LATITUDE

ANNUAL REPORT 2021

Partners in Money

LATITUDE GROUP HOLDINGS LIMITED
ACN 604 747 391

The Latitude Way

We believe in inclusion and that personal finance should be easy, accessible, flexible and about choice, so we offer our customers a range of products to suit different lifestyles.

Contents

Latitude acknowledges the traditional owners of the lands throughout Australia in which we work and live and pay our respects to the Elders, past, present and emerging.

Welcome to Latitude's inaugural annual report

Latitude is a consumer instalments and lending business.

Latitude provides innovative products and services that support the needs of customers, merchants and other commercial partners. Leveraging our technology, we work closely with our partners to help them grow their customer base, while also engaging directly with consumers. We offer our 2.8 million customers in Australia and New Zealand instalments, lending and insurance products and expanded into Asia and North America in the second half of 2021.

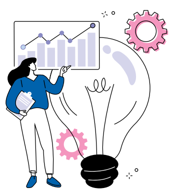
FY21 Highlights

- #2 originator of new personal loans in Australia*
- 2.8 million customer accounts
- 5,500 merchant partners
- 41 Transactional NPS score

2021

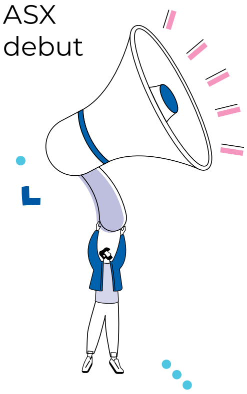
MARCH

Shinsei Bank acquires 10 percent strategic stake



APRIL

ASX debut



JULY

Established a new $1.056b Australia Sales Finance and Credit Cards Warehouse with included capability to fund a portion of LPay receivables

LatitudePay Bigger Buys pilot launch allowing purchases up to $10,000

* Internal Latitude data as at 31 December 2021.

▲ **$160m**
Statutory NPAT

▲ **$232m**
Cash NPAT

▲ **$7.3b**
Total Volume

▲ **16.6%**
ROE

8.7%
TER

15.7c
Dividend per share

AUGUST

symple loans acquisition announcement to modernise our lending business and turbocharge growth in personal and auto loans

Half-year results delivering strong growth and momentum

SEPTEMBER

Capital Notes issue raising approximately $150 million

Symple Loans launches in Canada

NOVEMBER

LatitudePay Singapore launch

DECEMBER

Latitude GO Mastercard 6 months Interest Free on everyday purchases of $250 or more, anywhere globally Mastercard is accepted

Our Business Model

Leading in personal finance

Latitude's unique distribution model enables customers to access finance through Latitude's established network of commercial partners, as well as with Latitude directly, online and by phone.

Latitude has substantially upgraded its technology infrastructure, established a resilient funding platform and has a continuing focus on innovation that delivers for customers, partners and its shareholders.

Latitude offers customers in Australia and New Zealand the following products:

Payments & instalments: where Latitude provides payment and finance solutions to merchants and their customers wanting to purchase goods or services. Latitude provides choice and flexibility to customers, ranging from weekly instalment plans (buy now pay later) for small purchases to monthly or flexible payment plans for bigger purchases.

Lending: where customers are directly seeking support with payments and financing needs, including personal loans, motor loans and travel credit cards.

In addition, Hallmark Insurance provides insurance in connection with Latitude's instalments and lending products, covering price protection, merchandise protection, stolen cards and adverse life events (including death, disability, unemployment).

During the final quarter of the year, Latitude commenced operations in Canada and Asia.

A LEADER IN CONSUMER FINANCE DISRUPTING PAYMENTS AND TRADITIONAL LENDERS

INSTALMENTS Disrupting consumer payments and credit card balances	Shop small, pay weekly **BNPL** LatitudePay growing rapidly as BNPL disrupts traditional payments Up to $1,000, 10 weekly payments	Shop big, pay monthly **BIG TICKET** LatitudePay+ Bigger Buys pilot, launched 2021, disrupting traditional credit cards Up to $10,000 and 24 months	Shop anywhere, pay flexibly **GO & GEM** Latitude GO/Gem being refreshed making it easier to shop interest free Up to $30,000 and 60 months
LENDING Leveraging graduation and funding advantages to drive growth	Home, holiday, wedding **PERSONAL LOANS** Latitude personal loans providing competitive rates and flexible packaging	Car, boat, caravan **MOTOR LOANS** Latitude motor loans well suited to growing focus on domestic tourism	International travel & shopping **28° GLOBAL** Latitude 28° Global travel and shopping card highly relevant as borders reopen Launched comprehensive travel insurance offer
	SYMPLE ACQUISITION WILL ENABLE ADDITIONAL GROWTH OPPORTUNITIES		
	Direct, Broker and Kiwibank white label	Direct and Broker	Strong customer advocacy

About Latitude

Latitude is a leading instalments and lending business, with 2.8 million customer accounts and more than 5,500 merchant partners in Australia and New Zealand and 5,800 accredited brokers throughout Australia.

Latitude's merchant partners include major retailers across a wide range of living and lifestyle categories, including Apple, Harvey Norman, JB HI-FI, Cotton On, The Good Guys, Samsung and Luxury Escapes, providing Latitude with significant scale and distribution for its products. Latitude's lending products are also distributed by a network of over 5,800 accredited brokers in Australia and Kiwibank's branch network in New Zealand.

In 2015, a consortium of investors consisting of KKR, Värde Partners and Deutsche Bank acquired the business from GE.

Latitude has since established itself as a disruptor in payments and lending, combining the risk management processes and long-standing customer relationships fostered under its GE heritage with substantial investment to create a unified brand and experience for its partners and customers, with upgraded technology, an established funding platform and ongoing customer innovation.

On 20 April 2021, Latitude made its debut on the ASX.

We help our customers shop for and purchase the things they need with interest free instalment plans and personal loans.

Chair's Report

It's a privilege to welcome shareholders to Latitude's first Annual Report as a listed company.

Since listing on the ASX in April last year we have delivered on the financial benchmarks we set ourselves in the prospectus. Importantly we met our commitment to pay shareholders two dividends in our first year. In 2021, despite the ongoing challenges of COVID-19 and the impact of extended lockdowns on large parts of Australia and New Zealand, Latitude Group Holdings Ltd produced a cash NPAT profit of $232 million. Our 1H21 Cash NPAT profit of $121 million was at the top end of guidance.

Becoming a listed ASX company was a significant milestone for Latitude. In the past 12 months the Board and senior management have placed considerable focus on preparing the business for the growth opportunity post pandemic. This included recommitting to our strategy so we are best placed to capture the opportunities emerging with changes in consumer behaviour, including trends accelerated by the impact of COVID-19. The Board and senior management team set themselves eight key priorities for 2022 and beyond, against which we are already making strong progress.

$232m
Cash NPAT

I would like to share these with you:

> Our priorities are always to support our customers as well as our incredible merchant partners.

1. **Lead in payments and instalments** – Latitude is already the leader in this segment. With product enhancements through our Future of Interest Free program and the launch of LatitudePay+ Bigger Buys, we can deliver a unique proposition for our customers across small and large purchases and reach new segments while providing added value to our merchant partners.
2. **Disrupt lending** – the acquisition of Symple Loans provides Latitude with a lending platform that will enable us to expand our product range, including into variable rate loans, while enhancing the customer experience and improving partner sales. In 2021, Latitude maintained its 12 percent market share in personal loans in Australia and is looking to increase that share in the coming years.
3. **Expand internationally** – we have launched LatitudePay into SE Asia, including with Harvey Norman in Singapore, in the final months of 2021. The acquisition of Symple added Canada as a personal lending market in September. We have already identified additional priority markets in Asia for growth at scale.
4. **Transform operations** – we will continue to invest to digitally transform and consolidate legacy operations and transition legacy technology to cloud-based platforms, using our rich data to benefit customers and investing in artificial intelligence to enhance our decision making.
5. **Continue balance sheet and risk strength** – the success of our $150 million capital notes issue in September 2021, which we increased in size due to strong investor demand, illustrated our continued funding and risk management innovation. Latitude has a strong and resilient balance sheet structure to support our growth plans.
6. **Reinvent insurance** – insurance has traditionally been an important part of the Latitude business but now we are re-launching it with new digital products to grow customers and support partners.
7. **Continue to build upon our customer-led culture** – we continue to evolve our platform operating model where the customer is at the core of everything we do. Latitude is enhancing where and how we work in teams, a transition accelerated by the changes made necessary by remote working over the past two years.
8. **Build our stakeholder reputation** – by emphasising our responsible approach to inclusive lending, supporting diversity.

As we all embark on what hopefully will be a more normal 2022, it is especially important that I acknowledge our senior management team, led by our MD & CEO Ahmed Fahour, as well as all our employees for their incredible efforts during the pandemic. Our priorities are always to support our customers, which was especially important during the uncertainty of COVID-19, as well as our incredible merchant partners who faced their own challenges during lockdowns last year. At Latitude we've changed the way we work to be more focused on strategic opportunities and to forge even closer relationships with our partners. We're ready for a stronger future.

Thank you

Michael Tilley

Managing Director and CEO's Report

I am delighted to report that Latitude Group Holdings Limited earned a statutory NPAT of $160 million for our 2021 financial year with cash NPAT of $232 million. In the context of extended lockdowns and the significant disruption caused by COVID-19, which impacted consumers as well as our important merchant partners, Latitude produced a strong financial result last year.

Over 2021, Latitude saw a 4.3 percent lift in volume growth, led by personal and auto lending, making it the second largest originator of new personal loans in Australia and in New Zealand. While lockdowns and an historically high household savings ratio had an impact on our receivables, with customers paying down their debt at higher levels, this trend was felt across our industry and we expect repayments to return to more normal levels as the economy opens up in 2022.

On the flipside, changing consumer behaviour during the pandemic also meant our asset quality significantly improved and we enjoyed lower delinquency rates in 2021.

Cost reduction was a key focus of the past 12 months with a simplification program driving 4 percent reduction in operating costs, while we maintained growth-related investments and a strong balance sheet, enhanced by the $150 million capital notes offer.

After successfully managing the impact of COVID-19, our strategic focus shifted to growth opportunities as the second half of 2021 unfolded. There is significant opportunity to extend our leadership in payments and instalments in Australia and New Zealand as well as expand internationally, while further increasing our market share in personal and auto loans and relaunching our Insurance business.

Latitude's significant acquisition of Symple Loans in October 2021 demonstrated our commitment to disrupting the lending market, as consumers embrace more convenient digital lending options and traditional banks reduce their focus on non-mortgage lending.

We identified Symple as a great addition with enormous synergies to our business as it was a well-established personal lending fintech using advanced technologies to deliver simple digital experiences to customers and brokers, fast approvals and same-day settlements.

We will now adopt the Symple lending platform for all our lending products in any geographic location, allowing Latitude to offer variable rate lending products in Australia and New Zealand for the first time, as well as auto loans in New Zealand, and provide additional functionality such as redraw and line of credit. Significantly, Symple began offering personal loans in Canada in September last year, establishing a presence for Latitude in North America as we look to broaden our international presence.

