AASB 132 criteria are classified as equity. Incremental costs directly attributable to the issue of new shares, options or capital notes are shown in equity as a deduction, net of tax, from the proceeds.

The Group's capital management objectives seek to implement an efficient and diverse capital structure focused on balancing shareholder returns and financial risk, with sufficient liquidity and flexibility to support its strategy and growth. This includes holding sufficient aggregate capital to support its Instalments and Lending products as well as holding sufficient capital required for the Hallmark Insurance business, which is regulated by APRA.

The Group seeks to hold sufficient capital, subject to a Board approved minimum limit, to protect it against unexpected losses arising from the risks described in section 3.2 above, with sufficient capital to meet the level of capital support required by its debt investors in its funding programme, as well as in stress scenarios. In assessing dividend payments, a number of factors are considered, including the general business environment, the operating results and financial condition of the Group, future funding requirements, capital management initiatives, tax considerations and any other restrictions on the payment of dividends by the Group.

Regular reporting is provided to the Board and Management of the Group's capital position and material actions required to manage the capital position are submitted to the Board for approval.

(a) Contributed equity

	2022 Number of shares million	2021 Number of shares million	2022 $'m	2021 $'m
Issued and paid-up ordinary share capital				
Ordinary Shares – fully paid	1,039.2	1,038.5	2,088.2	2,087.2
Equity raising transaction costs	–	–	(13.2)	(13.2)
Total ordinary share capital	**1,039.2**	**1,038.5**	**2,075.0**	**2,074.0**

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held. Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

4.1 Capital Management (continued)

Reconciliation of movement in ordinary shares

	Notes	Number of shares million	$'m
Balance at 1 January 2021		650.2	1,110.0
Issue of ordinary share capital – restructure		349.8	880.2
Issue of ordinary shares in business combination	6.10	38.5	83.8
Balance at 31 December 2021		1,038.5	2,074.0
Shares issued – dividend reinvestment plan		0.7	1.0
Balance at 31 December 2022		**1,039.2**	**2,075.0**

	2022 Number of securities million	2021 Number of securities million	2022 $'m	2021 $'m
Other contributed equity				
Capital notes				
Latitude Capital Note LFSPA	1.5	1.5	150.0	150.0
Less: Equity raising transaction costs			(4.0)	(4.0)
Deferred tax recognised directly in equity			1.0	1.0
Total other contributed equity	**1.5**	**1.5**	**147.0**	**147.0**
Total contributed equity			**2,222.0**	**2,221.0**

The Company launched a capital note offer on 2 September 2021 for 1.5 million securities with $100 face value for an additional $150 million equity. The securities were issued on 28 September 2021 under the ASX code 'LFSPA'.

The notes are unsecured redeemable securities with no fixed maturity date and the Company may convert or redeem the capital notes on the optional exchange date of 27 October 2026 and in certain other circumstances. On conversion, holders would receive a number of the Company's ordinary shares in exchange for their capital notes, the number determined based on the prevailing Volume Weighted Average Price (VWAP) of the ordinary shares less a 2.50% discount. The capital notes have priority over ordinary shares but are subordinated to the claims of senior creditors in a winding-up of the Company.

Cumulative discretionary distributions must be paid quarterly or accrue until paid. No ordinary share dividends can be paid while accrued capital note distributions remain unpaid.

Notes to the Financial Statements continued

4.1 Capital Management (continued)

(b) Reserves

	2022 $'m	2021 $'m
Cash flow hedge reserve		
At 1 January	6.8	(15.4)
Fair value gains/(losses)	50.3	23.0
Income taxes on fair value gains/(losses)	(15.8)	(5.4)
Amounts transferred to income statement	2.1	6.3
Income taxes on amounts transferred to income statement	(0.6)	(1.7)
At 31 December	42.8	6.8
Share-based payment reserve		
At 1 January	40.7	36.7
Employee share plan movement	3.8	4.0
At 31 December	44.5	40.7
Other reserve		
At 1 January	(12.7)	(14.0)
Issued equity instruments	–	1.3
At 31 December	(12.7)	(12.7)
Foreign currency translation reserve		
At 1 January	5.9	0.3
Currency translation differences arising during the year	0.2	5.6
At 31 December	6.1	5.9
Fair value through other comprehensive income reserve		
At 1 January	(2.4)	(2.4)
Net change in fair value of equity investments at FVOCI	–	–
At 31 December	(2.4)	(2.4)
Common control reserve		
At 1 January	(705.5)	(681.2)
Net change in fair value of common control reserve	–	(24.3)
At 31 December	(705.5)	(705.5)
Total reserves	**(627.2)**	**(667.2)**

4.1 Capital Management (continued)

Cash flow hedge reserve

The hedging reserve is used to record gains or losses on derivatives that are designated and qualify as cash flow hedges and that are recognised in other comprehensive income. Amounts are reclassified to profit or loss when the associated hedged transaction affects profit or loss, or to the extent the hedge becomes ineffective.

Share-based payment reserve

The share-based payments reserve is used to recognise the fair value of equity plan units granted to participating employees in relation to the Group's Equity Plans.

Other reserve

Other reserve reflects the fully vested value of equity instruments issued to certain directors and employees.

Foreign currency translation reserve

Exchange differences arising on translation of entities that have a non-Australian dollar functional currency are recognised in other comprehensive income and accumulated in a separate reserve within equity. The cumulative amount is reclassified to profit or loss when the net investment in the entity is disposed of by the Group.

Fair value through other comprehensive income reserve

This reserve includes the cumulative net change in fair value on revaluation of equity instruments at FVOCI.

Common control reserve

The difference between the purchase consideration and the net assets acquired on the restructure under common control that occurred in March 2021 was transferred to a common control reserve.

(c) Retained earnings/(losses)

	2022 $'m	2021 $'m
At 1 January	7.2	(73.8)
Net profit for the year – attributable to owners	37.7	160.9
Amounts transferred from reserves	0.9	–
Ordinary share dividends	(163.0)	(78.5)
Capital note distributions	(6.2)	(1.4)
At 31 December	(123.4)	7.2

4.2 Capital and contractual commitment maturities

(a) Non-cancellable operating leases

	2022 $'m	2021 $'m
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	8.1	14.3
Later than one year but not later than five years	20.1	45.4
Later than five years	7.3	18.6
Commitments for minimum lease payments in relation to non-cancellable operating leases	**35.5**	**78.3**

The decrease in commitments for minimum lease payments is due to the relocation of the registered place of business in 2022.

	2022 $'m	2021 $'m
Rental expense relating to operating leases:		
Minimum lease payments	13.7	16.0

The Group leases operational sites and equipment under non-cancellable operating leases within one year to later than five years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated. The Group recognises right-of-use assets and corresponding lease liabilities for these leases, except for short-term leases.

(b) Other commitments

	2022 $'m	2021 $'m
Commitment to extend credit	8,001.2	8,566.8
Capital commitments	1.7	4.1
Other commitments	**8,002.9**	**8,570.9**

The Group makes commitments to extend credit facilities to its customers in the normal course of business.

Section 5 | Other Assets and Liabilities

5.1 Other Assets and Liabilities

Accounting Policy

Property, plant and equipment including right of use lease assets

Property, plant and equipment is stated at historical cost less accumulated depreciation and impairment losses. Depreciation is calculated on a straight-line basis over the estimated useful life of the specific assets of 3-10 years.

At inception of a contract, the Group assesses whether a contract is, or contains, a lease and recognises a right-of-use asset and a lease liability at the commencement date.

The Group recognises a right-of-use asset initially at cost, comprising the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle or restore the underlying asset, or restore the site on which it is located. The asset is subsequently depreciated using the straight line method and reduced by impairment losses.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or at the Group's incremental borrowing rate if this is not readily determined. Lease payments included in the measurement of the lease liability comprise:

- fixed payments less any lease incentives receivable;
- variable lease payments that depend on an index or rate, initially measured using the rate at commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising an option to terminate the lease.

The lease liability is subsequently adjusted for interest and lease payments made.

The Group's policy is to apply lease accounting to all non low-value leases that are for greater than a 12-month period. For short term or low-value items to which this exemption is applied, lease payments are recognised as an expense over the lease term.

Goodwill

Goodwill on acquisitions of subsidiaries is included in intangible assets and represents the excess of the cost paid over the fair value of the net identifiable assets acquired at the date of acquisition.

5.1 Other Assets and Liabilities (continued)

Customer relationships and distribution agreements

Separately acquired customer contracts and distribution agreements are shown at historical cost. Those acquired in a business combination are recognised at fair value at the acquisition date. They have a finite useful life and are subsequently carried at cost less accumulated amortisation and impairment losses. Customer contracts are amortised on a straight-line basis over 5-9 years and distribution agreements are amortised on a straight-line basis over 1-9 years.

Software

Software relates to IT projects and associated system expenditure that does not result in the acquisition of physical hardware, including software licence acquisitions, upgrades to software platforms, applications and internal functions and network configuration, including internally generated development costs. Software is amortised on a straight-line basis over 1-5 years, or in the case of a licenced intangible, straight line over the licence period.

An intangible asset is recognised if it is probable that the associated future economic benefits will flow to the Group and the cost can be measured reliably where the following criteria are met: it is technically feasible to complete the software so that it will be available for use; it can be demonstrated how the software will generate probable future economic benefits; adequate technical, financial and other resources to complete the development and to use or sell the software are available, and the expenditure attributable to the software during its development can be reliably measured. Any other costs associated with maintaining software are recognised as an expense as incurred.

Development Activities

Capitalised development costs are recorded as software intangible assets and amortised on a straight-line basis from the point at which the asset is ready for use, over the useful life of the intangible. Each phase of a project is considered separately to determine the useful life of the project. Development expenses that do not meet the criteria as software above is recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. For the purposes 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). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

5.1 Other Assets and Liabilities (continued)

Provisions

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 can be reliably estimated. Provisions are not recognised for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small. Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

Employee benefit obligations

Short-term obligations: Liabilities for wages and salaries, including non-monetary benefits that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

Other long-term employee benefit obligations – Long service leave: These are measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

Expected future payments are discounted using market yields at the end of the reporting period of government bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows. Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognised in profit or loss.

The obligations are presented as current liabilities in the combined balance sheet if the entity does not have an unconditional right to defer settlement for at least 12 months after the reporting date, regardless of when the actual settlement is expected to occur.

Equity-based payments

The fair value of units granted under equity based compensation benefits is recognised as employment expenses in the consolidated income statement with a corresponding increase in equity. The fair value is recognised at grant date and recognised over the period during which the party becomes unconditionally entitled to the instruments. The fair value is independently determined using an option-granting model as measured at the grant date which includes the terms and conditions of the instruments. The fair value of the instruments granted is adjusted to reflect market vesting conditions, but excludes the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number and value of instruments that are expected to become exercisable. The equity-based payment expense recognised each year takes into account the most recent estimate.