During 2021 we refreshed Latitude GO and Latitude Gem as part of our Future of Interest Free program, making it easier for customers to utilise interest free on everyday purchases, in addition to our existing instalment plans of up to 60 months.

We are also expecting a strong rebound this year for our highly popular Latitude 28° Global travel and shopping card as Australia's border reopens and international travel gradually returns to pre-pandemic levels.

Through LatitudePay, we have also delivered strong growth in small ticket buy now, pay later, with our customer base surging 42 percent in 2021 to 539,000 open accounts. Last year we also launched LatitudePay+ Bigger Buys, which enables customers to shop small to big using LatitudePay, as well as supporting our continued expansion into new growth verticals such as Health.

We are particularly excited about our international expansion opportunities, especially in Asia. Latitude acquired and rebranded the assets of BNPL fintech OctiFi rolling out in

> After successfully managing the impact of COVID-19, our strategic focus shifted to growth opportunities.

Over 2021, Latitude saw a

4.3%

lift in volume

Singapore in 2021 to support our merchant partners in the region, starting with Harvey Norman, as well as organically grow our own customer base in SE Asia. OctiFi was the perfect multi-market platform and has an established team with market expansion experience to accelerate our growth plans in Asia.

While we are focused on the future, we never forget that at the heart of everything Latitude does are the customers and partners we have today, and we continue to develop new digital features to enhance the borrowing and shopping experience for all our customers.

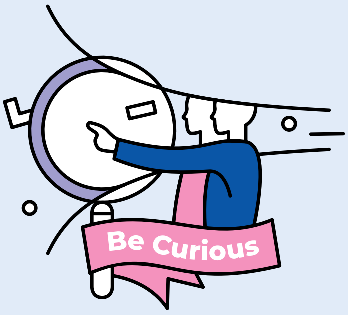
I'm sure we are all looking forward to a year ahead where we can return to a more normal life with our family and friends, shop with greater freedom and plan our holidays with confidence. As a company, we could not have emerged stronger from 2021 without the wonderful efforts of our entire team at Latitude. I pay tribute to everyone's diligence and dedication, especially while working from home. As economies transition into a long-awaited recovery, we look forward to supporting the aspirations of our customers and partners in 2022.

Ahmed Fahour AO
Managing Director and CEO

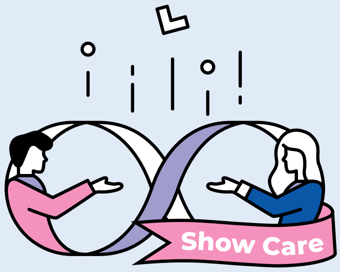
What Makes Us Different

Latitude's mission is to enhance financial access and inclusion as a responsible partner in money. Integral to Latitude's inclusive strategy is to embed a culture that encourages responsibility with credit and for our people to conduct themselves in accordance with Latitude's values of Act right, Be curious, Show care.

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.



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



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.

During FY21, Latitude focused on four priorities aligned with its growth strategy:

1. **Build momentum with partners**
2. **Grow instalments**
3. **Grow lending**
4. **Develop a low-cost digital platform organisation**

In support of our strategy we also announced a realigned operating model to take effect from January 1, 2022, creating three strategic business units to focus on the opportunities in our core portfolios of payments, lending and insurance. These opportunities include our international expansion starting with Asia and North America, new products like variable rate loans, extending into new market segments including health and small business and the evolution of our 28° Global travel card as borders reopen.

Build momentum with partners

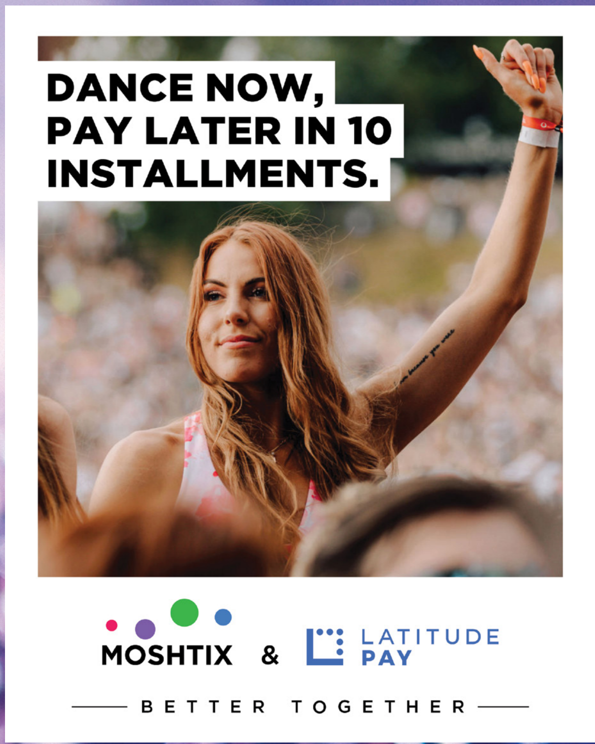
Latitude's Business to Business to Consumer model (B2B2C) helps our partners with easy payment, lending and insurance solutions, fast decisions, great insights and sales opportunities with our millions of customers.

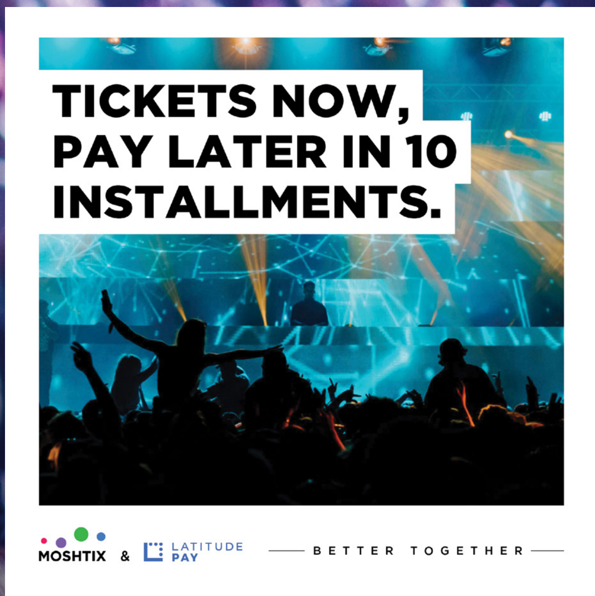
In FY21, we continued to develop new products and features to help our merchant partners grow their customer base, such as the successful pilot and initial roll out of LatitudePay+ Bigger Buys which allows BNPL customers to make interest free purchases of up to $10,000 using LatitudePay. We also leveraged our deep relationships to support our partners to navigate the COVID-19 pandemic and established a new senior role of Group GM, Partners, to enhance our focus on new and current partner development.

We announced a number of significant new merchant partnerships, including Moshtix, Kogan, City Chic, MySale Group and Matt Blatt. At the same time we continued to work closely with our existing partners to provide even more options and flexibility to consumers.

Despite the pandemic, many of our key partners performed well across categories that relate to 'home economy', such as computers, electrical goods, furniture, bedding, BBQ and home interiors, as travel restrictions and working from home trends continued.

A key component to Latitude's support is the marketing, data and customer acquisition capabilities that continue to be developed to the benefit of our partners. Our two FOMO PROMO sale events for LatitudePay and Genoapay in April and October 2021 delivered strong results for participating merchants during the 3-day campaigns.





In September we ran our first Small Biz Boost campaign to help provide small businesses in Australia with an extra boost following the impacts of the COVID-19 pandemic with customer incentives and merchant promotions.

Grow instalments

Latitude's range of instalment products provide merchants and consumers with convenient payment options, both in-store and online. As consumers seek flexibility and simplicity in paying for purchases, we continue to innovate so our partners can provide a seamless shopping experience.

We acquired Genoapay in New Zealand in December 2018 and used the platform to launch LatitudePay in Australia in August 2019. LatitudePay has quickly grown to become the 3rd most recognised BNPL brand in Australia[1] and in 2021 we launched the successful pilot of LatitudePay+ Bigger Buys, allowing BNPL customers to purchase bigger ticket items interest free.

The addition of LatitudePay and Genoapay to our product suite has introduced a new group of customers to Latitude and our other financial payment and lending products designed to support them through different stages of their lives.

In response to customer and partner demand, as well as general consumer trends, Latitude now provides a range of instalments options for consumers and merchants:

SHOP SMALL

pay weekly with BNPL product LatitudePay (up to A$1,000, 10 weeks);

SHOP BIG

pay monthly with the Big Ticket extension of LatitudePay for Bigger Buys (up to A$3,000-10,000, 24 months); and

SHOP ANYWHERE, PAY FLEXIBLY

with new digital developments and enhanced propositions for Latitude GO/Latitude Gem, including extending interest free shopping to everyday purchases above A$250 on Latitude GO, launched in 2021.

In 2021 LatitudePay customer accounts grew by 42 percent to 539,000. LatitudePay is now rapidly expanding into new categories such as health and introducing new partners to Latitude such as HCF and Kogan.

With an ongoing focus on product development and innovation to deliver better customer experiences and value to our merchant partners, we introduced major enhancements to our Latitude GO Mastercard. Latitude GO customers can now turn everyday transactions above $250 into a six-month interest free plan anywhere Mastercard is accepted globally, complementing the range of longer-term plans that are already available for larger purchases.

Our customers will also benefit from our partnership with Mastercard with whom we are working to launch a new BNPL innovation in Australia that will allow consumers to access instalment loans across the global Mastercard network.

In line with Latitude's consistent commitment to act responsibly, we conduct identity verifications and credit checks on all customers wanting to access our instalments products.

1 Source: Latitude Brand Tracker (conducted by Nature Research).

Grow lending

Latitude's lending products are designed to enhance access to a wide variety of lifestyle purchases, as well as travel and shopping.

In Australia, we collaborate closely with a network of over 5,800 accredited brokers, helping them best serve their customers with our lending products and utilising technology and research to provide flexible lending solutions.

In 2021, Latitude experienced strong growth across both personal and auto loans. Total personal and auto loan volumes were up 41 percent and 43 percent respectively. This result reflects our focus on delivering a great end-to-end experience with fast decisioning and disbursement of funds for customers and brokers, with initiatives such as risk-based soft quoting online and service level enhancements for brokers.

With one of the largest sales teams in lending in Australia, our supportive and product-based approach is reflected in our NPS score from brokers of 88[2] and our ranking as #1 for personal loans by The Adviser's 2021 Product of Choice: Non-Banks survey. To increase our focus on supporting our vast broker network, we created a new role of GM Broker & Partnerships.

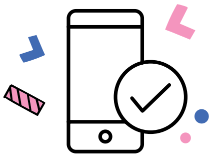
In New Zealand, Latitude also works with our white-label partner Kiwibank to distribute personal lending products. Customers are able to apply for loans through Kiwibank's website, over the phone and through referrals from Kiwibank's national network of branches, with applications integrated into Latitude's credit approval systems and processes.

The evaluation of new digital lending capabilities will continue as part of our future product roadmap. Latitude is also testing artificial intelligence ('AI') tools to drive graduation opportunities for lending products from the growing instalments products customer base.

There is also future opportunity to white-label or co-brand lending products with partners, in a manner similar to the Kiwibank partnership in New Zealand.

While our travel credit card Latitude 28° Global has been significantly impacted by COVID-19 pandemic travel restrictions, its award-winning value proposition means it is well positioned for the resumption of broader international travel and for opportunities to further develop the customer experience in international shopping.

2 Broker NPS survey conducted by Latitude in Dec 2021 for Q4 2021.



Develop a low-cost digital platform organisation

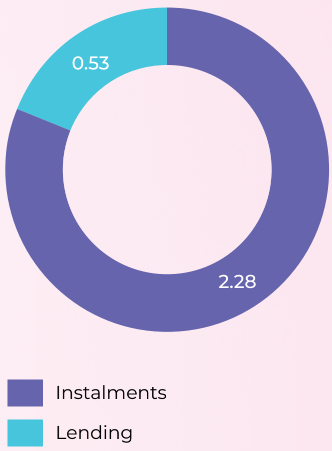
Latitude's operating model and culture are being adapted to foster a customer-centric and innovative technology organisation. Investment in leadership, ways of working, simplification, digitisation and technology continues alongside Latitude's product development roadmap. To enable this strategy, Latitude has implemented a senior leadership development program – the Platform Leadership Experience. This program is expected to provide a critical foundation to further enhance Latitude's culture, partner and customer outcomes.

COVID-19 accelerated Latitude's adoption of modern work practices, and we utilised our technology to enable our people to work from home. This infrastructure and resulting experience have allowed us to adopt a hybrid working model, underpinned by an ongoing focus on the Latitude shared Values of Act right, Be curious and Show care.

Latitude's technology continues to progress to an end state two-speed architecture, which includes the continual enhancement of Latitude's core systems alongside the integration of new digital systems to facilitate rapid development cycles for improving user experiences.

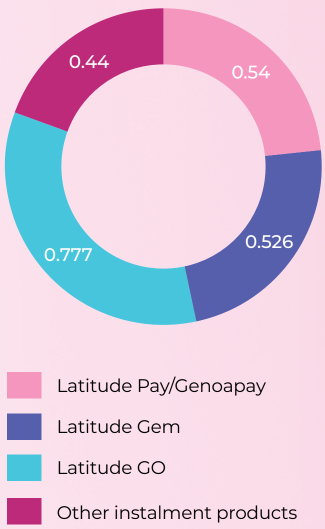
An ongoing major program is to simplify products and processes as Latitude continues to invest in digitisation of the end-to-end experience for partners and customers.

Large customer base across instalments and lending
(customers in millions)

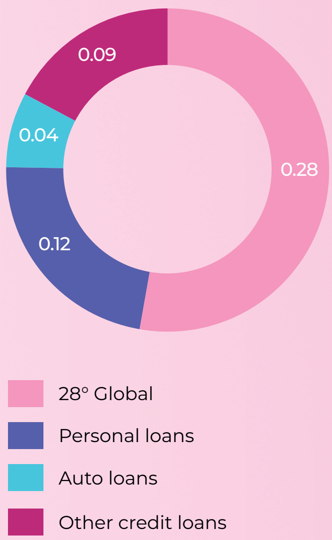


Diverse customer product holding
(customers in millions)

Instalments



Lending



"Latitude is a great fit for us as we look to take our business to the next level and we are aligned in our vision. The opportunities locally and globally are significant."

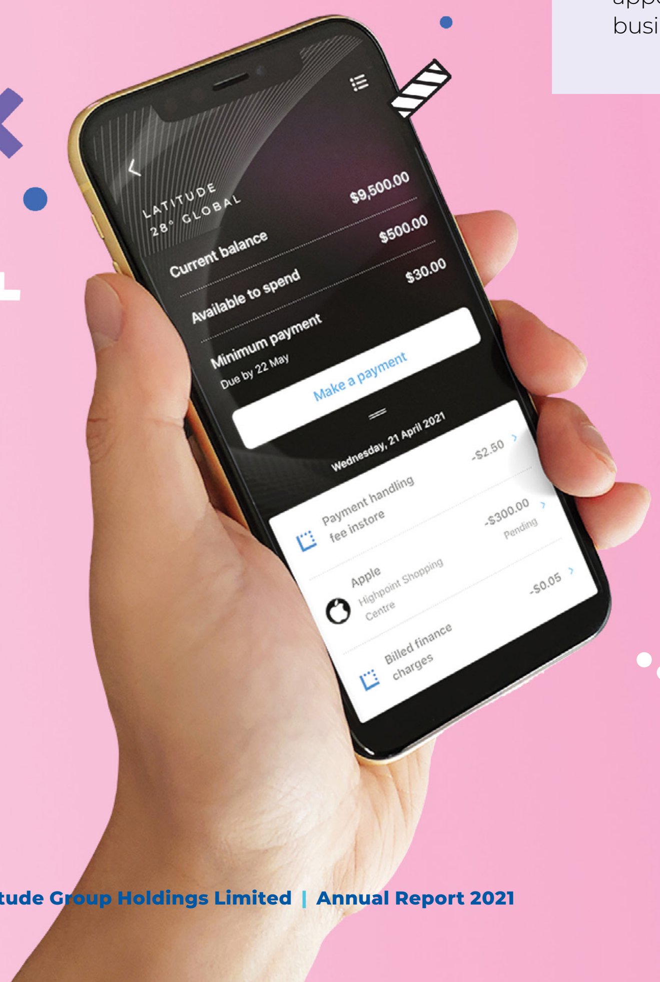
Bob Belan, Symple CEO

SYMPLE ACQUISITION TO FAST-TRACK LENDING GROWTH

In August 2021, Latitude announced the acquisition of fast-growing digital business Symple Loans to fast-track lending growth.

Symple uses state-of-the-art global technologies, advanced analytics and proprietary risk-based pricing techniques to deliver simple digital experiences to customers and brokers, fast approvals and same-day settlements.

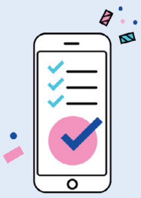
In 2022, Symple will become the lending platform for all Latitude personal and auto loans, enabling a superior customer and partner experience and the more rapid deployment of new products and features, while reducing costs. It will enable Latitude to move into the variable rate lending market and expand its auto loans business into New Zealand. Latitude began offering personal loans in Canada in 2021 through Symple's established North American operations. Symple's co-founder Bob Belan has been appointed EGM, Money to lead Latitude's lending business and oversee the integration.



Future Growth Opportunities

As a leading provider in Australia and New Zealand of interest free payments and lending, Latitude is in a unique position to capitalise on growth opportunities and global expansion.

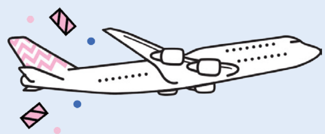
Looking ahead to FY22 we are focused on four key operational priorities to continue our momentum and drive growth:



LEAD IN PAYMENTS AND INSTALMENTS

LEAD IN LENDING

REINVENT INSURANCE



EXPAND IN ASIA AND CANADA

These four priorities will be underpinned by the ongoing transformation and optimisation of our operations and our operating model structure, centred around three portfolio businesses – Pay, Money and Insurance.

Lead in payments & instalments

Ongoing disruption in the payments industry and strong demand from merchants and consumers for easy and convenient mobile experiences represent a large opportunity for growth for Latitude.

LatitudePay's broad audience demographic, higher than average transaction value and low merchant fees offer a strong and competitive value proposition to merchants and customers.

The successful pilot launch of LatitudePay+ Bigger Buys and the capability to offer BNPL for purchases of up to $10,000 to customers provides a significant opportunity to acquire new partners in home and health segments.

With a deep understanding of our customers, backed by insights and data, we can work with our partners to drive innovation in shopping and payments.

The proposed acquisition of Humm's consumer business, announced in early 2022, will also accelerate our growth strategy.

Lead in lending

Latitude has a significant opportunity to grow lending as a specialist consumer finance business with scale, specialised risk and funding capabilities, ongoing digital lending development and the ability to offer loans to our large base of instalments and payments customers.

In 2022, the integration of the Symple Loans platform will unlock more potential and firmly establish Latitude as a leader in lending across the segments in which we operate by offering a superior customer and partner experience with our personal and auto loan products.

Reinvent insurance

Innovation and technology have also brought disruption to the traditional insurance markets in Australia and New Zealand. Digital capabilities mean that customers now expect a seamless and personalised experience, along with products that meet regulatory requirements. Technology is a key enabler to our ability to respond effectively to these evolving needs.

Latitude's customers increasingly require choice of cover, digital engagement and payment options, while regulators have set clear expectations regarding the unbundling of consumer credit insurance-related products and the adoption of a deferred sales model ('DSM').

Following the launch in 2021 of Repayment Protection Insurance in Australia as a premium add-on for our personal loans customers, our Insurance business will continue to design and launch new standalone products in 2022 to meet the needs of our customers and partners, supported by a new insurance platform.

An international footprint is increasingly important in a globalised world. Expansion into payments and instalments in SE Asia will allow us to extend our customer base and build a presence in new markets while supporting our global partners.

Expand in Asia

In 2021, Latitude announced it had partnered with iconic retailer Harvey Norman in Singapore to spearhead the company's pre-Christmas launch into the rapidly expanding $5.5 billion SE Asian Buy Now, Pay Later market[3].

Latitude began rolling out BNPL online and across Harvey Norman's 12 stores in Singapore, starting with three stores in December 2021, in the first major step in plans to rapidly expand its instalments business into other key Asian markets, including Malaysia.

Asia represents a significant opportunity for Latitude, with several of its existing merchant partners already strongly established in the region. In store and online payments in key Asian markets, excluding China, are expected to grow to more than seven times the size of the combined Australian and New Zealand markets by FY24[4].

3 Source: ResearchAndMarkets.com.

4 Source: WorldPay/FIS Global Payments Report 2020. Countries include Singapore, Malaysia, Indonesia, Vietnam, Thailand, Philippines, Japan, South Korea, India.

We will differentiate our offering in Asia by expanding into bigger ticket BNPL in 2022, allowing customers to pay for purchases of up to S$10,000 on interest free plans.

Singapore and Malaysia are logical entry markets for Latitude, boasting vibrant retail sectors with sophisticated consumers who are quick to adapt to digital innovation.

We expect the BNPL market to grow in these two countries alone to A$3.8 billion by 2025[5], with a target market for bigger ticket instalment plans estimated to be up to 10 million people.

Our expansion into Asia was fast-tracked through the investment in and rebranding of the assets of Singapore-based BNPL provider OctiFi.

OctiFi established itself quickly after its launch in Singapore in 2020, using a mobile-led, scalable consumer finance technology platform, backed by AI-driven data analytics and strong credit risk capability, to offer interest free instalment plans to customers spread over three payments.