Notes to the Financial Statements continued

5.1 Other Assets and Liabilities (continued)

(a) Property, plant and equipment

	Furniture and fittings $'m	Leasehold Improve-ments $'m	ROU Property $'m	ROU Motor Vehicles $'m	ROU Hardware $'m	Total $'m
At 1 January 2022						
Cost	6.5	10.4	92.9	0.8	0.7	111.3
Accumulation depreciation	(3.6)	(4.4)	(33.6)	(0.5)	–	(42.1)
Net book amount	**2.9**	**6.0**	**59.3**	**0.3**	**0.7**	**69.2**
Year ended 31 December 2022						
Opening net book amount	2.9	6.0	59.3	0.3	0.7	69.2
Effects of exchange rate differences on translation of foreign operations	–	–	(0.1)	–	–	(0.1)
Additions	0.6	–	5.5	–	–	6.1
Disposals[1]	–	–	(26.3)	(0.1)	–	(26.4)
Depreciation charge	(1.2)	(1.1)	(10.8)	(0.2)	(0.3)	(13.6)
Impairment loss	(1.2)	(0.4)	–	–	–	(1.6)
Closing net book amount	1.1	4.5	27.6	–	0.4	33.6
At 31 December 2022						
Cost	4.7	9.0	48.2	0.5	0.7	63.1
Accumulated depreciation	(3.6)	(4.5)	(20.6)	(0.5)	(0.3)	(29.5)
Net book amount	**1.1**	**4.5**	**27.6**	**–**	**0.4**	**33.6**
Year ended 31 December 2021						
Opening net book amount	2.7	7.2	71.0	0.5	0.3	81.7
Effects of exchange rate differences on translation of foreign operations	0.1	–	0.1	–	–	0.2
Acquisition of Symple Loans	–	–	0.4	–	–	0.4
Additions	1.6	–	–	0.1	0.7	2.4
Depreciation charge	(1.2)	(1.4)	(12.2)	(0.3)	(0.3)	(15.4)
Impairment loss	(0.6)	–	–	–	–	(0.6)
Transfers	0.3	0.2	–	–	–	0.5
Closing net book amount	2.9	6.0	59.3	0.3	0.7	69.2
At 31 December 2021						
Cost	6.5	10.4	92.9	0.8	0.7	111.3
Accumulated depreciation	(3.6)	(4.4)	(33.6)	(0.5)	–	(42.1)
Net book amount	**2.9**	**6.0**	**59.3**	**0.3**	**0.7**	**69.2**

1 During the year end 31 December 2022, $50 million of ROU lease assets disposed and $23.7 million related accumulated depreciation on disposal as a result of the change in registered place of business.

5.1 Other Assets and Liabilities (continued)

(b) Intangible assets

	Goodwill $'m	Distribution agreements $'m	Customer contracts $'m	Software $'m	Capital works in progress $'m	Trade-mark $'m	Total $'m
At 1 January 2022							
Cost	738.1	161.5	267.3	194.0	62.3	0.5	1,423.7
Accumulation amortisation	–	(112.2)	(186.4)	(76.9)	–	(0.3)	(375.8)
Net book amount	**738.1**	**49.3**	**80.9**	**117.1**	**62.3**	**0.2**	**1,047.9**
Year ended 31 December 2022							
Opening net book amount	738.1	49.3	80.9	117.1	62.3	0.2	1,047.9
Effects of exchange rate differences on translation of foreign operations	(0.1)	–	–	0.1	(0.1)	–	(0.1)
Additions	3.9	0.5	1.3	2.1	24.3	–	32.1
Amortisation charge	–	(18.4)	(32.0)	(45.2)	–	(0.1)	(95.7)
Impairment loss[1]	(13.6)	–	–	(15.5)	(5.8)	–	(34.9)
Transfers	–	–	–	63.3	(63.3)	–	–
Closing net book amount	728.3	31.4	50.2	121.9	17.4	0.1	949.3
At 31 December 2022							
Cost	728.3	162.0	264.9	199.7	17.4	0.5	1,372.8
Accumulated amortisation	–	(130.6)	(214.7)	(77.8)	–	(0.4)	(423.5)
Net book amount	**728.3**	**31.4**	**50.2**	**121.9**	**17.4**	**0.1**	**949.3**
Year ended 31 December 2021							
Opening net book amount	521.0	67.7	111.8	88.4	45.7	0.3	834.9
Effects of exchange rate differences on translation of foreign operations	0.7	–	0.1	–	–	–	0.8
Acquisition of Symple Loans[2]	201.5	–	–	0.4	–	–	201.9
Acquisition of OctiFi[2]	14.9	–	–	–	–	–	14.9
Additions	–	–	1.4	(0.1)	81.0	–	82.3
Disposals	–	–	–	(0.1)	–	–	(0.1)
Amortisation charge	–	(18.4)	(32.4)	(33.6)	–	(0.1)	(84.5)
Impairment loss	–	–	–	(1.8)	(0.1)	–	(1.9)
Transfers	–	–	–	63.9	(64.3)	–	(0.4)
Closing net book amount	738.1	49.3	80.9	117.1	62.3	0.2	1,047.9
At 31 December 2021							
Cost	738.1	161.5	267.3	194.0	62.3	0.5	1,423.7
Accumulated amortisation	–	(112.2)	(186.4)	(76.9)	–	(0.3)	(375.8)
Net book amount	**738.1**	**49.3**	**80.9**	**117.1**	**62.3**	**0.2**	**1,047.9**

1 Refer to section 6.7(a).

2 The value of goodwill recognised in relation to business combinations – refer to sections 6.10(a) & 6.11(a).

Distribution agreements and customer contracts recognised as part of a business combination in 2015 have remaining amortisation periods of 2 years in Australia and are fully amortised in New Zealand at 31 December 2022 (31 December 2021: 3 years in Australia and 1 year in New Zealand).

5.1 Other Assets and Liabilities (continued)

(c) Impairment testing for cash-generating units containing goodwill

Goodwill arises on the acquisition of entities and is allocated to the Group's cash-generating units (CGU's). Goodwill is subject to impairment testing on an annual basis (unless recognised during the year in relation to a business combination).

For the purposes of impairment testing, intangible assets are allocated to the Group's CGUs. These represent the lowest level within the Latitude Group at which the assets are monitored for internal management purposes. Each CGU is not higher than the Group's operating segments as reported in Note 2.1.

During the year, the Group changed its reportable segments following the completion of the restructure of the Group into its new business units. For the purposes of goodwill impairment testing, these changes led to the creation of the CGUs of Pay A&NZ, Money A&NZ and International and the reallocation of the historical goodwill balances to these CGUs.

$'m	Australia	New Zealand	Hallmark Insurance	Pay A&NZ	Money A&NZ	International	Provisional goodwill[1]	Consolidated
Balance as at 31 December 2021	**396.1**	**112.0**	**13.6**	**–**	**–**	**–**	**216.4**	**738.1**
Reallocation of goodwill	(396.1)	(108.0)	–	296.4	207.7	–	–	–
Recognition on Acquisitions[1]	–	–	–	–	201.5	14.9	(216.4)	–
Purchase price accounting adjustments[2]	–	–	–	–	(1.9)	5.8	–	3.9
Impairment[3]	–	–	(13.6)	–	–	–	–	(13.6)
Effect of movements in foreign currency exchange[4]	–	(4.0)	–	–	2.8	1.1	–	(0.1)
Balance as at 31 December 2022	**–**	**–**	**–**	**296.4**	**410.1**	**21.8**	**–**	**728.3**

1 The value of goodwill recognised in relation to the business combinations included in sections 6.10(a) & 6.11(a).

2 Purchase Price Accounting adjustments for business acquisitions in sections 6.10(a) & 6.11(a).

3 Goodwill was impaired in 2022, refer to section 6.7(a).

4 Goodwill fluctuations occur as a result of foreign exchange rate movements.

5.1 Other Assets and Liabilities (continued)

(d) Significant estimates: key assumptions used for value-in-use calculations

Cash flows used in the value-in-use calculations are based on forecasts produced by management which have been approved by the Board. The Directors consider these forecasts to reflect the best estimates of revenue based on historical results, strategic initiatives, forecasts and facts and circumstances available as at 31 December 2022.

The recoverable amount of a cash generating unit (CGU) is determined based on value-in-use calculations which require the use of assumptions. The calculations use discounted cash flow projections based on financial forecasts covering a five-year period. Cash flows are extrapolated using a growth rate and a terminal value to yield value appropriate to each CGU. The following table sets out the key assumptions for those CGUs:

	Pre-tax discount rate %	Terminal growth rate %	Average revenue growth rate applied from years 1 – 5 %
2022			
Pay A&NZ	17.1	2.5	8.5
Money A&NZ	18.6	2.5	12.2
International	20.6	2.5	304.7
2021			
Australia	16.9	3.6	11.2
New Zealand	16.6	3.2	7.0
Insurance	16.0	3.0	6.9

(e) Sensitivity

The Group assesses reasonably possible changes for other key assumptions and have not identified any instances that could cause the carrying amounts of the CGUs to exceed their respective recoverable amounts for Pay A&NZ and Money A&NZ.

Management have identified that, in relation to the International CGU, a change in two current assumptions could cause the carrying amount to exceed the recoverable amount.

	International $m
Carrying value	27.4
Recoverable amount	35.2
Excess over recoverable amount	**7.8**

The following table shows the amount by which these assumptions would need to change individually, (keeping other factors consistent) for the estimated recoverable amount to be equal to the carrying amount.

	International 2022 Basis points
Change required for carrying amount to equal recoverable amount:	
Pre-tax discount rate	200
Average revenue growth rate applied from years 1-5	(370)

5.1 Other Assets and Liabilities (continued)

(f) Provisions

	2022			2021		
	Current $'m	Non-Current $'m	Total $'m	Current $'m	Non-current $'m	Total $'m
Leave obligations	17.7	1.2	18.9	20.3	1.5	21.8
Other employee benefit obligations	5.9	–	5.9	27.0	–	27.0
Total employee benefit obligations	**23.6**	**1.2**	**24.8**	**47.3**	**1.5**	**48.8**
Customer remediation and other provisions	**21.4**	**2.1**	**23.5**	**23.6**	**2.1**	**25.7**
Total provisions	**45.0**	**3.3**	**48.3**	**70.9**	**3.6**	**74.5**

Leave obligations represent the Group's liability for long service leave and annual leave. The current portion of this liability includes all of the accrued annual leave, the unconditional entitlements to long service leave where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. Other employee benefit obligations cover the Group's liability for other employee benefit obligations such as bonus payments. Customer remediation includes provisions for expected refunds to customers, related customer claims and remediation project costs.

Section 6 | Other Disclosures

6.1 Interests in other entities

(a) Controlled entities

Name of entity^	Ownership: Group 2022 %	Ownership: Group 2021 %	Ownership: NCI 2022 %	Ownership: NCI 2021 %	Principal activities
Country of incorporation – Australia:					
Latitude Financial Group Pty Ltd[1]	100	100	–	–	Group financier
Latitude Financial Services Australia Holdings Pty Ltd[1]	100	100	–	–	Employer/servicer
Latitude Finance Australia[1]	100	100	–	–	Sales finance/credit cards
Latitude Automotive Financial Services[1]	100	100	–	–	Automotive lending
Latitude Personal Finance Pty Ltd[1]	100	100	–	–	Personal lending
LatitudePay Australia Pty Ltd[1]	100	100	–	–	BNPL lending
Hallmark Life Insurance Company Ltd	100	100	–	–	Life insurer
Hallmark General Insurance Company Ltd	100	100	–	–	General insurer
KVD TM Pty Ltd	100	100	–	–	Trust manager
Latitude Insurance Holdings Pty Ltd	100	100	–	–	Holding company
Latitude Financial IP Pty Ltd[1]	100	100	–	–	Intellectual property
Australian Sales Finance and Credit Cards Trust[2]	100	100	–	–	Securitisation of receivables
Australian Personal Loans Trust[2]	100	100	–	–	Securitisation of receivables
Australian Auto Loans Trust[2]	100	100	–	–	Securitisation of receivables
Australian Sales Finance and Credit Cards Trust No.3[2]	100	100	–	–	Securitisation of receivables
Latitude Australia Credit Card Master Trust[2]	100	100	–	–	Securitisation of receivables
Latitude Australia Credit Card Loan Note Trust[2]	100	100	–	–	Securitisation of receivables
Latitude Australia Personal Loans Series 2017-1 Trust[2]	–	100	–	–	Securitisation of receivables
Latitude Australia Personal Loans Series 2020-1 Trust[2]	100	100	–	–	Securitisation of receivables
Latitude Australia Personal Loans Series 2021-1 Trust	100	100	–	–	Securitisation of receivables
Australian Personal Loans Trust No. 2	100	100	–	–	Securitisation of receivables
Symple Financial Group Pty Limited[1]	100	100	–	–	Holding company
Symple Loans Pty Limited[1]	100	100	–	–	Personal lending
Symple Canada Holdings Pty Limited[1]	100	100	–	–	Holding company

Notes to the Financial Statements continued

6.1 Interests in other entities (continued)

Name of entity^	Ownership: Group 2022 %	Ownership: Group 2021 %	Ownership: NCI 2022 %	Ownership: NCI 2021 %	Principal activities
Country of incorporation – Canada:					
Symple Canada Financial Group Limited	100	100	–	–	Personal lending
Country of incorporation – New Zealand:					
Latitude Financial Services Limited	100	100	–	–	Operating/lending company
New Zealand Sales Finance and Credit Cards Trust	100	100	–	–	Securitisation of receivables
New Zealand Personal Loans Trust	100	100	–	–	Securitisation of receivables
Latitude New Zealand Credit Card Master Trust	100	100	–	–	Securitisation of receivables
Latitude Innovation Holdings Limited	100	100	–	–	Payment platform
Country of incorporation – Singapore:					
Latitude Financial International Pte. Ltd	100	100	–	–	Holding company
Latitudepay Singapore Pte Ltd	85	85	15	15	Factoring/BNPL lending
Latitude AM Pte. Ltd	100	100	–	–	Non trading
Country of incorporation – Malaysia:					
LatitudePay Malaysia Sdn. Bhd.	100	100	–	–	Factoring/BNPL lending

1 These subsidiaries have been granted relief from the necessity to prepare financial reports in accordance with Instrument 2016/785 issued by ASIC. Latitude Group Holdings Limited, the holding entity and these subsidiaries, are party to a closed group within a deed of cross guarantee at 31 December 2022.

2 2021 ownership deemed by Common Control Accounting (refer section 1.2).

^ During 2022, the following six entities were de-registered and therefore no longer form part of the Group: Latitude Investment Holdings Pty Ltd, Latitude Investment Holdings No.1 Pty Ltd, KVD Treasury Pty Ltd, Latitude Financial Services JV Holdco Pty Ltd, KVD Australia Insurance Holdco Pty Ltd and Latitude Financial Group Limited.

(b) Structured entities

A structured entity is one that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements. The Group uses structured entities to support its loan securitisation program. They are consolidated by the Group as it is exposed to variable returns from the securitised entities and it has the ability to affect those returns through its power over the activities of the structured entities.

6.2 Share-based payments

(a) Description of share-based payment arrangements

The Group operated the following employee share plans during the year.

(i) Latitude Equity Plan

On 1 January 2021, the Company established the Latitude Equity Plan (LEP) to assist in the motivation, retention and reward of key management personnel and other senior leaders. The LEP is designed to align participants' interests with the interests of Shareholders by providing participants the opportunity to receive Shares through the granting of Restricted Shares and Rights in respect of the short-term incentive (STI) and long-term incentive (LTI) components of remuneration. The key terms of the LEP are set out in the following tables.

Feature	Key Terms of Restricted Shares (STI Shares) granted under the LEP
Eligibility	Managing Director & CEO and other eligible executives as approved by the Board, who are awarded an STI outcome. An Executive Director may participate in the LEP. Non-Executive Directors are not eligible to participate in the LEP.
Offer	The number of restricted shares (STI Shares) is a proportion of the participant's STI outcome, divided by the 5-day Volume Weighted Average Price (VWAP) from the second trading day following the release of the full year results. **STI Plan** / **Proportion of STI outcome delivered as STI Shares** 2021 STI: 33.33% 2022 STI: 50%
Grant	During or after March following the results announcement: the proportion of each participant's STI awarded is delivered as STI Shares that are purchased on market. **STI Plan** / **Grant Date** / **Grant Price (5 Day VWAP)** / **VWAP Period** 2021 STI / 30 March 2022 / $1.998468 / 22-28 February 2022 2022 STI / n/a (no grant to be made)
Restriction Period	Approximately one year: 50% of STI Shares are released from restriction following the announcement of the next financial year's results. Approximately two years following: the remaining 50% of STI Shares are released from restriction following the announcement of that year's results.
Treatment of STI Shares during Restriction Period	Participants who depart Latitude prior to the restriction end date, are generally treated as follows, although Board retains discretion to determine a different treatment: • Misconduct or summary dismissal for cause: lapse. • All other circumstances: remain on foot, subject to the original performance conditions and restriction period.
Restrictions on dealing	STI Shares rank equally with other Shares and participants have dividend and voting rights including while subject to the restriction period and restrictions on disposal. Participants must not sell, transfer, encumber, hedge or otherwise deal with restricted STI Shares except with prior approval of the Board or in certain circumstances by force of law. Following the restriction date, the disposal restrictions cease and Shares are held subject to restrictions under the Share Trading Policy.

6.2 Share-based payments (continued)

<table>
<tr><th>Feature</th><th>Key terms of LTI Performance Rights granted under the LEP</th></tr>
<tr><td>Eligibility</td><td>Managing Director & CEO, eligible Executive KMP and selected Senior Leaders as approved by the Board.</td></tr>
<tr><td>Performance period</td><td>Three years
<table>
<tr><th>LTI Plan</th><th>Performance Period</th></tr>
<tr><td>2021 LTI</td><td>1 January 2021 to 31 December 2023</td></tr>
<tr><td>2022 LTI</td><td>1 January 2022 to 31 December 2024</td></tr>
</table></td></tr>
<tr><td>Offer</td><td>Rights to acquire Shares at no cost (Performance Rights), subject to the satisfaction of specific vesting conditions over the Performance Period.

The LTI opportunity offered is a percentage of Fixed Remuneration.
Performance Rights have no dividend or voting rights prior to vesting.
At vesting, the rights are exercised into shares, although in certain circumstances, participants may receive a Cash Equivalent Value of the vested element after testing.
</td></tr>
<tr><td>Grants</td><td>The number of Performance Rights granted was calculated based on a 5-day VWAP from the second trading day following the release of either the full year or half year results prior to the grant date (unless otherwise indicated). The following grants have been made:
<table>
<tr><th>LTI Plan</th><th>Grant Date</th><th>Grant Price (5 Day VWAP)</th><th>VWAP Period</th></tr>
<tr><td rowspan="2">2021</td><td>29 April 2021</td><td>$2.517250</td><td>22-28 April 2021 (aligned to Latitude’s initial trading period on the ASX)</td></tr>
<tr><td>29 October 2021</td><td>$2.343965</td><td>25-31 August 2021</td></tr>
<tr><td rowspan="2">2022</td><td>28 April 2022</td><td>$1.998468</td><td>22-28 February 2022</td></tr>
<tr><td>27 October 2022</td><td>$1.462056</td><td>22-26 August 2022</td></tr>
</table></td></tr>
<tr><td>Vesting conditions</td><td>
Return on Equity (ROE): 50% of Performance Rights may vest subject to a performance condition based on the Company’s average ROE performance achieved over the performance period relative to the average of the annual ROE targets set by the Board, and
Earnings per Share (EPS): 50% of Performance Rights may vest subject to a performance condition based on the Company’s aggregate cash EPS achieved over the performance period, relative to the aggregate of the annual cash EPS targets set by the Board.

Cessation of employment
Participants who depart Latitude prior to the vesting date, are generally treated as follows, although Board retains discretion to determine a different treatment:

Misconduct or summary dismissal for cause: lapse.
Resignation: The Board will typically lapse the Performance Rights.
In all other circumstances: remain on foot, subject to the original performance conditions and vesting period. The Board may elect to pro rata the original grant based on time served during the Performance period.

Rights that vest at the end of the original vesting period are automatically exercised at that date for ex-employees</td></tr>
</table>

6.2 Share-based payments (continued)

<table>
<tr><th>Feature</th><th>Key terms of LTI Performance Rights granted under the LEP</th></tr>
<tr><td>Testing Outcomes</td><td>Following the release of the full-year results for the final year of the three year Performance Period, the Performance Rights will be tested equally against each measure and the number that vest will be calculated as:

<table>
<tr><th>ROE/EPS performance level achieved over the period</th><th>% of Performance Rights subject to the ROE/EPS hurdles that will vest</th></tr>
<tr><td>At or above maximum targets</td><td>100%</td></tr>
<tr><td>Between threshold and maximum targets</td><td>Straight-line pro-rata vesting between 50 and 100%</td></tr>
<tr><td>At threshold targets</td><td>50%</td></tr>
<tr><td>Below threshold</td><td>0%</td></tr>
</table>

Performance Rights that vest are exercised into Shares.
Performance Rights that don’t vest will lapse and are not re-tested.
In certain circumstances, participants may receive a Cash Equivalent Value of the vested element, after testing.
The LTI outcome will be reported in the Remuneration Report in the year following the end of the Performance Period.
</td></tr>
<tr><td>Restrictions on dealing</td><td>Performance Rights are subject to restrictions and participants cannot sell, transfer, encumber, hedge or otherwise deal with unvested Performance Rights without prior approval of the Board or in certain circumstances by force of law.

Following vesting, the disposal restrictions cease and Shares are held subject to restrictions under the Share Trading Policy.</td></tr>
</table>

LEP STI Shares movements:

	2022 Number	2021 Number
Balance at 1 January	**–**	**–**
Granted	632,879	–
Restricted balance at 31 December 2022	**632,879**	**–**

LEP Share Rights movements:

	2022 Number	2021 Number
Outstanding at 1 January	**2,133,626**	**–**
Granted	3,106,619	2,133,626
Forfeited	(112,597)	–
Outstanding closing balance at 31 December	**5,127,648**	**2,133,626**
Exercisable at 31 December		**–**

6.2 Share-based payments (continued)

Significant assumptions used as inputs into the grant date fair value information:

	Grant date 28 April 2022	Grant date 27 October 2022	Grant date 29 April 2021	Grant date 29 October 2021
Contractual life (years)	2.5	2	2	2
Risk free interest rate (%)	2.63	3.40	0.59	0.59
Fair value at grant date ($)	1.49	0.98	0.38	0.35
Share closing price at grant date ($)	1.84	1.26	2.52	2.34
Expected dividend yield per annum (%)	8.54	12.47	6.24	6.70
Expected volatility of share price (%)	34.95	36.39	25.78	25.78

The total expense recognised in the profit and loss for the year ended 31 December 2022 in respect of LEP was $2.2 million (31 December 2021: $3.3 million).

(ii) Employee Share Acquisition Plan

The Company established an Employee Share Acquisition Plan (ESAP) in 2021 to recognise the contribution of its employees and provide them with the opportunity to become shareholders in the Company.

As part of the IPO transaction, eligible employees were able to participate in an employee gift offer to receive up to $1,000 worth of Shares. The shares were gifted at no cost to the employee and are subject to a 3 year holding restriction from the grant date (unless employment ceases).

The April 2021 grant is detailed in the 2021 Annual Report and continues under restriction until April 2024. No further grants were made under the ESAP in 2022, and no KMP have participated in the Employee Gift Offer.

(iii) Management Equity Plan ('Pre-Listing' Equity Plan)

Prior to listing on the ASX in April 2021 the Group operated the Management Equity Plan (MEP) ('Pre Listing Equity Plan'). The MEP was established on 1 January 2016 and granted selected employees an interest in the privately owned KVD Australia Pty Ltd. Prior to completion of the Initial Public Offering for shares in Latitude Group Holdings Limited, all the entitlements of the MEP plan vested and the plan participants realised their interest through the receipt of shares in the new listed Company (net of cash settled tax obligations). As a result, no new MEP units were granted in the current reporting period and the plan has now ceased and fully unwound as a result of the IPO. No share based payment expense was recognised in the profit and loss for the year ended 31 December 2021 in respect of MEP.