Now rebranded as LatitudePay, OctiFi volumes for 2021 exceeded S$10 million, with 16,000 users and more than 300 merchants, including Harvey Norman, IDS, Gain City, Absolute Cycling, Natural Healing, Istudio, GW Mobile, EVISU Singapore, Dcpro Sports, Ogawa Health-Care and Mobot + CampBicycle.

Latitude has appointed Khamphanh Kittikhoun as CEO of its business in the region. Kittikhoun has worked for several prominent payment and financial services businesses in the Asia Pacific, including fintech Gojek.

The OctiFi team has been retained in recognition of their expertise and market knowledge, ensuring there is no interruption to operations, reporting to Kittikhoun.

With Latitude's established BNPL offering now providing up to A$10,000 across 24-36 months, and with the acquisition of Symple Loans backed by Latitude's digital capability, there is significant growth potential in payments and lending in SE Asia.

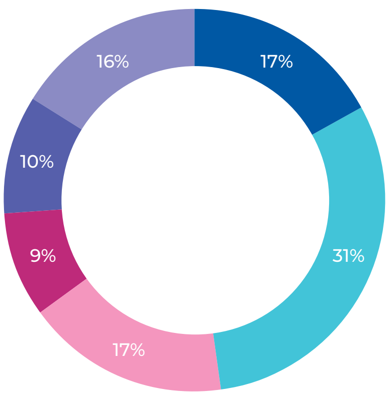
Latitude's entry into Singapore followed closely in the footsteps of our expansion of our lending business into Canada through Symple Loans' North American operation.

5 Source: ResearchandMarkets.com.

Our People

Latitude's greatest strength and advantage is its people. We are proud of our culture and our diversity and actively ensure inclusion and build capability, with a genuine focus on, and responsibility for, the wellbeing of our team.

Workforce by business function (%)



* Support Services = Finance, Risk, Corporate Services, EC.

Our ways of working

Over 2021, with ongoing lockdowns and restrictions on working on site, we have continued to evolve our ways of working in support of our strategic growth agenda.

Not only has the COVID-19 pandemic fundamentally shifted the way we work, it's helped us re-imagine the future of our workplace: where it is, what it looks like, and how it will operate. We've helped our teams shift to distributed ways of working through technology, communication and engagement programs, as well as building our remote-working leadership capability. Throughout 2021 we've remained committed to maintaining the positive momentum that has been gained through the shared experience of working from home.

This was extended in 2021 with the adoption of a hybrid working model – sometimes working from the office and sometimes from home – empowering our teams to tailor their approach to working together, allowing flexibility while staying aligned and connected.

Flexible working has always been a key part of our workplace culture. In addition to our flexible working practices, we supported our people with a range of different initiatives in 2021 as they navigated a changing work environment and the fatigue of lockdowns:

- Up to two hours paid time to get vaccinated during business hours for rostered employees;
- "Leavetober" – pre-qualification for the additional leave benefit for eligible employees who took leave in October;
- A gifted annual leave day on 24 December;
- A virtual school holiday program for our parents with children aged 6–12; and
- Circle In Parents Platform to support working families through every stage of parenthood and caregiving.

Despite the many impacts of the COVID-19 pandemic, employee engagement continued to rise throughout 2021, with our most recent employee engagement survey, conducted in October 2021, delivering a result of 65 percent. The survey also demonstrated strong alignment across our organisation.

This year also saw the launch of our Workforce Ignite program, designed to connect, inspire and engage our people with our strategy. Through a series of immersion sessions around topics such as our competitor landscape, partner and customer experience and strategy, we armed our leaders with the tools to drive a better understanding and focus within their own teams.

Diversity & inclusion

At Latitude, we recognise that the richness of our culture is enhanced by the diversity of our team's individual backgrounds and life experience. Ensuring active inclusion and valuing our differences empowers our people to innovate and work together to achieve our strategic objectives. It builds resilience in our organisation, allows us to better understand and serve our customers, and helps us make a stronger contribution to our community.

Latitude celebrates diversity in all 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.

Latitude is committed to improving gender diversity, equity and inclusivity (DEI) and we have formalised this commitment through our DEI Plan in 2021. 49.5 percent of Latitude's workforce are women and our Gender DEI Plan focuses further development to build and strengthen the gender diversity in the organisation at the senior management level.

An internal forum and working group #LatitudeWomen, sponsored by the Executive, was established in December 2020 to support our business wide Gender DEI Agenda by promoting and actioning three priority areas; providing advocacy, support and sponsorship, ideate, innovate and integrate best practice and champion accelerated progress.

In FY22 we aim to achieve greater gender balance across all levels of our organisation, and commit to establishing measurable objectives to support this.

Latitude Life

Our entirely employee-led network, Latitude Life, has four streams – Wellbeing, Community, Belonging and Social Connectors. Each group of passionate employees designs and manages events for our people to celebrate diversity and belonging, including initiatives such as R U OK day, NAIDOC week, Wear It Purple and corporate responsibility activities. The group is also responsible for social activities such as trivia nights, family entertainment and fundraising.

Employee safety & wellbeing

Safety and Wellbeing was a key focus in 2021, as our people continued to adjust to new working environments and changing restrictions impacting our working and personal lives.

We implemented a number of programs to support the health and wellbeing of our people:

- In response to the ongoing lockdowns in NSW, Victoria and Auckland, we initiated a pandemic support program including personal leave to provide care, vaccination leave, a summer hamper and school holiday program;
- Access to free health consultations, covering topics such as nutrition, exercise and sleep, as well as flu shots, skin checks and access to online exercise programs;
- Our Employee Assistance Program (EAP) is available to all employees and their immediate families 24/7;
- Launched our MindMates program, training 45 Mental Health First Aiders to assist employees with mental health issues; and
- Rollout of The Resilience Project's Digital Wellbeing series, engaging 575 participants in wellness and mindfulness activities.

Building capability & supporting our team

Financial capability

As a financial services organisation we are committed to enhancing access to finance in a responsible way, including with our people at Latitude.

Our Financial Capability program is designed to build the financial wellbeing of our people and help them develop good money habits. This has the added benefit of helping our people to understand and serve our customers.

We've partnered with Map My Plan in Australia and Te Ara Ahunga Ora – Retirement Commission in New Zealand to assist with their financial wellbeing. The program includes access to online resources and tools as well as the delivery of behaviour change workshops delivered by experienced facilitators.

As a financial services organisation, we're committed to enhancing access to finance in a responsible way.

We're committed to providing professional development opportunities to grow skills and help prepare our next generation of leaders.

Performance & career development

Latitude is reshaping its leadership and workforce capabilities, operating model and work practices so we can deliver our growth strategy and succeed well into the future.

We have begun the process of re-imagining our performance and reward frameworks, including the associated design of leadership capability programs, to shape a stronger employee proposition and ensuring clear alignment between employee reward and shareholder value. By evolving our culture to one of growth and belonging, we will foster a customer-led organisation that equips our teams to deliver the best value for our partners, customers and shareholders.

We're committed to providing professional development opportunities to grow skills and help prepare our next generation of leaders.

Along with informal mentoring arrangements across teams, we invested in a number of formalised programs in 2021:

- Future Leaders Program – to develop future leaders by providing clear pathways and development opportunities for 24 employees from across Operations and Sales;
- The Remarkable Woman partnership to support 20 female leaders at Latitude with capability, career, and personal development;
- The Trust Network – a mentoring initiative for our Team Leaders and Customer Specialists that matches up mentors from our operations leaders with mentees to share their career journeys 1:1; and
- SheDares – a collaboration that aims to demystify careers in technology for professional women in non-tech industries and equip them for a pivot into the sector.

Social Impact

Ruby Hunter and Archie Roach. The Age, photo by Sandy Scheltema. Courtesy of Wash My Soul Productions

Our charity partners

In Australia they are: Reachout, Redkite, The Salvation Army, Ardoch and Murdoch Children's Research Institute.

In New Zealand our team supports: Duffy Books in Homes, Child Cancer Foundation, Mental Health Foundation and Women's Refuge.

As an essential finance provider to over 2.8 million customers, we want to create better outcomes for our customers and our partners, as well as the communities in which we operate. We have an important legacy of impactful community partnerships stretching from our GE days and we continue to consult with our charity partners and our employees about how we can most effectively support more vulnerable members of the community, aligned to our purpose and our values.

Workplace giving

Launched four years ago, our workplace giving program gives our people the opportunity to donate to our nine charity partners across Australia and New Zealand via deductions from their regular pay, matched dollar for dollar by Latitude. This means twice the benefit and impact for the charity partners and invites us to work as a team knowing that workplace giving has the potential to deliver better outcomes for those in the community who need it most.

The charities we support are chosen by our employees. We surveyed our people, asking them the causes that mattered to them most and would inspire them to join Workplace Giving. The three most common causes were: supporting people facing cancer, supporting people toward better mental health and wellbeing, along with tackling the many issues for individuals and families living with domestic and family violence. Our people also wanted opportunities to volunteer and support those in the community.

One in four of our employees participate in our workplace giving and collectively they have donated $86,530 to our charity partners in 2021, a figure matched by the company. These charities and not-for profit organisations address important health and social issues, providing funds that help deliver education, care, inspiration and support where it's needed most.

Our customers have an opportunity to bolster this support by opting to donate small surplus balances on closed accounts and unclaimed monies to our charity partners. Last year we were pleased to be able to share $47,847 amongst our charity partners from these donations. This has never been more important, with demand for these services extremely high.

Latitude also makes one-off donations outside of our selected charity partners where they support our workforce and their communities. One of the largest one-off donations this year was to Give India to provide relief and support to our Genpact colleagues during the COVID-19 crisis.

Supporting young Indigenous artists

In addition to our Workplace Giving program, Latitude made a philanthropic donation in 2021 to support the making of the Australian documentary film Wash My Soul in the River's Flow.

The film, based around a 2004 concert, tells the story through music, words and imagery of the lives of iconic Australian musicians Archie Roach and Ruby Hunter, celebrating country and First Nation culture, resilience and family along the way. Working with the Archie Roach Foundation, the film is helping raise funds to support and encourage young and emerging Indigenous artists, aligning with Latitude's commitment to inclusivity and equality across our community.

WE ARE PROUD TO BE A PART OF THE TOP 30 BEST WORKPLACES TO GIVE BACK 2021 BROUGHT TO YOU BY GOODCOMPANY

We're proud to be ranked in Australia's Top 30 Best Workplaces to Give Back 2021, an annual list compiled by GoodCompany.

Volunteering & community partnerships

Latitude employees have access to three days of volunteer leave. There is additional leave provided for community service work.

One of our longest and most successful community partnerships is with Ardoch, supporting vulnerable children through their Literacy Buddies® program. Volunteers from across Latitude are paired up with students to help them develop vital literacy skills and gain a bigger perspective of the opportunities and value that education can provide by engaging in meaningful interactions. This partnership has been critical over the last couple of years as lockdowns impacted schools and families across Australia. In 2021, we also began supporting Ardoch's Numeracy Buddies program with 48 buddies this year, equating to 504 volunteer hours.