	2021 $'m issued
At 1 January	38.8
Fair value of units granted during the year	–
Fair value of plan modification for loan funded units	–
Change in fair value on entitlement to units vesting	(38.8)
At 31 December	**–**

6.3 Contingent liabilities and contingent assets

The Group is subject to a number of obligations which, if not discharged or considered not to be discharged, may give rise to potential claims or other costs. Where some loss from an actual or alleged non-performance of an obligation is more likely than not and can be reliably estimated, provisions have been made. The Group considers that the outcome of any specific enquiry which is underway as at 31 December 2022, and has not been provided for, is not expected to affect its financial position in any material way, either individually or in aggregate.

Regulatory and customer exposures

In recent years there has been an increase in the number of matters on which the industry engages with its regulators. The nature, scale and breadth of regulatory investigations, surveillance and reviews, civil and criminal enforcement actions (whether by court action or otherwise), formal and informal inquiries, regulatory supervisory activities and the quantum of fines issued by regulators, particularly against financial institutions both in Australia and globally continues.

The Group has received various notices and requests for information from its regulators as part of both industry-wide and Group-specific reviews and has also made disclosures to its regulators at its own instigation. The nature of these interactions can be wide ranging and, for example, currently include a range of matters including responsible lending practices, regulated lending requirements, product suitability, advertising and distribution, interest and fees and the entitlement to charge them, customer remediation and insurance distribution. On 5 October 2022, ASIC commenced civil proceedings against Latitude and Harvey Norman regarding alleged misleading advertising of Latitude GO Mastercard®. Latitude filed its concise statement in response on 20 December 2022.

There may be exposures to customers which are additional to any regulatory exposures. These could include class actions, individual claims or customer remediation or compensation activities. The outcomes and total costs associated with such reviews and possible exposures remain uncertain.

There is a risk that the actual cost of responding to any inquiry or penalty paid following any settlement or determination by a Court for any legal proceedings may be materially higher or lower than the provision or that any contingent liability may be larger than anticipated. There is also a risk that additional litigation or contingent liabilities may arise, all of which could adversely affect our business, prospects, reputation, financial performance or financial condition.

Taxation

The tax affairs of the Group are subject to review by both the Australian Taxation Office ('ATO') and the Inland Revenue Department ('IRD') in New Zealand, as well as the revenue offices of the various Australian states and territories from time to time. In February 2019, the ATO completed an assurance review of the Australian Tax Group and provided an assurance report which raised a number of matters that the ATO may consider further. One of these matters relates to the pre-IPO corporate structure of the Australian Tax Group and distributions made as part of that pre-IPO structure. Should the Group be subject to a future tax obligation arising from those distributions, KVD Singapore Pte Ltd has agreed a mechanism to reduce the Group's possible exposure to that issue to an immaterial amount. In March 2022, as a follow up to that review, the ATO notified the Australian Tax Group that it would be carrying out a Next Actions Risk Review and subsequently issued a request for information ('RFI') in May 2022. The RFI centred on the transfer pricing of the transaction fees charged to the Group when it was acquired. The requested information was provided to the ATO in October 2022 and management now awaits the ATO's response. Accordingly, any potential outcomes and total costs associated with any such activities remain uncertain at this time.

The Australian Tax Group is also currently subject to a GST Risk Review by the ATO which commenced in November 2021 and a draft report was issued in May 2022 which raised a number of matters that the ATO required further clarification on. Discussions with the ATO have continued since that time and the matters currently remain open. As such any potential outcomes and total costs associated with any such activities remain uncertain at this time.

The Group considers that the residual risks stemming from the items raised in the ATO Top 1,000 Assurance report or the GST review are not likely to materially affect its financial position, either individually or in aggregate.

6.4 Events occurring after the reporting date

There has not arisen in the interval between the end of the reporting period and the date of this report any other item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Group, to affect significantly the operations of the Group, the results of those operations or the state of affairs of the Group, in future financial years.

6.5 Related party transactions

(a) Parent and ultimate controlling parties

Prior to the IPO, KVD Singapore Pte. Ltd (KVDS), a company incorporated in Singapore held 100% ownership of the Company. KVDS remains the ultimate controlling party following Latitude Group Holdings Limited listing as a public company.

(i) Transactions

The Company and KVDS entered into an agreement on 30 March 2021, whereby KVDS sold historic distribution entitlements to the Company for a total consideration of $84.507 million. The consideration is payable at agreed dates up to 30 September 2025.

(ii) Unsecured Loans

The shareholders provided a loan with an original repayment term of five years that was subsequently extended for a further 18 months to 24 May 2022. The loan interest was charged at 8.5% in Australia and 9.5% in New Zealand until November 2020 and at 5.74% in Australia and 6.71% in New Zealand thereafter.

As part of the restructure described in section 1.1(c) the Group settled the shareholder loan using cash and equity, and acquired amounts owed to the selling shareholder KVDS relating to unpaid distributions on residual income units using cash, securitised notes and the establishment of the deferred settlement arrangement described above.

	2022 $'thousands	2021 $'thousands
At 1 January	–	885,509
Effects of exchange rate on translation of foreign operations	–	(2,388)
Loan repayments made	–	–
Interest paid	–	(1,443)
Settlement of loan on restructure (conversion to equity)	–	(881,678)
At 31 December	**–**	**–**

(b) Key Management Personnel

Key Management Personnel (KMP) are Directors and those persons having authority and responsibility for planning, directing and controlling the activities of the Group.

(i) Compensation

	2022 $'thousands	2021 $'thousands
Short-term employee benefits	6,922	10,365
Long-term benefits	182	63
Post-employment benefits	261	252
Termination benefits	877	188
Share based payments	3,164	2,837
	11,406	**13,706**

6.5 Related party transactions (continued)

Compensation paid above includes share based awards that were granted to participants during their time in a KMP role during the year, as follows:

	2022 $'thousands	2021 $'thousands
At 1 January	25,942	24,339
Granted	3,164	1,603
Plan modification	–	–
Equity adjustments	–	–
At 31 December	29,106	25,942

(ii) Lending balances

The Group provides KMP with consumer finance facilities offered in the ordinary course of business. Interest charged on these products is at normal consumer rates and under normal terms and conditions.

There is no allowance account for impaired receivables in relation to any outstanding balances, and no expense has been recognised in respect of impaired receivables due from any related parties.

	2022 $'thousands	2021 $'thousands
Outstanding balances at 31 December	44	53
Total available credit facility during the period	209	268
Maximum drawn amount during the period	108	103

(c) Other transactions and outstanding balances

Other transactions paid	2022 $'thousands	2021 $'thousands
Ordinary share dividends paid	163,038	78,500
Capital note distribution paid	6,154	–
Deferred consideration paid to selling shareholders	39,417	–
Interest paid to shareholder	596	–

Outstanding balances	2022 $'thousands	2021 $'thousands
Payable to selling shareholders	(45,090)	(84,507)
Capital note distribution payable	(1,477)	(1,387)
Interest payable to shareholder	(531)	–

6.6 Remuneration of auditor

(a) Remuneration to KPMG

	2022 $	2021 $
Audit and other assurance services		
Audit and review of financial statements	1,417,500	1,402,500
Regulatory assurance services	220,000	220,000
Other assurance services	192,000	179,500
Total remuneration for audit and other assurance services	1,829,500	1,802,000
Other services		
Transaction and other advisory services[1]	882,000	761,000
Total remuneration for other services	882,000	761,000
Total remuneration of KPMG	**2,711,500**	**2,563,000**
Total auditor's remuneration	**2,711,500**	**2,563,000**

1 Relates to transactional services of an ad hoc nature.

The remuneration to KPMG for audit and assurance services is for the Group and related entities in Australia and New Zealand.

6.7 Discontinued operations

Accounting Policy

Insurance premium revenue

Premium revenue comprises amounts charged to policyholders (direct premium) for insurance contracts, excluding stamp duties and taxes collected on behalf of third parties, including GST. Premium revenue is recognised in profit or loss with the incidence of the pattern of risk. Generally, the premium is earned according to the passing of time, but where time does not approximate the pattern of risk, previous claims experience is used to derive the incidence of risk. Premium for unclosed business (business written close to reporting date where attachment of risk is prior to reporting date and there is insufficient information to accurately identify the business) is brought to account based on previous experience with due allowance for any changes in the pattern of new business and renewals. The unearned portion of premium is recognised within unearned premium liability in the consolidated balance sheet.

Insurance liabilities

Profits of the Insurance business are brought to account on a margin on services ('MoS') basis. Under MoS, profit (the excess of premium received and investment earnings over claims and expenses including amortised acquisition costs) is recognised as fees are received and services are provided to policyholders. Profit is deferred to the balance sheet when fees have been received but the service has not been provided. Costs associated with the acquisition of policies are deferred on the balance sheet and charged to the profit or loss over the period that the policy will generate profits. Insurance contract liabilities are valued using a method that approximates to the projection method and the liability for outstanding claims is subject to an annual actuarial review.

6.7 Discontinued operations (continued)

Insurance claims

Claims incurred relate to the provision of services and bearing of risks and is treated as an expense. The liability for outstanding claims covers the expected future payments for claims including IBNR and IBNER claims and the anticipated direct and indirect costs of settling these claims. Actuarial methods are used by a qualified person to estimate the value of outstanding claims where generally this involves analysing available past experience to determine expected future payments. The provision for the outstanding claims liability also contains a risk margin to reflect the inherent uncertainty in the central estimate. The risk margin increases the probability that the net liability is adequately provided for, to a 90% confidence level.

Outward reinsurance and reinsurance recoveries

Premium ceded to reinsurers is recognised as an expense in accordance with the pattern of reinsurance service received. Accordingly, a portion of outwards reinsurance premium is treated at the reporting date as deferred reinsurance expense. Reinsurance recoveries and other recoveries receivable on paid claims, reported claims not yet paid and IBNR's are recognised as revenue.

Assets backing insurance liabilities

The Insurance business has established a target capital to ensure assets are available to meet insurance liabilities. Financial assets designated at fair value through profit or loss are initially recognised at fair value, excluding transaction costs, which are expensed in the consolidated income statement in the period in which they arise. Financial assets are subsequently measured at fair value at each reporting date with realised and unrealised gains and losses arising from changes in the fair value recognised in the consolidated income statement in the period in which they arise. Short term deposits are carried at the face value of the amounts deposited as their carrying amounts approximate their fair value. Unlisted fixed interest securities are recorded at amounts based on valuations using rates of interest equivalent to the yields obtainable on comparable investments at the end of the reporting period.

Unexpired risk liability

Provision is made for unexpired risks arising from general insurance business where the expected value of claims and expenses attributed to the unexpired periods of policies in force at the end of the reporting period exceeds the unearned premiums provision in relation to such policies after the deduction of any deferred acquisition costs. The provision for unexpired risk is calculated separately by reference to separate classes of business, which are managed together, after taking into account the relevant investment return. Unexpired risk liability, if any, remaining after writing off deferred acquisition costs is recognised immediately in the consolidated income statement.

(a) Description

During the period the Group undertook a strategic review of the future ownership of the insurance operations (Latitude Insurance Holdings Pty Ltd and its subsidiaries). A transaction was announced to the ASX on 8 August 2022 and will allow Latitude to redeploy capital into its core business, simplify its business model, reduce costs, streamline technology, and further optimise shareholder returns. As part of this transaction, residual insurance goodwill of $13.6m was written down to zero. Until transaction settlement the operations have been re-classified as discontinuing operations in accordance with applicable accounting standards.

In addition, the Group has also undertaken a strategic review of the future ownership of Symple Canada Financial Group Ltd (Symple Canada), including exploring potential opportunities for the sale of Symple Canada. As such the ongoing operations of Symple Canada have been designated as available for sale and re-classified as discontinuing operations in accordance with applicable accounting standards.

6.7 Discontinued operations (continued)

The Insurance business and Symple Canada were not previously classified as held-for-sale or as a discontinued operation. Revenue and expenses, gains and losses relating to the discontinuation of these activities have been removed from the results of continuing operations and are shown as a single line on the face of the consolidated income statement ("net result from discontinued operations"). The operating results of the discontinued operations and the effect of remeasurement and disposal of assets that were classified as held for sale were as follows:

(b) Financial performance

	Notes	2022 $'m	2021 $'m
Revenue		19.6	30.5
Expenses		(30.3)	(9.3)
Asset impairment recognised		(13.6)	–
Income tax (expense)/benefit	2.3(a)	2.7	(4.9)
Profit/(loss) after income tax of discontinued operations		**(21.6)**	**16.3**
Net profit/(loss) after tax for the period from discontinued operations attributable to owners of the Group		(21.6)	16.3
Profit/(loss) after income tax of discontinued operation		**(21.6)**	**16.3**

(c) Assets and liabilities classified as held for sale

	Notes	2022 $'m
Cash and cash equivalents		116.7
Loans and other receivables		12.0
Debt investments		19.2
Other assets		1.4
Total assets of disposal group held for sale		**149.3**
Other assets held for sale		0.2
Total assets held for sale		**149.5**
Liabilities associated with assets of disposal group as held for sale		
Trade and other liabilities		8.9
Gross insurance policy liabilities		8.6
Provisions		1.7
Total liabilities held for sale		**19.2**

(d) Cashflow statement

	Notes	2022 $'m
Net cash used in operating activities		(15.1)
Net cash provided by investing activities		76.7
Net cash flow for the year		**61.6**

6.7 Discontinued operations (continued)

(e) Earnings per share for discontinued operations

	Notes	2022 Cents	2021 Cents
Earnings/(loss) per share for loss attributable to the ordinary equity holders of the Company – Discontinued operations			
Earnings/(loss) per share	2.5	(2.1)	1.8
Diluted earnings/(loss) per share	2.5	(1.9)	1.7

(f) Summary of Hallmark life and general actuarial assumptions and methods

Contracts under which the Insurance group accepts significant insurance risk from the policyholder, or another party, by agreeing to compensate the policyholder, or other beneficiary, if a specified uncertain future event adversely affects the policyholder or other beneficiary, are classified as insurance contracts. Any products sold that do not meet the definitions of a life insurance contract are classified as life investment contracts. The Insurance business has no life investment contracts.

Insurance risk is defined as significant if and only if, an insured event could cause an insurer to pay significant additional benefits in any scenario, excluding scenarios that lack commercial substance (i.e. have no discernible effect on the economics of the transaction). Insurance contracts include those where the insured benefit is payable on the occurrence of a specified event such as death, injury or disability caused by accident or illness. The insured benefit is either not linked or only partly linked to the market value of the investments held by the Insurance group, and the financial risks are substantially borne by the Insurance group.

The life insurance operations of the Insurance group are conducted within separate Statutory funds as required by the *Life Insurance Act 1995* and are reported in aggregate with the Shareholders' fund in the statement of profit or loss and other comprehensive income, balance sheet and statement of cash flows of the Group. Monies held in the Statutory funds are subject to the distribution and transfer restrictions and other requirements of the *Life Insurance Act 1995*.

Life insurance actuarial assumptions and methods

The following section describes the process surrounding, and key factors used to estimate the policy liabilities in the actuarial report:

(i) Basis of preparation

The effective date of the actuarial report on policy liabilities and capital requirements is 31 December 2022. The actuarial report was prepared by Mr. Thomas David Millar, FIAA, FNSZA. The actuarial report indicates that Mr. Millar is satisfied as to the accuracy of the data upon which policy liabilities have been determined.

The amount of policy liabilities has been determined in accordance with methods and assumptions disclosed in these financial statements and the requirements of the relevant accounting standards (which may differ from the requirements of the *Life Insurance Act 1995*).

6.7 Discontinued operations (continued)

Policy Liabilities for Insurance Contracts

Policy liabilities for insurance contracts have been calculated in accordance with Prudential Standard LPS 340 Valuation of Policy Liabilities issued by APRA under subsection 230A(1) of the *Life Insurance Act 1995*. The Prudential Standard requires the policy liabilities to be calculated in a way which allows for the systematic release of planned margins as services are provided to policy owners.

The profit carriers used for the major product groups in order to achieve the systematic release of planned margins are as follows:

Product group	Method (projection or other)	Profit carrier
Lump sum risk	Accumulation (2021: Accumulation)	Claims (implied)
Disability and involuntary unemployment income	Accumulation (2021: Accumulation)	Claims (implied)

Policy liabilities have been calculated as the provision for unearned premium, less a deferred acquisition cost item. The recognition rate of premium has been chosen to approximate the planned margin release that would be achieved through use of the projection method.

(ii) Disclosure of assumptions

Assumptions are required to establish recoverability of acquisition costs. Key assumptions are listed below:

(i) Discount rates

The gross interest rates used are the gross yield to redemption of benchmark government securities. For the current valuation, these are:

90 days: Australia 3.27% (2021: 0.07%), New Zealand 4.65% (2021: 0.97%)

5 years: Australia 3.70% (2021: 1.34%), New Zealand 4.48% (2021: 2.19%)

(ii) Inflation rates

Allowance for future inflation:

Australia 2.5%. (2021: 2.5% p.a.) where future inflation assumption is based on the long-term target range of the Reserve Bank of Australia of 2% – 3%.

New Zealand 2.0% (2021: 2.0% p.a.) where future inflation assumption is based on the medium-term target range of the Reserve Bank of New Zealand of 1% – 3%.

(iii) Future expenses and indexation

Maintenance expense assumptions have been based on the experience in the current year and budgeted expenses for the 2023 year. Inflation adjustments are consistent with the inflation assumption.

(iv) Mortality and morbidity

Mortality rates for risk products have been based on experience over recent years. A loss ratio approach (applied to earned premium) was adopted. The loss ratios used have not varied significantly from those used in 2021.

6.7 Discontinued operations (continued)

(v) Disability and involuntary unemployment

The general approach to actuarial estimation of disability and involuntary unemployment liabilities (in the New Zealand statutory fund) is to analyse all available past experience. This analysis allows patterns to be identified in the past experience. Based on this, development patterns associated with the run-off of outstanding claims at the balance date can be estimated. The estimate of the outstanding claims includes an allowance for claims incurred but not reported ("IBNR") and the further development of reported claims, a risk margin and claims handling expense provision. Actuarial methods such as payment per claim incurred (PPCI), Payment Chain Ladder ("PCL") and Bornheutter Ferguson ("BF") are adopted to estimate the outstanding claims.

The key actuarial assumptions for the determination of the outstanding claims liabilities are claim termination rate, average claim size (Disability = NZ$2,685 Unemployment = NZ$2,343 for accident year 2022), a claims handling expense rate of 7.14% of the projected gross claim payments (based on expense investigation) and a discount rate of 5% (based on the yield of 1 year and 2 year New Zealand Government bond yield as at 31 December 2022). Across all classes, changes to the claim termination and average claim size assumptions would cause the most significant change to the liability estimate.

(vi) Voluntary discontinuance

Voluntary discontinuance rates vary by product and have been based on the Group's recent discontinuance experience.

For the major classes of business, the assumed aggregate rates of discontinuance are:

- Consumer credit insurances – 35% p.a.(2021: 30% p.a.)
- Regular premium term life insurances – 16% p.a.(2021: 15% p.a.)

For the major classes of New Zealand business, the assumed aggregate rates of discontinuance are:

- Consumer credit insurances – 28% p.a.(2021: 32% p.a.)

(vii) Capital requirements

The Group is required to hold prudential reserves, over and above the policy liabilities, as a buffer against adverse future experience and poor investment returns. The methods and bases used for determining the capital requirements were in accordance with the requirements of Prudential Standard *LPS 110: Capital Adequacy* as issued by APRA.

(iii) Impact of changes in assumptions

The policy liabilities for insurance contracts have been calculated using the accumulation method. Under this method, changes in assumptions do not have any impact on policy liabilities in the current period, unless a product enters loss recognition. As at 31 December 2022, the Consumer Credit Insurance related product group for Statutory Fund 2 remains in loss recognition. Any assumption changes have not resulted in any of the related product groups entering loss recognition.

The value of future profit margins is not explicitly calculated under the accumulation method and hence the impact of any change in assumptions on the value of future profit margins is not determined.

(iv) Sensitivity analysis

Movements in key variables such as mortality experience, lapse rates and expenses will have an impact on the future cash flows, performance and net assets of the Hallmark Life Insurance Company Ltd. As the accumulation method is used to determine policy liabilities for insurance contracts, changes in the assumptions around these key variables do not have any impact on the policy liability or retained profits at the current balance date, unless a product group enters loss recognition. An alternate approach to demonstrating the sensitivity to changes in variables is to consider the impact on profit and net investment at the current balance date if the experience over the current financial period varied under certain scenarios. The table below considers a number of changes in variables, and shows the impact on the profit and net investment if that change had been experienced during the financial reporting period.

6.7 Discontinued operations (continued)

31/12/2022 Australia	Percentage change in Assumptions	Impact on 2022 profit or loss ($'000)		Impact on 2022 equity ($'000)	
		Gross of Reinsurance	Net of Reinsurance	Gross of Reinsurance	Net of Reinsurance
Mortality/morbidity	Worsening by 5%	(64)	(54)	(64)	(54)
	Improving by 5%	64	54	64	54
Lapse rates	Worsening by 5%	1	1	1	1
	Improving by 5%	(1)	(1)	(1)	(1)
Expenses	Worsening by 5%	(106)	(106)	(106)	(106)
	Improving by 5%	106	106	106	106

31/12/2021 Australia	Percentage change in Assumptions	Impact on 2021 profit or loss ($'000)		Impact on 2021 equity ($'000)	
		Gross of Reinsurance	Net of Reinsurance	Gross of Reinsurance	Net of Reinsurance
Mortality/morbidity	Worsening by 5%	(60)	(56)	(60)	(56)
	Improving by 5%	60	56	60	56
Lapse rates	Worsening by 5%	5	5	5	5
	Improving by 5%	(5)	(5)	(5)	(5)
Expenses	Worsening by 5%	(77)	(77)	(77)	(77)
	Improving by 5%	77	77	77	77

31/12/2022 New Zealand	Percentage change in variables	Impact on 2022 profit or loss NZD ($'000)		Impact on 2022 equity NZD ($'000)	
		Gross of Reinsurance	Net of Reinsurance	Gross of Reinsurance	Net of Reinsurance
Mortality/morbidity	Worsening by 5%	(16)	(16)	(16)	(16)
	Improving by 5%	16	16	16	16
Lapse rates	Worsening by 5%	1	1	1	1
	Improving by 5%	(1)	(1)	(1)	(1)
Expenses	Worsening by 5%	(28)	(28)	(28)	(28)
	Improving by 5%	28	28	28	28

31/12/2021 New Zealand	Percentage change in variables	Impact on 2021 profit or loss NZD ($'000)		Impact on 2021 equity NZD ($'000)	
		Gross of Reinsurance	Net of Reinsurance	Gross of Reinsurance	Net of Reinsurance
Mortality/morbidity	Worsening by 5%	(23)	(23)	(23)	(23)
	Improving by 5%	23	23	23	23
Lapse rates	Worsening by 5%	4	4	4	4
	Improving by 5%	(4)	(4)	(4)	(4)
Expenses	Worsening by 5%	(42)	(42)	(42)	(42)
	Improving by 5%	42	42	42	42

6.7 Discontinued operations (continued)

General insurance actuarial assumptions and methods

The Group writes consumer credit insurances across Australia and New Zealand. The risks covered in this group include:

- Involuntary Unemployment
- Disability
- Merchandise Protection, Price Protection
- Stolen Cards
- Repayment Protection

(v) Process used to determine outstanding claims liabilities (actuarial methods)

The general approach to the estimation of Outstanding Claims Liabilities is to analyse all available past experience, including the number of reported and finalised claims, timing and amounts of claim payments. This analysis allows patterns to be identified in the past experience. Based on this, development patterns associated with the run-off of outstanding claims and premium liabilities at the balance date can be estimated. The determination of the outstanding claims liabilities involves two steps:

1. The determination of the central estimate of outstanding claims at the balance date.

   The central estimate of outstanding claims includes an allowance for claims incurred but not reported ("IBNR") and the further development of reported claims, also known as incurred but not enough reported ("IBNER"). The central estimate has no deliberate bias towards either over or under estimation. This means that the central estimate is assessed to have approximately 50% probability of adequacy.