Duffy Books provides free books to children in low-decile schools throughout New Zealand. There are over 500 low-decile schools and 280 early childhood centres with over 100,000 kids all receiving a minimum of five books per year. We provide financial and in-kind support to Duffy Books.

In 2021, we supported 11 schools, providing 5,646 books to 2,073 students.

Richmond Football Club

In February 2021, we announced a major partnership with AFL club Richmond, which was later extended and elevated to Joint-Major Partner until at least the end of the 2025 AFL season.

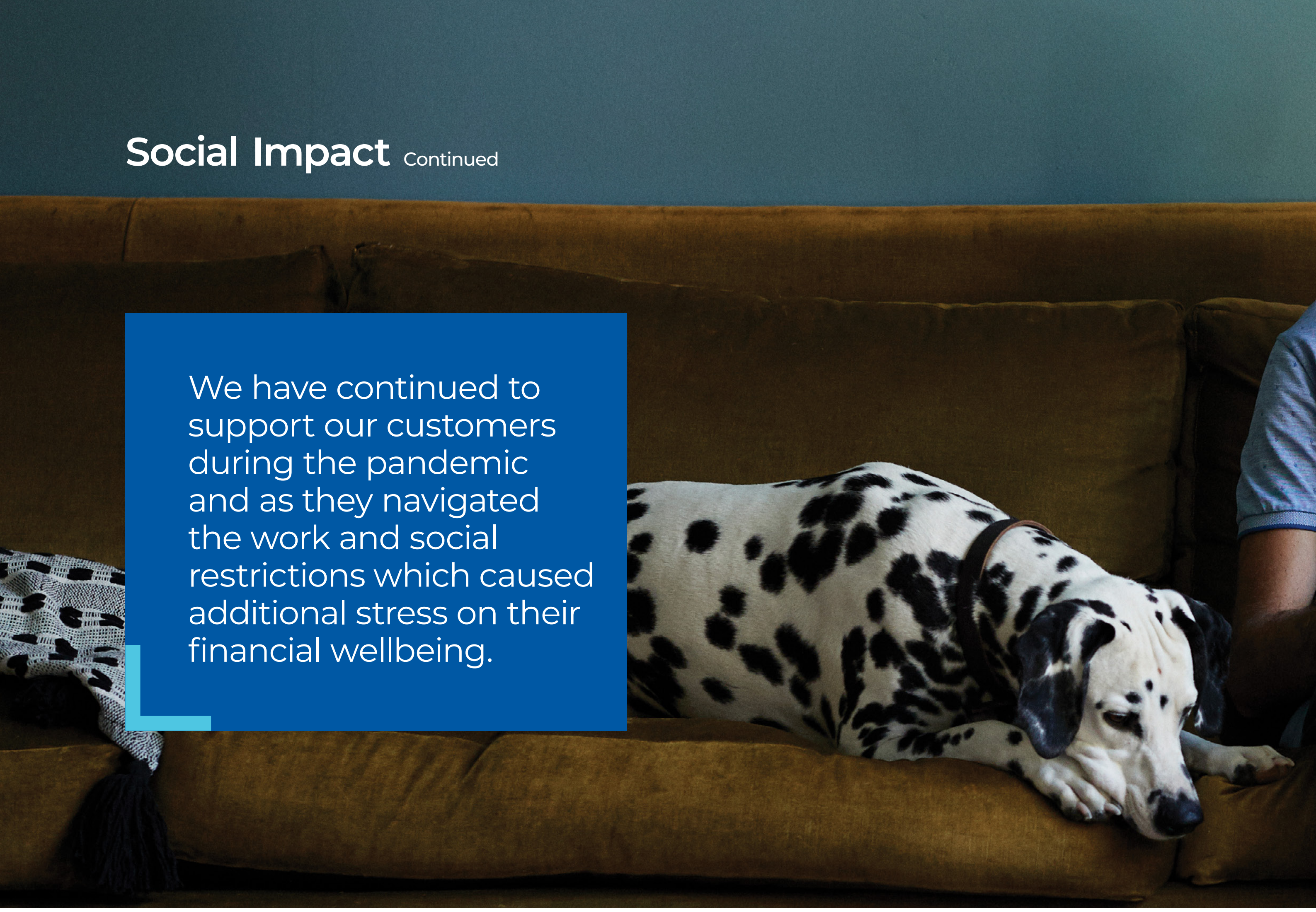
This significant partnership helps bring to life Latitude's mission to be an inclusive and accessible lender, while supporting both Latitude's and Richmond Football Club's long-term growth aspirations.

In addition to sponsorship activities, including the Latitude logo featured on matchday kit and official club apparel and match-day presence, LatitudePay is available to Richmond's extensive fan base for all merchandise purchases.

In May, we were honoured to surprise brave Tigers fan Tyler Fishlock with the opportunity to toss the coin at the MCG for a Richmond home game. At just 18, Tyler has already fought and beaten cancer four times and, now in remission, hopes to one day start his own woodworking business. We were so inspired by his story and his dream of starting his small business that we gifted him $5,000 to kickstart his venture, presented to him at the game by our Managing Director and CEO Ahmed Fahour.

We also collaborated with The Korin Gamadji Institute, a unique educational and training facility that sits at the heart of Richmond Football Club and supports and incubates leadership and employment pathways for Aboriginal and Torres Strait Islander people, on an educational webinar.

Latitude surprises
Tyler Fishlock



We have continued to support our customers during the pandemic and as they navigated the work and social restrictions which caused additional stress on their financial wellbeing.

Supporting vulnerable customers

Our Hardship Care team is the primary point of contact for 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. We have continued to support our customers during the pandemic and as they navigated the work and social restrictions which caused additional stress on their financial wellbeing. In addition, we supported customers through natural disasters, in particular the floods in early 2021, which impacted Sydney, NSW's Far North coast and extended into Southeast Queensland.

In 2021, requests for hardship assistance were received from 1.6 percent of our customers (a total of 45, 840 requests). Of those requests, 66 percent were approved, with the majority receiving short term arrangements. Approximately 3 percent of approved applications were given a settlement or waiver (A$2.95 million and NZ$0.06 million).

Improvements to our digital hardship application has made it accessible to customers anytime/anywhere, which is incredibly important given ~25 percent of customers typically look to apply for hardship during non-phone operating hours.

We've also made it simpler for customers to submit their bank statements as part of their hardship application, allowing us to receive information quicker and provide faster outcomes in the hardship application process.

In November 2021 Latitude also rolled out multiple preventative measures and initiatives to assist with reducing the number of customers that fall into collections/hardship.

These include:

- Upgrades to digital and online platforms to support various functionality, including payment options; and
- Changes to product pricing models, including replacing annual fees with monthly fees (and not charging those fees where balances are below a minimum amount).

We transformed the way we communicate with our BNPL customers through our new collections and hardship platform across our different channels – providing customers more information at their fingertips and helping educate them on how to get back on track as quickly as possible.

In 2021, we also strengthened our partnership with the Australian Financial Counsellor network by implementing regular case study forums. The purpose of these forums is to share best practice across the industry on emerging hardship trends, new solutions and to break down barriers between financial service providers and the non-profit financial counselling sector. This will help us improve collaboration and ensure consistency in our decision making, to ultimately benefit our mutual customers.

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 which apply to 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.

Partnering with Way Forward

We're concerned about the risks unlicensed fee-for-service debt management firms present to customers, especially as these organisations often fail to fix credit and debt issues or worse, add to a customer's financial difficulty. That's why this year we formalised our partnership with Way Forward, a not-for-profit organisation, providing free debt management services to people in financial difficulty, helping to restore their financial wellbeing.

Way Forward supports customers by:

- Representing and advocating on the client's behalf to establish an affordable re-payment arrangement with creditors; and
- Simplifying the repayment process by allowing customers to make one single repayment to Way Forward which is then distributed to creditors.

Environmental impact

Latitude recognises the importance of monitoring the environmental impacts of our business and striving to reduce this as much as practicable. We continually seek to improve our environmental performance through initiatives such as waste recycling and reduction and printer usage in our offices as well as via our products – for example, this year we removed pre-printed physical Conditions of Use booklets from our retail partner stores, reducing paper consumption.

As we expand our business internationally, we will assess in more detail the direct and indirect environmental impacts of our business and look to refine how our environment footprint is measured for future reports.

Board of Directors

The Board is committed to maximising performance, generating appropriate levels of Shareholder value and financial return and sustaining the growth and success of Latitude. The Board seeks to ensure that Latitude is properly managed to protect and enhance Shareholder interests, and that the Company and its Directors, officers and personnel operate in an environment of appropriate corporate governance consistent with ASX Corporate Governance Principles and Recommendations.

MICHAEL TILLEY

Independent Non-Executive Chairman
Appointed September 2020

Chair of Board

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

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

AHMED FAHOUR

Managing Director and Chief Executive Officer
Appointed March 2021

Ahmed Fahour 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, Managing Director and 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 was a founder 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 and Honorary Doctorate from La Trobe University and an MBA from Melbourne Business School.

MARK JOINER

Independent Non-Executive Director
Appointed March 2021

Chair of Audit Committee
Chair of Risk Committee

Mark was the CFO of National Australia Bank 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, QBE Group's Australian and New Zealand subsidiaries and Chairman of Pexa Limited.

He is a Chartered Accountant and holds an MBA from the Melbourne Business School.

ALISON LEDGER

Independent Non-Executive Director
Appointed March 2021

Chair of Remuneration and People Committee
Chair of Technology Committee
Member of Audit Committee

Alison spent eight years with Insurance Australia Group in senior strategic and operational roles. As EGM for Product, Pricing & eBusiness and COO 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 entities, Audinate Group Limited (ASX:AD8) (since May 2017) and CountPlus Limited (ASX: CUP) (since October 2016).

She received her MBA from Harvard Business School and graduated magna cum laude, with a BA degree in Economics from Boston College. She is a Graduate and Member of the Australian Institute of Company Directors.

SCOTT BOOKMYER

Non-Executive Director
Shareholder Representative Director – KKR
Appointed August 2017

Member of Remuneration and People Committee

Scott joined KKR in 2002 and is a Partner and the Head of KKR Australia. He serves on KKR's Asia Private Equity Investment Committee and the KKR Asia Portfolio Management Committee. Scott's other board roles include MYOB, the Australian Venue Company and Laser Clinics Australia. Scott's previous employers include Procter & Gamble and Boston Consulting Group.

Scott holds a BA with honours from Indiana University and an MBA from The University of Chicago's Booth School of Business.

JAMES CORCORAN

Non-Executive Director
Shareholder Representative Director – Värde Partners
Appointed January 2020

Member of Audit Committee
Member of Risk Committee

Prior to joining the Latitude Board, James was the CEO of NewDay in the United Kingdom. James also previously served in various senior management roles with Washington Mutual, HBOS, Bank One and Citibank.

James is currently a Director on the Board of NewDay and Mercury Financial in the United States.