2. The determination of a risk margin and claims handling expense provision to be added to the central estimates of outstanding claims. The risk margin is intended to achieve a 90% probability of adequacy at an aggregate level.

   The estimation of the outstanding claims liabilities involves the use of the following standard aggregate projection methods: Payment Chain Ladder ("PCL"); Payment Per Claim Incurred ("PPCI"); Payment Per Claim Finalised ("PPCF"); Payment Per Claim Handled ("PPCH") and Bornheutter Ferguson ("BF") and Loss Ratio x Earned Premium. A blend of the projection methods is adopted based on the nature of the claims within each portfolio to estimate the appropriate outstanding claims.

6.7 Discontinued operations (continued)

(vi) Actuarial assumptions

The key actuarial assumptions for the determination of the outstanding claims liabilities of the consumer credit insurance portfolios are as follows:

2022	Disability (Personal Loans)	Unemployment (Personal Loans)	Disability (Credit Cards)	Unemployment (Credit Cards)	Protection^
Australia:					
Number of future finalisations	296	67	303	267	1036
Discounted loss ratio	40%	19%	14%	12%	71%
Expense rate	7.1%	7.1%	7%	7%	67%
Discount rate	3.3%pa–5.0%pa	3.3%pa–5.0%pa	3.3%pa–5.0%pa	3.3%pa–5.0%pa	3.3%pa–5.0%pa
New Zealand:					
Number of future finalisations	189	47	64	39	49
Discounted loss ratio	40%	7%	13%	11%	25%
Expense rate	7%	7%	7%	7%	67%
Discount rate	5%	5%	n/a	n/a	n/a

2021	Disability (Personal Loans)	Unemployment (Personal Loans)	Disability (Credit Cards)	Unemployment (Credit Cards)	Protection^
Australia:					
Number of future finalisations	415	183	466	492	1155
Discounted loss ratio	40%	30%	20%	22%	68%
Expense rate	12%	12%	12%	12%	48%
Discount rate	0.03%pa–3.4%pa	0.03%pa–3.4%pa	0.03%pa–3.4%pa	0.03%pa–3.4%pa	0.03%pa–3.4%pa
New Zealand:					
Number of future finalisations	252	95	104	92	62
Discounted loss ratio	38%	13%	22%	27%	19%
Expense rate	12%	12%	12%	12%	48%
Expense rate	1.74%	1.74%	1.74%	1.74%	1.74%

^ Merchandise protection, price protection and stolen cards (credit cards).

The above key actuarial assumptions were based on the following:

- **Number of future finalisations:** The number of future finalisations has been based on an analysis of historical claim reports and finalisation rates. This then enables the future numbers of reports, handled claims and finalisations to be projected. Any potential impacts which are yet to emerge in the historical experience (for example changes in underlying risks, operating environment and economic environment), are also implicitly captured within the assumptions.
- **Average claim size:** The adopted average claim size has been based on historical ratios of claim payments to factors such number of claim reported, claim finalised or handled. Any potential impacts which are yet to emerge in the historical experience (for example changes in underlying risks, operating environment and economic environment), are also implicitly captured within the assumptions.

6.7 Discontinued operations (continued)

- **Expense rate:** The adopted claims handling expense rate of 9.8% (2021: 12.8%) of the projected gross claim payments have been determined based on the results of an expense allocation performed for the 2022 valuation.
- **Discount rate:** The central estimate of the Outstanding Claims Liabilities has been discounted to allow for future investment income attributable to the liabilities during the run-off period. The future investment earnings assumptions are estimates of the future annual risk-free rates of return. They have been derived from the yield curve on Australian Government Bonds as at 31

December 2022 as published by the Reserve Bank of Australia.

(vii) Sensitivity analysis

The outstanding claims liabilities included in the reported results are calculated based on the key actuarial assumptions as disclosed above. The movements in any of the above key actuarial assumptions will impact the performance and net investment of the Hallmark General Insurance Company Ltd. The table below describes how a change in each of the assumptions will affect the outstanding claims liabilities. The outstanding claims liabilities are discounted and include claim handling expenses and a risk margin at the 90% probability of adequacy.

Key actuarial assumptions 2022	Changes	Impact on net outstanding claims liabilities ($'000's)	Impact on total outstanding claims liabilities (%)
Australia:			
Reported claims chain ladder factor	Increase the chain ladder factor by 10%	+123	+2.4
Discount rate	Decrease discount rate by 1%	+54	+1.0
Claims handling expense rate	Increase claims handling expense rate by 4%	+205	+3.9
New Zealand*:			
Chain ladder factor	Increase the chain ladder factor by 10%	+22	+1.15
Discount rate	Decrease discount rate by 1%	+15	+0.79
Claims handling expense rate	Increase claims handling expense rate by 4%	+78	+4.18

* Branch credit insurances only.

Key actuarial assumptions 2021	Changes	Impact on net outstanding claims liabilities ($'000's)	Impact on total outstanding claims liabilities (%)
Australia:			
Reported claims chain ladder factor	Increase the chain ladder factor by 10%	+228	+2.7
Discount rate	Decrease discount rate by 1%	+95	+1.1
Claims handling expense rate	Increase from claims handling expense rate by 4%	+321	+3.9
New Zealand*:			
Chain ladder factor	Increase the chain ladder factor by 10%	+38	+1.42
Discount rate	Decrease discount rate by 1%	+23	+0.84
Claims handling expense rate	Increase from claims handling expense rate by 4%	+109	+4.03

* Branch credit insurances only.

Notes to the Financial Statements continued

6.8 Deed of cross guarantee

(a) Consolidated statements of entities party to the deed of cross guarantee

	2022 $'m	2021 $'m
Consolidated statement of profit or loss and other comprehensive income		
Profit before income tax expense	62.7	181.8
Income tax expense	(17.3)	(41.4)
Profit/(loss) for the year	**45.4**	**140.4**
Other comprehensive income	30.7	15.9
Total comprehensive income/(loss) for the year	**76.1**	**156.3**
Summary of movements in consolidated retained earnings		
Retained earnings at the beginning of the financial year	(79.6)	(135.9)
Amounts transferred from reserves	0.9	–
Profit for the year	45.4	140.4
Dividends paid	(163.0)	(82.7)
Capital note distribution	(6.2)	(1.4)
Retained earnings at the end of the financial year	**(202.5)**	**(79.6)**
Consolidated balance sheet		
Assets		
Cash and cash equivalents	83.5	160.3
Investments	405.7	375.3
Assets classified as held for sale	0.2	0.2
Current tax receivables	24.8	–
Derivatives financial instruments	55.2	8.7
Loans and other receivables	5,064.3	4,877.9
Other assets	12.0	8.2
Deferred tax assets	138.1	159.2
Investment in controlled entity	227.8	243.9
Other financial assets	1.6	1.6
Property, plant and equipment	12.9	45.1
Intangible assets	791.9	904.3
Total assets	**6,818.0**	**6,784.7**
Liabilities		
Trade and other liabilities	188.5	328.2
Current tax liabilities	–	28.1
Derivatives financial instruments	–	1.0
Provisions	43.7	63.9
Deferred tax liabilities	60.9	64.3
Borrowings	5,079.4	4,759.7
Total liabilities	**5,372.5**	**5,245.1**
Net assets	**1,445.6**	**1,539.5**

6.8 Deed of cross guarantee (continued)

	2022 $'m	2021 $'m
Equity		
Contributed equity	2,222.0	2,221.0
Other reserves	(573.9)	(601.9)
Retained earnings/(losses)	(202.5)	(79.5)
Total equity	**1,445.6**	**1,539.5**

Latitude Group Holdings Limited and some of its controlled entities (refer section 6.1) have entered into a deed of cross guarantee pursuant to ASIC Corporations (Wholly owned Companies) Instrument 2016/785, under which each Company guarantees the debts of the others. The consolidated results of the Company and the controlled entities which are party to the deed of cross guarantee (referred to as a closed group) are presented above, where transactions between entities to the deed are eliminated in full in the profit or loss and balance sheet.

During the year, Latitude Financial Group Limited, KVD Australia Insurance Holdco Pty Ltd, Latitude Financial Services JV Holdco Pty Ltd and KVD Treasury Pty Ltd were deregistered and are therefore no longer party to the Deed of cross guarantee.

6.9 Parent entity financial information

(a) Summary financial information

The individual financial statements for the parent entity (Latitude Group Holdings Limited) show the following aggregate amounts:

	2022 $'m	2021 $'m
Balance sheet		
Current assets	177.1	211.8
Total assets	1,769.2	1,824.8
Current liabilities	56.7	103.3
Total liabilities	232.7	152.2
Shareholders' equity		
Contributed equity	2,235.1	2,234.2
Reserves		
Common control reserve	(627.9)	(602.5)
Foreign currency translation reserve	3.1	2.8
Retained earnings	(73.8)	38.1
	1,536.5	1,672.6
Profit/(loss) for the year	**57.2**	**118.0**
Total comprehensive income/(loss)	**57.5**	**120.8**

(b) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 31 December 2022 (2021: $nil).

6.10 Acquisition of Symple Loans – Business Combination

(a) Summary of acquisition

On 26 October 2021 Latitude Financial Services Australia Holdings Pty Ltd, a subsidiary of Latitude Group Holdings Limited acquired 100% of Symple Financial Group Pty Limited and its controlled entities, a digital personal loans provider for $205.9 million. The consideration comprised of $100.0 million cash, the issuance of 38.46 million shares in Latitude Group Holdings Limited and a $22.1 million deferred promissory note.

Latitude is utilising Symple's platform to originate personal loans and auto loans and expand into personal loans in Canada and auto loans in New Zealand. Symple will become the lending platform for all Latitude personal loans and auto loans and Latitude will leverage Symple's platform to support its existing business, launch new products and build partnerships with other lenders.

Purchase consideration

	2021 $'m	PPA Adjustments $'m	2021 $'m
Purchase consideration:			
Cash paid	100.0	–	100.0
Ordinary shares issues	83.8	–	83.8
Promissory note	24.0	(1.9)	22.1
Total purchase consideration	**207.8**	**(1.9)**	**205.9**

$6.4 million of acquisition related costs have been recognised within Other operating expenses in the consolidated income statement in 2021.