BEAUX PONTAK

Non-Executive Director
Shareholder Representative Director – Deutsche Bank
Appointed June 2015

Member of Risk Committee
Member of People and Remuneration Committee
Member of Technology Committee

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

He has a BA Economics and a BA in International studies.

ANDREW HOSHINO

Non-Executive Director
Shareholder Representative Director – Shinsei Bank
Appointed June 2021

Member of Technology Committee

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 GM to lead consumer finance business unit.

Andrew has over 30 years' work experience in consumer finance business in Japan, United States, and Hong Kong with companies such as GE Capital. He holds a Bachelor of Arts from University Of Delaware.

Leadership Team

ADRIENNE DUARTE

Chief Financial Officer

Adrienne joined Latitude as CFO in July 2017, from Bank of New Zealand where she was the bank's first female CFO.

Adrienne had previously been part of the NAB Group for 12 years, where she held several roles, including General Manager, Group Strategic Investments and General Manager, Group Performance and Planning.

Before joining NAB, Adrienne's career was based in the advisory world in corporate finance and strategy consulting.

Adrienne completed a Bachelor of Economics at the Australian National University, and has a Masters in Business Administration from AGSM. She is also a Fellow of Chartered Accountants ANZ and is a Fellow of Certified Practising Accountants in Australia.

In October 2021, Adrienne's retirement from Latitude was announced, effective 31 December 2021, and Paul Varro was appointed as Chief Financial Officer from 1 January 2022.

PAUL VARRO

Chief Commercial Officer

As Latitude's Chief Commercial Officer in 2021, Paul Varro held end-to-end responsibility for all payments and instalments, lending and insurance products.

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's first role at Latitude was as the CFO Insurance. He has since held a range of senior positions such as Group Treasurer, Executive General Manager, Product, and Executive General Manager, LatitudePay and Insurance.

In January 2022, Paul became Latitude's Chief Financial Officer and Executive General Manager, Risk and Finance.

ANDREW WALDUCK

Chief Operating Officer

Andrew joined Latitude in 2018 as Chief Operating Officer. He is an entrepreneurial executive with deep experience in building domestic and global organisations.

His career spans more than 25 years in multiple disciplines including sales, marketing, product management, digital, innovation and technology leadership roles. 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.

In January 2022, Andrew became Executive General Manager, Pay, to lead Latitude's Pay strategic business unit.

BOB BELAN

Executive General Manager, Money

Bob is responsible for the growth of Latitude Money, Latitude's personal loans lending 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.

JO MIKLEUS

Chief Risk Officer

Jo joined Latitude as Chief Risk Officer in 2019. With more than 30 years' global experience in business and financial services, Jo has led a range of large businesses at ANZ, is co-founder of the machine learning company CorticAi, and was CEO of fast-growing data firm RUBIX.

Across a diverse career in public, private and PE-backed companies she has developed a track record for innovating and successfully leading people through structural, technology, social and regulatory change.

Jo is a keen supporter of entrepreneurialism, growth, disruptive innovation, business leadership, global expansion, customer and employee experience, as well as culture, inclusion, diversity and wellbeing.

In January 2022, Jo moved to the role of Executive General Manager, Insurance, to lead the reinvigoration of Latitude's Insurance business.

DAVID GELBAK

Chief Country Officer, New Zealand

In 2021, David was responsible for Latitude's New Zealand business operations and customer experience, as well as the New Zealand product portfolio including Sales Finance, Credit Cards, Personal Loans and Genoapay (BNPL). Prior to that David 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 and Customer Experience.

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.

In January 2022, David moved to the role of Executive General Manager, Group Development, with responsibility for driving our international expansion, continuing to lead our important New Zealand operations and the reinvention of our successful 28° travel card.

CHRIS BLAKE

Executive General Manager, Corporate Services

Chris joined Latitude as Executive General Manager, Corporate Services, in 2019. He is a proven transformation leader who has designed and led successful enterprise-wide change connecting Strategy, Brand and Culture.

Chris and his Corporate Services team have responsibility for developing and implementing a refreshed strategy, brand and culture to capture the growth opportunities that exist in the rapidly changing financial services landscape.

After a successful consulting career as a Partner at PwC, Chris built and led high performing teams to design and implement business and cultural change in Financial Services and more recently with Australia Post.

Chris is a Board Member of the Florey Institute of Neuroscience and Mental Health where he is also a member of the Commercialisation Committee. Chris is a member of the Australian Epilepsy Project's Advisory Committee and is a past Chairman of the Brain Research Institute, a past Director of the Australian American Leadership Dialogue and has served on a number of Federal Government advisory panels.

Latitude Corporate Governance Statement

Statement

This Corporate Governance Statement (the "**Statement**") sets out details of Latitude Group Holdings Limited ("**Latitude**" or the "**Company**") corporate governance practices for the year ended 31 December 2021 ("**Reporting Period**") including the Company's position in respect of each of the Australian Securities Exchange ("**ASX**") Corporate Governance Councils Corporate Governance Principles and Recommendations 4th Edition ("**Recommendations**").

As recommended by the ASX Principles, information in relation to corporate governance practices is publicly available on the Company's website at https://investors.latitudefinancial.com.au/investor-centre/?page=corporate-governance.

Where the Company does not follow a recommendation, this Statement will identify the recommendation that has not been followed and give reasons for not following it.

This statement has been approved by the Board and is current as at 21 February 2022.

Principle 1 Lay solid foundations for management and oversight

Recommendation 1.1 Have and disclose a Board Charter

> A listed entity should have and disclose a Board Charter setting out:
>
> (a) The respective roles and responsibilities of its Board and management; and
>
> (b) Those matters expressly reserved to the Board and those delegated to management.

The Board has overall responsibility for the overall corporate governance of the Company, including providing leadership and strategic guidance. The Board has created a governance framework for managing Latitude, including adopting relevant internal controls, risk management processes and corporate policies and practices which it believes are appropriate for Latitude's business and which are designed to promote the responsible management and conduct of Latitude.

The Board's role and responsibilities are formalised in the Board Charter, which defines the matters reserved for the Board and its Committees and those responsibilities delegated to the Chief Executive Officer (Managing Director and CEO) and management. To facilitate the execution of its responsibilities, the Board has established different Committees to oversee and report to the Board on areas of responsibility.

The Board Committees are:

- Audit Committee;
- Risk Committee;
- Remuneration & People Committee; and
- Technology Committee.

A copy of the Board Charter and all Board Committee Charters is available on the Company's website at https://investors.latitudefinancial.com.au/investor-centre/?page=corporate-governance.

Within the scope of the governance framework established by the Board, management of the business and operations of the Company is delegated to the Managing Director and CEO, subject to the oversight and supervision of the Board. The Board has also adopted a Reserved Powers Policy that sets out matters specifically reserved for determination by the Board. The exclusive duties reserved for the Board include:

- Appointing the Managing Director and CEO and external auditor;
- Approving the Company's strategic plan and annual budget;
- Setting the remuneration structure of the Managing Director and CEO and Executive Committee, including performance hurdles for long-term and short-term incentive schemes;
- Approving significant Company policies;
- Approving borrowing limits and sale of non-performing loans;
- Approving significant capital expenditure;
- Approving the half-year and year-end financial statements, dividend and reporting documents; and
- Setting the Company's risk appetite and monitoring the effectiveness of the Company's risk management polices and procedures and the adequacy of its internal control mechanisms.

Recommendation 1.2 Undertake checks before appointment and provide shareholders with information

A listed entity should:

(a) Undertake appropriate checks before appointing a director or senior executive or putting someone forward for election as a director; and

(b) Provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.

The Board actively and regularly considers the composition of the Board, considering the duration of each Director's tenure and the competencies required for the effective oversight of the Company.

The full Board manages the process for the selection and appointment of new Directors. The Board identifies candidates with appropriate skills, knowledge, experience, independence and expertise. The written letter of appointment of each Director outlines the Company's expectations in relation to the time commitment.

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

Apart from the role of Managing Director and CEO, all Directors are subject to re-election by rotation at least every three years. Shareholders are provided with all material information in the Company's possession concerning the Director standing for election or re-election in the explanatory notes accompanying the notice of general meeting, including a statement by the Board as to whether it supports the election or re-election of the Director and a summary of the reasons why.

Further details of Board members' qualifications and experience is set-out under Recommendation 4.1 and is also available on the Company's website at https://investors.latitudefinancial.com.au/investor-centre/?page=board-management.

Recommendation 1.3 Have written agreements with Directors

> A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.

All Directors and Executive Committee members have written agreements with the Company.

Directors execute letters of engagement with the Company which include the following terms:

- The term of the appointment;
- Board role and responsibility;
- The Company's expectations of Directors including their expected time commitment, duties to the Company, meeting attendance and preparation;
- Committee membership;
- Remuneration, including superannuation entitlements;
- The Director's obligations to disclose details of their interests in the Company's securities and any matter which may impact their independence;
- Education and training;
- Details of significant Company documents including key policies; and
- Indemnity and insurance arrangements.

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

Executive Committee members, including the Managing Director and CEO, execute employment contracts with the Company which include the following terms:

- The position and term of employment;
- Executive duties and obligations;
- Remuneration, including incentive benefits and superannuation entitlements;
- Termination rights of the Company and employee including notice periods;
- Confidentiality obligations; and
- Requirement to comply with Company documents including key policies.

Recommendation 1.4 Company Secretary is accountable to the Board

> The company secretary of a listed entity should be accountable directly to the Board, through the chair, on all matters to do with the proper functioning of the Board.

The Company Secretary provides advice and support to the Board, and is accountable to the Board, through the Chairman, for all matters relating to the proper functioning of the Board and its Committees. The Company Secretary is responsible for advising the Board on governance matters and ensuring compliance with Board and Board Committee Charters and procedures.

The decision to appoint or remove a Company Secretary is made by the Board.

Recommendation 1.5 Have and disclose a diversity policy

A listed entity should:

(a) Have and disclose a diversity policy;

(b) Through its Board or a Committee of the Board set measurable objectives for achieving gender diversity in the composition of its Board, senior executives and workforce generally; and

(c) Disclose in relation to each reporting period:

  (1) the measurable objectives set for that period to achieve gender diversity;

  (2) the entity's progress towards achieving those objectives; and

  (3) either:

    (A) the respective proportions of men and women on the Board, in senior executive positions and across the whole workforce (including how the entity has defined "senior executive" for these purposes); or

    (B) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.

If the entity was in the S&P/ASX 300 Index at the commencement of the reporting period, the measurable objective for achieving gender diversity in the composition of its Board should be to have not less than 30 percent of its Directors of each gender within a specified period.

The Company is comprised of men and women of varying ages, ethnicities and cultural backgrounds. The Board has formally approved a Diversity Policy to provide a framework by which the Company will support and facilitate an environment of diversity and inclusion across the organisation.

The Board receives detailed data on the Company's progress on gender diversity, including gender diversity statistics. Furthermore, an internal Committee (Latitude Women) was formed prior to listing and is actively involved in promoting and implementing actions to achieve gender diversity.

However, given the Company was listed in April 2021, it has been agreed that a Gender Action Plan will be established in Q1 of FY22, which will include establishing measurable objectives to achieve gender diversity.

The Board comprises of one woman of eight Directors (13 percent). The Board is committed to a target of at least 30 percent women on the Board and this will be a key consideration as the Board executes its succession plan of Board members.

The Executive Committee comprises of one women of seven members (14 percent).

The Company's report, to the Workplace Gender Equality Agency, which was lodged on 31 July 2021, can be found on the Company's website at https://investors.latitudefinancial.com.au/investor-centre/?page=corporate-governance.

A copy of the Diversity and Inclusion Policy is available on the Company's website at https://investors.latitudefinancial.com.au/investor-centre/?page=corporate-governance.

Recommendation 1.6 Periodically evaluate Board, Committee and Director performance

A listed entity should:

(a) Have and disclose a process for periodically evaluating the performance of the Board, its Committees and individual Directors; and

(b) Disclose for each reporting period whether a performance evaluation has been undertaken in accordance with that process during or in respect of that period.

The Company has a process for periodically evaluating the performance of the Board, its Committees and individual Directors.

During the year the Board appointed an external facilitator to conduct the Board performance review, whereby he interviewed all Directors as well as the Executive Committee. The review covered the performance of the Board, Board operations and also identified improvement opportunities and provided an action plan. The Board is now working through implementing the various suggested improvements identified.

Given the Company was listed in April 2021, it has been agreed that the review of the Committees will occur in 2022 and are planned to be conducted internally.

Recommendation 1.7 Annually evaluate Senior Executive performance

A listed entity should:

(a) Have and disclose a process for evaluating the performance of its senior executives at least once every reporting period; and

(b) Disclose for each reporting period whether a performance evaluation has been undertaken in accordance with that process during or in respect of that period.

Each reporting period the performance of the Managing Director and CEO and each Executive Committee member is measured against key performance indicators and other performance criteria set by the Board via the Enterprise Scorecard. The performance indicators set out in the Enterprise Scorecard relate to value/growth, customer, strategy and people performance targets.

The Remuneration Committee considers the performance of the Managing Director and CEO and members of the Executive Committee when formulating remuneration arrangements. During FY21 eligible members of the Executive Committee (including the Managing Director and CEO) participated in the short-term and long-term incentive plans.

The short-term incentive plan contains measurable key performance indicators with respect to the financial year budget that are approved by the Board, along with targets set out in the Enterprise Scorecard.

The long-term incentive plan contains incentive targets for the financial years to which each offer made under the plan applies. The performance rights granted in FY21 will each vest where the Company's Earnings Per Share (EPS) and Return on Equity (ROE) vesting conditions are met. These incentive targets were adopted by the Board following engagement of external remuneration advisors to develop an appropriate remuneration program for the Managing Director and CEO and broader Executive Team upon listing.

Principle 2 Structure the board to be effective and add value

Board and Committees

The Board is comprised of eight Directors: seven Non-Executive Directors and the Managing Director and CEO.

As stated at 1.1, the Board has formed the following Committees:

- Audit Committee;
- Risk Committee;
- Remuneration & People Committee; and
- Technology Committee.

The composition of each Committee includes:

Committee	Initial Composition
Audit Committee	• Mark Joiner (Chair, independent Non-Executive Director) • Alison Ledger (independent Non-Executive Director) • James Corcoran (Shareholder Representative Director)
Risk Committee	• Mark Joiner (Chair, independent Non-Executive Director) • Beaux Pontak (Non-Executive Director, Shareholder Representative Director) • James Corcoran (Non-Executive Director, Shareholder Representative Director)
Remuneration & People Committee	• Alison Ledger (Chair, independent Non-Executive Director) • Scott Bookmyer (Non-Executive Director, Shareholder Representative Director) • Beaux Pontak (Non-Executive Director, Shareholder Representative Director)
Technology Committee	• Alison Ledger (Chair, independent Non-Executive Director) • Beaux Pontak (Non-Executive Director, Shareholder Representative Director) • Andrew Hoshino (Non-Executive Director, Shareholder Representative Director)

Meetings

The number of meetings of the Board and Committees held during FY21 and the number of meetings attended by each Director is set out below:

	Board				Committees							
	Scheduled Meetings		Unscheduled Meetings[1]		Risk		Audit		Remuneration & People		Technology	
	Held	Atte-nded	Held	Atte-nded	Held	Atte-nded	Held	Atte-nded	Held	Atte-nded	Held	Atte-nded
Director												
Mike Tilley	7	7	21	21	4	4	4	4	6	6	4	3
Ahmed Fahour	7	7	21	21	4	4	4	4	6	6	4	4
Scott Bookmyer	7	7	18	18	–	–	–	–	6	6	–	–
James Corcoran	7	7	18	18	4	4	4	4	1	1	–	–
Andrew Hoshino[2]	4	4	8	8	–	–	–	–	–	–	2	2
Mark Joiner	7	7	20	20	4	4	4	4	–	–	–	–
Alison Ledger	7	7	19	19	–	–	4	4	6	6	4	4
Beaux Pontak	7	7	18	18	4	4	–	–	6	6	4	4

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

2 Andrew Hoshino was appointed as a Non-Executive Director on 18 June 2021.

Recommendation 2.1 Have a Nomination Committee and disclose its Charter

The Board of a listed entity should:

(a) Have a nomination Committee which:

 (1) has at least three members, a majority of whom are independent Directors; and

 (2) is chaired by an independent Director,

 and disclose:

 (3) the charter of the Committee;

 (4) the members of the Committee; and

 (5) as at the end of each reporting period, the number of times the Committee met throughout the period and the individual attendances of the members at those meetings; or

(b) If it does not have a nomination Committee, disclose that fact and the processes it employs to address Board succession issues and to ensure that the Board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.

Latitude acknowledges the ASX Recommendation 2.1 that the Company have a Nomination Committee, and notes that the Board has not initially established a separate Nomination Committee. The Board itself is responsible for nomination responsibilities, including succession and ensuring that the Board has an appropriate balance of skills, knowledge, experience, independence and diversity to enable it to perform its role effectively. Executive succession planning will also be addressed by the Remuneration & People Committee.

The Board believes that it will be able to discharge these responsibilities and deal effectively with Board composition and succession issues, without a separate committee undertaking this function. The Board will review these arrangements periodically, having regard to the Board's renewal program and workload.

Recommendation 2.2 Have and disclose a Board skills matrix

A listed entity should have and disclose a Board skills matrix setting out the mix of skills that the Board currently has or is looking to achieve in its membership.

Latitude recognises the importance of a diverse Board including diversity in skills, experiences, gender and behavioural styles and characteristics.

The Board regularly undertakes a Skills Matrix assessment of the Board's composition to assess the skills and experience of each director and the combined capabilities of the Board. The assessment is made in reference to the governance required to support Latitude's strategic direction and skills and experience to support the Board and Committee operations.

The Directors of the Company bring to the Board the relevant skills and experience across a range of commercial industries including banking, private equity, insurance, consumer finance, brand management, corporate governance and consulting. The collective skills and experience of the Board of Directors includes:

Latitude Skills Matrix – Collective Assessment		Board
1	Executive and commercial leadership	8/8
2	Board and governance experience	7/8
3	Listed company experience	4/8
4	Consumer finance experience	7/8
5	Digital and technology	5/8
6	People and culture	6/8
7	Financial acumen	8/8
8	Strategy and risk	8/8
9	Compliance, regulatory and legal	6/8
10	Capital management and investment	6/8
11	Remuneration	6/8
12	Health, safety, environment and sustainability	4/8

Recommendation 2.3 Disclose independence of Directors

A listed entity should disclose:

(a) The names of the Directors considered by the Board to be independent Directors;

(b) If a director has an interest, position or relationship of the type described in Box 2.3 but the Board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position or relationship in question and an explanation of why the Board is of that opinion; and

(c) The length of service of each Director.

The Board considers an independent Director to be a Non-Executive Director who is not a member of Management and who is free of any business or other relationship that could materially interfere with or reasonably be perceived to interfere with the independent and unfettered exercise of their judgement. The Board has adopted an Independence Policy and a definition of independence that is based on the definition set out in the fourth edition of the ASX Principles. The Board will consider the materiality of any given relationship on a case-by-case basis.

The Board considers that each of Michael Tilley, Mark Joiner and Alison Ledger is free from any interest, position, association or relationship that might influence or reasonably be perceived to influence, the independent exercise of the Director's judgement and that each of them is able to fulfil the role of independent Director for the purpose of the ASX Principles.

Ahmed Fahour is considered by the Board not to be independent on the basis that he is the Managing Director and CEO of the Company. In addition, Scott Bookmyer, James Corcoran, Beaux Pontak and Andrew Hoshino (each a Shareholder Representative Director) are not currently considered by the Board to fulfil the role of independent Director.

The length of service of each director is outlined in the annual report.

A copy of the Independence Policy is provided on the website at https://investors.latitudefinancial.com.au/investor-centre/?page=corporate-governance.

Recommendation 2.4 Have a majority of independent Directors

A majority of the Board of a listed entity should be independent Directors.

Given the independence positions of each Director outlined at 2.3 above, the Board does not consist of a majority of independent Directors as recommended in Recommendation 2.4 of the ASX Principles. Despite this, the Board has considered the Company's immediate requirements and is satisfied that the composition of the Board reflects an appropriate range of corporate memory, independence, skills and experience for the Company after Listing.

The Board has formally considered the independence of each of Scott Bookmyer, James Corcoran, Beaux Pontak and Andrew Hoshino. It has concluded for each of these Directors that their relationships as Shareholder Representatives does not compromise their ability to bring an independent judgment to bear on matters before the Board and additionally, that each of the Shareholder Representative Directors will make invaluable contributions to Latitude through their deep understanding of its business and the industry in which it operates.

The Board will regularly review the independence of each Director, and any subsequent Directors appointed, in light of interests disclosed to the Board and will disclose any change to the ASX, as required by the ASX Listing Rules.

Each Director must bring an independent view and unbiased and unfettered judgement to the Board and Board Committees and must declare all actual or potential conflicts of interest on an ongoing basis (all conflicts will be managed in accordance with the Board Conflict of Interest Policy. Any issue concerning a Director's ability to properly act as a Director must be discussed at a Board meeting as soon as practicable.

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

Recommendation 2.5 Board chair should be independent

The chair of the Board of a listed entity should be an Independent Director and in particular, should not be the same person as the Managing Director and CEO of the entity.

The Board has a practice of separating the role of Chairman and the Managing Director and CEO, with Mike Tilley in the role of Chairman (an Independent Non-Executive Director for the reasons stated under Recommendation 2.3) and Ahmed Fahour in the role of Managing Director and CEO.

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

A listed entity should have a program for inducting new Directors and for periodically reviewing whether there is a need for existing Directors to undertake professional development to maintain the skills and knowledge needed to perform their roles as directors effectively.