Symple's net assets recognised at 31 December 2021 were based on a provisional assessment of their fair value, the purchase price allocation for the acquired business has been finalised in the current year. The result was a reduction in the purchase consideration for the settlement of the promissory note.

The assets and liabilities recognised as a result of the acquisition are as follows:

	2021 $'m	PPA Adjustments $'m	2021 $'m
Cash and cash equivalents	10.5	–	10.5
Loans and other receivables	61.1	–	61.1
Other assets	0.1	–	0.1
Property, plant and equipment	0.4	–	0.4
Intangible assets	0.4	–	0.4
Trade and other liabilities	(13.7)	–	(13.7)
Provisions	(0.5)	–	(0.5)
Borrowings	(52.0)	–	(52.0)
Net identifiable assets acquired	**6.3**	**–**	**6.3**
Add: Goodwill	201.5	(1.9)	199.6
Net assets acquired	**207.8**	**(1.9)**	**205.9**

The fair value of 38.46 million Latitude shares, issued as part of the consideration for Symple Group is based on the closing share price on 25 October 2021 of $2.18 per share.

The goodwill recognised of $199.6 million represents the synergies arising from the acquisition. It will not be deductible for tax purposes.

6.10 Acquisition of Symple Loans – Business Combination (continued)

Contingent consideration and indemnification assets

Contingent liability

The transaction is not subject to any contingent consideration arrangements. No contingent liabilities have been recognised in the net assets acquired as part of the business combination during the period.

Acquired customer receivables

Acquired customer receivables

The fair value of acquired receivables is $61.1 million. The gross contractual amount for receivables due is $64.5 million, with a loss allowance of $3.4 million recognised on acquisition.

(b) Purchase consideration – cash outflow

Outflow of cash to acquire assets, net of cash acquired:

	2021 $'m
Cash consideration	100.0
Less: Balance acquired	
Cash	10.5
Net outflow of cash – investing activities	**89.5**

(c) Revenue and profit contribution

The acquired business contributed revenues of $1.4 million and net loss of $(0.6) million after tax to the Group for the period from 26 October to 31 December 2021.

If the acquisition had occurred on 1 January 2021, the acquiree's consolidated pro-forma revenue and loss after tax for the year ended 31 December 2021 would have been $6.4 million and $(8.7) million respectively.

6.11 Acquisition of OctiFi – Business Combination

(a) Summary of acquisition

On 21 October 2021, Latitude Financial Singapore Pte. Ltd. (subsequently renamed LatitudePay Singapore Pte. Ltd.) entered into a sale and purchase agreement with OctiFi Pte. Ltd., a buy-now-pay-later (BNPL) company based in Singapore, to acquire the business assets of OctiFi Pte. Ltd. (OctiFi) for $24.8 million (US$18 million).

Latitude Financial International Pte. Ltd, a subsidiary of the Group incorporated in Singapore, holds 85% ownership in LatitudePay Singapore Pte. Ltd. together with two of the original founders of OctiFi who together hold a 15% ownership holding.

The acquisition provides further opportunities for the Group to develop the Instalments business with partners in Asian markets.

Purchase consideration

	2021 $'m
Cash paid	15.9
Amounts set off against amounts due from founding sellers	5.2
Deferred consideration	3.7
Foreign exchange	–
Total purchase consideration	**24.8**

OctiFi's net assets recognised at 31 December 2021 were based on a provisional assessment of their fair value, the purchase price allocation for the acquired business has been finalised in the current year. The result of this was an increase in intangible assets and adjustment to goodwill associated with the acquisition.

	2021 $'m	PPA Adjustments $'m	2021 $'m
Cash and cash equivalents	2.8	(1.1)	1.7
Customer receivables	0.8	0.1	0.9
Other receivables	6.3	(6.3)	–
Other assets	0.2	–	0.2
Intangibles	–	2.9	2.9
Employee provisions	(0.2)	(0.8)	(1.0)
Foreign exchange	–	(1.7)	(1.7)
Net identifiable assets acquired	**9.9**	**(6.9)**	**3.0**
Add: Goodwill[1]	14.9	6.9	21.8
Net assets acquired	**24.8**	**–**	**24.8**

1 Goodwill includes foreign exchange rate movements.

The goodwill is attributable to the established team and platform to accelerate Latitude's expansion into Asia. It will not be deductible for tax purposes.

6.11 Acquisition of OctiFi – Business Combination (continued)

Contingent consideration and indemnification assets

Contingent liability

The transaction is not subject to any contingent consideration arrangements. No contingent liabilities have been recognised in the net assets acquired as part of the business combination during the period.

Acquired receivables

Acquired receivables

The fair value of acquired customer receivables at acquisition was $0.9 million, being the gross contractual amount for receivables due of $0.9 million, with no loss allowance recognised on acquisition.

(b) Purchase consideration – cash outflow

Outflow of cash to acquire assets, net of cash acquired:

	2021 $'m
Cash consideration	15.9
Less: Balance acquired	
Cash	2.8
Net outflow of cash – investing activities	**13.1**

(c) Revenue and profit contribution

The acquired business contributed nil revenue and net loss of $(3.4) million after tax to the Group for the period from 21 October to 31 December 2021.

If the acquisition had occurred on 1 January 2021, it has not been practicable to ascertain the acquiree's consolidated pro-forma revenue and profit/(loss) after tax for the year ended 31 December 2021.

Independent Auditor’s Report to the Members

Independent Auditor’s Report

To the shareholders of Latitude Group Holdings Limited and its controlled entities

Report on the audit of the Financial Report

Opinion

We have audited the ***Financial Report*** of Latitude Group Holdings Limited (the Company) and its controlled entities (the Group).

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the ***Group’s*** financial position as at 31 December 2022 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The ***Financial Report*** comprises:

- Consolidated Balance Sheet as at 31 December 2022;
- Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity, and Consolidated Statement of Cash Flows for the year then ended;
- Notes including a summary of significant accounting policies; and
- Directors’ Declaration.

The ***Group*** consists of the Company and the entities it controlled at the year-end or from time to time during the financial year.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 *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 fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

The ***Key Audit Matters*** we identified are

- Provision for Impairment Losses
- Valuation of Goodwill
- IT systems and controls

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Report of the current period.

These matters were addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Provision for Impairment Losses (Group $242.7 million)

Refer to Note 3.1(d) and Note 3.2(a) – (d) and (f) to the Financial Report

The key audit matter	How the matter was addressed in our audit

Provision for impairment losses is a Key Audit Matter due to:
• The significance of the related loans and advances balances to the Group.
• The high degree of complexity and judgement applied by the Group in determining the provision related to expected credit losses on loans and advances, and the resulting judgements and audit effort required by us to challenge these estimates.
 	
The Group measures provision for impairment losses on loans and advances in accordance with the recognition and measurement requirements of AASB 9 *Financial Instruments*. This incorporates probability weighted and forward-looking macroeconomic assumptions. This estimation is inherently challenging and uses complex models based on the Group’s historical loss experience to predict probability of default and loss.
 	
The Group also apply model risk overlays to address provision for impairment losses measurement uncertainties in their models. In the current year, this included a new Economic model overlay (Staging and Probability of Default) as the economy is transitioning into a new phase of uncertainty, and the unwinding of the previously raised COVID-19 Normalisation overlay.
	Our procedures included:
	• Tested key controls relating to the Group’s lending and provisioning processes including:
	  • Review and approval by Management of loan applications against the Group’s lending policies.
	  • The Group’s Reserve Management Committee review and approval of both the modeled provision and model risk overlays.
	  • Inspecting the Group’s Reserve Management Committee packs and meeting minutes encompassing review and approval of the Group’s provision for impairment loss model methodology, including the application of probability weighted and forward-looking macroeconomic assumptions.
	  • Review and approval by Management of the data quality assessment and back testing of data.
	  • Review and approval by the Group’s Macroeconomic Expert Panel of the macroeconomic model inputs including probability weighting developed by the external consultant.
	  • Review of the independent annual model validation.

The Group also exercised judgement in defining indicators of what they consider represents a significant increase in credit risk ("SICR") and in determining the loss estimates using provision for impairment loss models. We applied a significant level of judgement to assess the key forward-looking assumptions and economic scenarios, including the model risk overlays used in determining the loss estimate. Complex modelling, including using forward-looking assumptions are prone to greater risk including, error and inconsistent application. These conditions necessitate additional scrutiny by us, to address the objectivity of sources used for assumptions, and their consistent application.	Working with our financial risk management specialists, we: • Assessed the appropriateness of the Group's provisioning methodology and provision for impairment loss models, model risk overlays and historical loss experience, against the requirements of the accounting standards and industry practice. • Assessed the integrity of the provision for impairment loss models, including the model risk overlays used, including the accuracy of the underlying calculation formulas. • Obtained and inspected the Group's analysis and related workings underlying the SICR criteria and staging methodology and re- performed the staging assessment for a sample of loans and advances to assess the Group's SICR criteria. • Tested the completeness and accuracy of relevant data elements used within provision for impairment loss models for a sample of customers, such as checking year end balances to the general ledger, and arrears and risk ratings to source systems, which have been tested as outlined in the IT systems and controls key audit matter. • Challenged the key assumptions used in the provision for impairment loss models relating to forward-looking assumptions with reference to publicly available macro-economic information. This included the assumptions used in scenario weighting and model risk overlays. • Performed industry comparisons of the coverage rates. We did this by using our knowledge of the Group's loan portfolios and comparing the outputs of their models to publicly available data of a group of comparable entities and against our industry experience. • Assessed the disclosures in the financial report using our understanding obtained from our testing and against the disclosure requirements of the accounting standard.

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Valuation of Goodwill (Group $728.3m) and Accounting for Business Combinations	
Refer to Note 5.1 (b) – (e) Goodwill and Note 6.10 – 6.11 for Business Combinations to the Financial Report	
The key audit matter	**How the matter was addressed in our audit**
A Key Audit Matter for us was the Group's annual testing of goodwill for impairment, given the size of the balance (being 9% of total assets) and judgement involved. We focused on the significant forward-looking assumptions the Group applied in their value in use models, including: • Forecast operating cash flows, growth rates and terminal growth rates – the Group operates in a period of broader market volatility. These conditions increase the possibility of goodwill being impaired, plus the risk of inaccurate forecasts or a wider range of possible outcomes for us to consider. • Discount rate - this is complicated in nature and varies according to the conditions and environment the specific Cash Generating Unit (CGU) is subject to, as well as the approach to incorporating risk into the cash flows or discount rates. • Internal reorganisation of CGUs to align to the segments and business operations. The Group uses complex models to perform their annual testing of goodwill for impairment. The models are largely manually developed, adjusted for historical performance, and use a range of internal and external sources as inputs to the assumptions. Complex modelling, using forward-looking assumptions, tends to be prone to greater risk for potential bias, error and inconsistent application. These conditions necessitate additional scrutiny by us to address the objectivity of sources used for assumptions, and their consistent application. During the year the Group finalised the accounting for the previous year's acquisition of OctiFi Pte. Ltd and Symple Financial Group Pty Limited.	Our procedures relating to valuation of goodwill included: • Tested the key control being the approval of the budget used in the impairment models by the Board of Directors • We considered the appropriateness of the value in use method applied by the Group to perform the test of goodwill impairment against the requirements of the accounting standards. • We assessed the integrity of the value in use models used, including the accuracy of the underlying calculation formulas. • We compared forecast cash flows contained in value in use models to the Board approved forecasts and the strategic plan. • We assessed the accuracy of previous Group forecasts to inform our evaluation of forecasts incorporated in the models. • We used our knowledge of the Group, its past performance, business and customers, and our industry experience to challenge the Group's forecast cash flows. We compared key events to the approved plan and strategy. We compared forecast growth rates and terminal growth rates to published studies of industry trends and expectations and evaluated differences in the Group's operations. • We assessed the appropriateness of the change in CGU composition against the requirements of the accounting standards and evaluated the appropriateness of evidence to support the change. We assessed for indicators of impairment immediately prior to change in CGUs.

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	• We evaluated the Group’s calculation of the carrying amount of each CGU with reference to accounting standards and consistency against the value in use calculation • We assessed the Group’s allocation of corporate assets and costs to CGUs for reasonableness and consistency based on the requirements of the accounting standards. • Working with our valuation specialists, we independently developed a discount rate range using publicly available data for comparable entities, adjusted by risk factors specific to the Group’s CGUs and the industry they operate in. • We considered the sensitivity of the models by varying key assumptions, such as forecast growth rates and discount rates, within a reasonably possible range. We considered key assumptions when performing the sensitivity analysis and what the Group consider to be reasonably possible. We did this to identify those CGUs at higher risk of impairment and to focus our further procedures. • We assessed the disclosures in the Financial Report using our understanding obtained from our testing, discussions with management and the Board and against the requirements of the accounting standards. Further, we have reperformed the breakeven analysis and compared the results to the disclosures in the annual report. Working with our valuation specialists, our procedures relating to accounting for business combinations included: • We considered the objectivity, competence and scope of the Group’s external valuation experts. • We agreed the fair value of certain assets acquired to valuation reports prepared by the Group’s valuation expert. • We evaluated the valuation methodology used to determine the fair value of assets and liabilities acquired, considering

	accounting standard requirements and observed industry practices. • We assessed the key assumptions in the Group's external valuation expert report prepared in relation to the identification and valuation of customer relationships and other intangible assets. • We recalculated the goodwill balance recognised as a result of the transaction and compared it to the goodwill amount recorded by the Group. • We assessed the adequacy of disclosures in the Financial Report using our understanding obtained from our testing and against the requirements of the accounting standard.

IT systems and controls

The key audit matter	How the matter was addressed in our audit
IT systems and controls is a key audit matter due to the Group's use of many complex, interdependent Information Technology systems (IT) to process and record a high volume of transactions. Controls over access and changes to IT systems are critical to the recording of financial information and the preparation of a financial report which provides a true and fair view of the Group's financial position and performance. The IT systems and controls, as they impact the financial recording and reporting of transactions, is a key audit matter as our audit approach could significantly differ depending on the effective operation of the Group's IT controls. We work with our IT specialists as a core part of our audit team.	We tested the technology control environment for key IT applications (systems) used in processing significant transactions and recording balances in the general ledger, and tested the automated controls embedded within these systems which link the technology-enabled business processes. Our procedures included: • Assessing the governance and higher-level controls across the IT environment, including those regarding policy design, and review and awareness. • Design and operating effectiveness testing of controls across the User Access Management Lifecycle, including how users are on-boarded, reviewed, and removed on a timely basis from critical IT applications and supporting infrastructure. We also examined how privileged roles and functions are managed across each IT application and the supporting infrastructure.

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	• Design and operating effectiveness testing of controls to enable Change Management including how changes are initiated, documented, approved, tested and authorised prior to migration into the production environment of critical IT applications. We assessed the appropriateness of users with access to release changes to IT application production environment across the Group. • Design and operating effectiveness testing of controls used by the Group's technology teams to schedule system jobs and monitor system integrity. • Design and operating effectiveness testing of controls related to significant IT application programs. • Design and operating effectiveness testing of automated business process controls including those relating to enforcing segregation of duties to avoid conflicts from inappropriate role combinations within IT applications. Testing included: - Configurations in place to perform calculations, mappings and flagging of financial transactions, and automated reconciliation controls (both between systems and intra-system); and - Data integrity of critical system reporting used by us in our audit to select samples and analyse data used by management to generate financial reporting. • Where automated procedures were managed by systems with identified deficiencies, we performed test of details and assessed alternate controls that were not reliant on the IT control environment.

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Other Information

Other Information is financial and non-financial information in Latitude Group Holdings Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

The Other Information we obtained prior to the date of this Auditor's Report was the Directors Report and Remuneration Report. The remaining other information is expected to include: Our Values, Performance Snapshot 2022, Our Strategic Priorities, About Our Business, Chair's Report, Managing Director and CEO's Report, Business Review, Our People, Social Impact, Board of Directors, Leadership Team and Shareholder Information sections and is expected to be made available to us after the date of the Auditor's Report.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not and will not express an audit opinion or 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. In doing so, we 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.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001;*
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- assessing the Group and Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group and Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- 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 *Australian Auditing Standards* will always detect a material misstatement when it exists. Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Report.

Independent Auditor's Report to the Members continued

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A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf. This description forms part of our Auditor's Report.

Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of Latitude Group Holdings Limited for the year ended 31 December 2022, complies with *Section 300A* of the *Corporations Act 2001*.

Directors' 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 responsibilities

We have audited the Remuneration Report included in pages 44 to 70 of the Directors' report for the year ended 31 December 2022.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with *Australian Auditing Standards*.

KPMG

KPMG

Chris Wooden

Partner

Melbourne

17 February 2023

ASX Additional Information

For the financial year ended 31 December 2022

Additional information required by the Australian Stock Exchange Limited Listing Rules and not disclosed elsewhere in this report.

Ordinary shares

A. 20 Largest Shareholders as at 21 February 2023 – Ordinary shares

Rank	Name	Units	% Units
1	KVD SINGAPORE PTE LTD	662,534,273	63.75
2	SHINSEI BANK LIMITED	100,000,000	9.62
3	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <EUROCLEAR BANK SA NV A/C>	56,866,171	5.47
4	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	39,544,495	3.81
5	CITICORP NOMINEES PTY LIMITED	31,902,819	3.07
6	MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	14,004,936	1.35
7	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <GSCO CUSTOMERS A/C>	13,433,691	1.29
8	ROBERT NICHOLAS BELAN	11,354,681	1.09
9	PAUL CHRISTOPHER BYRNE	10,957,925	1.05
10	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED – A/C 2	8,522,025	0.82
11	MCDONALD BROS HOLDINGS PTY LTD <ALFRED UNIT A/C>	5,497,856	0.53
12	CREMORNE CO PTY LTD <CREMORNE CO A/C>	5,291,728	0.51
13	BALMORAL FINANCIAL INVESTMENTS PTY LTD	5,236,053	0.50
14	ONE CREMORNE PTY LTD <ONE CREMORNE TR A/C>	4,289,447	0.41
15	OXLEIGH PTY LTD	3,737,266	0.36
16	ASTRA SUPER NOMINEES PTY LTD <ASTRA SUPERANNUATION A/C>	2,692,308	0.26
17	OTTOMIN PTY LTD	2,524,925	0.24
18	MARYGOLD THREE PTY LIMITED <MARYGOLD THREE A/C>	2,479,036	0.24
19	CUSTODIAL SERVICES LIMITED <BENEFICIARIES HOLDING A/C>	2,212,389	0.21
20	CENTRAL PARK INVESTMENTS (AUST) PTY LTD <CENTRAL PARK INV A/C>	1,771,241	0.17
Total		**984,853,265**	**94.77**

B. Distribution of Shareholder Numbers as at 21 February 2023

Range	Total holders	Units	% Units
1 – 1,000	1,087	574,245	0.06
1,001 – 5,000	862	2,345,891	0.23
5,001 – 10,000	306	2,396,155	0.23
10,001 – 100,000	470	13,875,787	1.33
100,001 Over	106	1,020,024,760	98.15
Total	**2,831**	**1,039,216,838**	**100.00**

C. There were 470 holdings of less than a marketable parcel (less than $500 in value or 402 shares based on the market price of $1.245 per share).

D. The names of the substantial shareholders listed in the holding company's register, and their shareholdings (including shareholdings of their associates), as at 21 February 2023 are:

Shareholder	Ordinary	%
KVD Singapore	662,534,273	63.8%
Shinsei Bank	157,012,159	15.11%

E. Voting Rights of ordinary shares

The Constitution provides for votes to be cast as follows: i) on show of hands, one vote for each shareholder; and ii) on a poll, one vote for every fully paid ordinary share.

LATITUDE CAPITAL NOTES – LFSPA

As at 21 February 2023 the 23 largest holders of LFSPA held 704,403 securities, equal to 46.96% of the total issued securities. As at 21 February 2023 the total number of LFSPA on issue was 1,500,000.

A. 23 Largest LFSPA Capital Note holders as at 21 February 2023

Rank	Name	Units	% Units
1	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	273,878	18.26
2	CITICORP NOMINEES PTY LIMITED	107,774	7.18
3	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	102,784	6.85
4	LEOPOLD STATION PTY LIMITED	46,678	3.11
5	NATIONAL NOMINEES LIMITED	33,227	2.22
6	BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD <DRP A/C>	31,249	2.08
7	BALMORAL FINANCIAL INVESTMENTS PTY LTD <NO 2 A/C>	18,265	1.22
8	SPECIALIST NOMINEES PTY LIMITED	10,480	0.70
9	PREMIUM CAPITAL (AUST) PTY LTD	10,150	0.68
10	AURISCH INVESTMENTS PTY LTD	10,000	0.67
11	MRS ALINA BARLOW	6,197	0.41
12	AUSTRALIAN SHAREHOLDER NOMINEES PTY LTD <LEGAL EAGLE PL COLMANSF A/C>	5,450	0.36
13	MARAFA PTY LTD <FAUSTINO MARASCO FAMILY A/C>	5,070	0.34
14	PUPGALL PTY LTD	5,000	0.33
14	THE CORPORATION OF THE TRUSTEES OF THE ORDER OF THE SISTERS OF MERCY IN QLD <CONGREGATION A/C>	5,000	0.33
16	HUA INVESTMENTS PTY LTD <HUA INVESTMENTS SUPER A/C>	4,641	0.31
17	BLB HOLDINGS PTY LTD	4,250	0.28
17	PROGRESSIVE DISTRIBUTION PTY LTD	4,250	0.28
19	GEAT INCORPORATED <GEAT-PRESERVATION FUND A/C>	4,060	0.27
20	ATHLONE PTY LTD	4,000	0.27
20	BNP PARIBAS NOMINEES PTY LTD <PITCHER PARTNERS DRP>	4,000	0.27
20	COOLAN TRADING PTY LTD	4,000	0.27
20	ZONIA INVESTMENTS PTY LTD <S/F A/C>	4,000	0.27
Total		**704,403**	**46.96**

B. Distribution of LFSPA Capital Note holders as at 21 February 2023

Range	Total holders	Units	% Units
1 – 1,000	2,645	580,196	38.68
1,001 – 5,000	131	258,602	17.24
5,001 – 10,000	4	26,717	1.78
10,001 – 100,000	6	150,049	10.00
100,001 Over	3	484,436	32.30
Total	**2,789**	**1,500,000**	**100.00**

C. There was 1 holding of less than a marketable parcel (less than $500 in value or 6 securities based on the market price of $93.50 per security).

D. Voting rights of LFSPA Capital Note Holders

LFSPA Capital Note holders do not have any rights to vote at any meeting of members of the Company.

Corporate Directory

Directors

Michael Tilley
Ahmed Fahour
Mark Joiner
Alison Ledger
Scott Bookmyer
Julie Raffe
Beaux Pontak
Aneek Mamik

Company Secretaries

Vicki Letcher
Tiffany Barton

Registered Office

Level 18, 130 Lonsdale Street
Melbourne, Victoria 3000

Share and Securities Registry

Computershare Investor Services Pty Limited
Yarra Falls. 452 Johnston Street
Abbotsford, Victoria 3067

Tel: 1300 850 505 (within Australia)
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Fax: +61 3 9473 2500

Auditor

KPMG

LATITUDE

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