Newly appointed Directors of the Company receive an extensive induction pack which includes all relevant corporate governance documents, policies, annual reports and previous Board and Committee papers. The Company has a program that provides professional development opportunities via training provided by external parties, updates on developments in accounting standards and changes in law. The Board also receives regular updates from the Senior Executives on risk and compliance issues, relevant changes in the regulatory environment affecting Directors and the Company and governance.

Principle 3 Instil a culture of acting lawfully, ethically and responsibly

Recommendation 3.1 Articulate and disclose the values

> A listed entity should articulate and disclose its values.

The Company is committed to being a socially responsible corporate citizen and is guided by a set of core values which provide the basis for appropriate standards of behaviour for all Company employees, executives and Directors.

These values are:

- Act Right;
- Be Curious; and
- Show Care.

A list of the Company's values is available on the Company's website at https://investors.latitudefinancial.com.au/investor-centre/?page=corporate-governance.

Recommendation 3.2 Have and disclose a code of conduct

> A listed entity should:
>
> (a) Have and disclose a code of conduct for its Directors, senior executives and employees; and
>
> (b) Ensure that the Board or a Committee of the Board is informed of any material breaches of that code.

The Board recognises the need to observe the highest standards of corporate practice and business conduct. Accordingly, the Board has adopted a number of policies which, together, set standards of conduct in relation to the operation of the Company.

These policies are to be followed by the Board along with all employees, officers, contractors, consultants and other persons that act on behalf of the Company and associates of the Company.

The framework policy is the Code of Conduct. Furthermore, there are the following additional policies:

- Environment, Health and Safety Policy;
- Drug & Alcohol Policy;
- Workplace Behaviour Policy;
- Managing Performance & Conduct Policy;
- Concern Raising & Whistleblower Policy;
- External Privacy and Credit Reporting Policy;
- Financial Crime Compliance Policy;
- Fraud Management Policy;
- Gift and Entertainment Policy; and
- Records and Information Management Policy.

These and other associated policies set out the Company's approach to various matters including:

- Obligations to act honestly, fairly, professionally and respectfully;
- Appropriate use of the Company's property;
- Anti-bribery and giving or acceptance of gifts;
- Dealings with politicians and government officials in the context of the giving or acceptance of gifts;
- Confidentiality;
- Privacy;
- Discrimination, bullying, harassment and vilification;
- Health and safety of employees;
- Insider trading;
- Whistleblower protections; and
- Compliance with laws and regulations in respect of these matters.

The Board has ultimate responsibility for resolving all matters concerning ethical and responsible decision-making, with policies and practices designed to ensure the integrity of the Company is maintained and investor confidence enhanced. The Board and the Executive Committee, through their own actions, promote and foster an ethical corporate culture for the entire Company.

Additionally, the Directors must keep the Board advised, on an on-going basis, of any interest that could potentially conflict with that of the Company. Where the Board believes that a significant conflict exists, the Director concerned does not receive the relevant Board papers and does not participate when the relevant item is considered or voted on.

The Code of Conduct can be found on the Company's website at https://investors.latitudefinancial.com.au/investor-centre/?page=corporate-governance.

Recommendation 3.3 Have and disclose a whistle blower policy

A listed entity should:

(a) Have and disclose a whistleblower policy; and

(b) Ensure that the board or a Committee of the board is informed of any material incidents reported under that policy.

Latitude believes in and is committed to having a corporate culture where ethical and good behaviour is promoted and recognised and employees are encouraged to report unethical, unlawful or undesirable conduct without fear of disadvantage, intimidation, reprisals or retaliatory action.

At Latitude we want to provide our people with a safe environment, where we all feel comfortable about raising concerns about actual, suspected or anticipated wrongdoing with Latitude and have in place a Concern Raising and Whistleblower Policy which can be found on the Company's website at https://investors.latitudefinancial.com.au/investor-centre/?page=corporate-governance.

The Risk Committee also receives updates on any material matters reported under the policy.

Recommendation 3.4 Have and disclose an anti-bribery and corruption policy

A listed entity should:

(a) Have and disclose an anti-bribery and corruption policy; and

(b) Ensure that the Board or a Committee of the board is informed of any material breaches of that policy.

Latitude recognises the importance of having oversight of risks associated with conflicts of interest and at the extreme, issues associated with bribery and corruption, as each may be indicative of issues associated with the Company's culture.

As such, a Financial Crime Policy is in place, which contains details on the anti-bribery and corruption, and can be found on the Company's website at https://investors.latitudefinancial.com.au/investor-centre/?page=corporate-governance.

The Risk Committee has oversight of this area and receives reporting of any material incidents of bribery or corruption and consequent actions taken.

Principle 4 Safeguard the integrity of corporate reports

Recommendation 4.1 Have an Audit Committee and disclose its Charter

The board of a listed entity should:

(a) Have an audit Committee which:

(1) has at least three members, all of whom are Non-Executive Directors and a majority of whom are independent Directors; and

(2) is chaired by an independent Director, who is not the chair of the Board,

and disclose:

(3) the charter of the Committee;

(4) the relevant qualifications and experience of the members of the Committee; and

(5) in relation to each reporting period, the number of times the Committee met throughout the period and the individual attendances of the members at those meetings; or

(b) If it does not have an audit Committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.

The Audit Committee has three members being, Mark Joiner (Chair, independent Non-Executive Director), Alison Ledger (independent Non-Executive Director) and James Corcoran (Shareholder Representative Director). The majority of the members are independent and the Chair of the Audit Committee is not chair of the Board.

The qualification and experience of the members of the Audit Committee are set out in the Annual Report along with the number of times the Audit Committee met through the Reporting Period and the attendance of its members. The Audit Committee Charter is disclosed on the Company's website at https://investors.latitudefinancial.com.au/investor-centre/?page=corporate-governance.

The Audit Committee provides support to the Board in overseeing the financial reporting framework of the Company and its related entities (together the "Group").

In particular, the Committee is responsible for the oversight of:

- The adequacy of the Group's corporate reporting processes, internal control framework and integrity of the Company's accounting and financial statements;
- The Group's external audit processes, including the appointment, independence, management and removal of the Company's external auditor;
- The Group's internal audit processes, including appointment of the head of internal audit and audit planning; and
- The Group's tax risk and tax governance arrangements.

External Auditors

The Audit Committee is responsible for recommending to the Board the appointment and remuneration of the external auditors. The Company currently engages KPMG as its external auditor and has a policy on the procedure for the selection and appointment of external auditor and rotation of the external audit engagement partner. KPMG will attend the Company's Annual General Meeting (AGM) each year at which the audit partner is available to answer questions of shareholders relevant to the audit.

The Audit Committee Charter can be found on the Company's website at https://investors.latitudefinancial.com.au/investor-centre/?page=corporate-governance.

Recommendation 4.2 Board to receive a declaration from the Managing Director and CEO and CFO in advance of approving the financial statements

> The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its Managing Director and CEO and CFO a declaration that in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

Section 295A of the Corporations Act requires each person who performs the CEO or CFO function in a listed entity established in Australia to provide a declaration that, in their opinion, the financial records of the entity for a financial year have been properly maintained in accordance with the Act and that the financial statements and the notes for the financial year comply with the accounting standards and give a true and fair view of the financial position and performance of the entity. The declaration must be given before the directors approve the financial statements for the financial year.

The section 295A declaration to the Board includes that:

- The financial records of the Company have been properly maintained in accordance with section 286 of the Corporations Act;
- The financial statements and the notes to the financial statements comply with Australian Accounting Standards, the Corporations Regulation 2001 and other mandatory professional reporting requirements;
- The financial statements and the notes to the financial statements give a true and fair view of the financial position and performance of the Company and consolidated entity;
- The Company's financial report is founded on sound systems of risk management and internal compliance and controls which implements the policies adopted by the Board; and
- The Company's risk management and internal compliance and control system is operating effectively in all material respects.

Whilst section 295A applies to annual financial statements, the Company has adopted this declaration process for both interim financial statement and annual financial statements.

Recommendation 4.3 Disclose the process to verify unaudited periodic reporting

A listed entity should disclose its process to verify the integrity of any periodic corporate report it releases to the market that is not audited or reviewed by an external auditor.

Any periodic corporate report that the Company releases which has not been subject to audit or review by an external auditor is subject to an internal verification process that enables the responsible executive to confirm to either the Board or the Continuous Disclosure Committee that the report has been verified.

Principle 5 Make timely and balanced disclosure

Recommendation 5.1 Have and disclose a continuous disclosure policy

A listed entity should have and disclose a written policy for complying with its continuous disclosure obligations under listing rule 3.1.

The Company is committed to providing timely and accurate disclosure to the market of all material matters concerning the Company. The Company's Disclosure and Communication Policy seeks to ensure that its shareholders and the market have equal access to information issued by the Company.

Under the Disclosure and Communication Policy, the Company has established a Disclosure Committee, comprised of the Company Secretary, the Managing Director and CEO, the CFO and the Head of Investor Relations.

The responsibilities and delegations of the Disclosure Committee include ensuring that the Company complies with its disclosure obligations and has the relevant procedures in place, making decisions on information to be disclosed to the market, seeking to ensure that announcements are made in a timely manner and are not misleading, and monitoring disclosure processes and reporting. The Board considers potential disclosure issues at each meeting.

Copies of all of the Company's ASX announcements can be found on the Company's website at https://investors.latitudefinancial.com.au/investor-centre/ along with the Disclosure and Communication Policy, which is located at https://investors.latitudefinancial.com.au/investor-centre/?page=corporate-governance.

Recommendation 5.2 Promptly provide the Board with all material market announcements

A listed entity should ensure that its board receives copies of all material market announcements promptly after they have been made.

The Board receives copies of all market announcements promptly after they have been made.

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

A listed entity that gives a new and substantive investor or analyst presentation should release a copy of the presentation materials on the ASX Market Announcements Platform ahead of the presentation.

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

In addition, a webcast from management is arranged for the full year and half year results announcements, at which the Managing Director and CEO and CFO will give a presentation and provide investors and analysts with the opportunity to submit questions on that presentation. These are available for download after the presentation at https://investors.latitudefinancial.com.au/investor-centre/.

Principle 6 Respect the rights of security holders

Recommendation 6.1 Provide company and governance information on the website

A listed entity should provide information about itself and its governance to investors via its website.

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

This commitment is achieved by:

- Complying with the ASX Listing Rules and the Corporation Act continuous disclosure and reporting requirements;
- Distribution of the Annual Report to all shareholders either electronically or in hard copy depending on the shareholder preferences;
- Holding an accessible and informative AGM. The Board requires the external auditor attend the AGM and be available to answer shareholder questions in relation to the audit of the Company's financial statements, preparation and content of the auditor's report, the accounting policies adopted by the Company and auditor independence;
- Regularly updating the Company's website to include annual and interim reports, market announcements, corporate governance policies and shareholder information to ensure transparency and a high level of communication of the Company's operations and financial situation, to the extent that this information is not commercially sensitive or confidential; and
- Responding to questions and comments at the AGM submitted by shareholders to the Company in advance of the meeting.

Latitude encourages direct contact from shareholders. Contact details of our Investor Relations team are provided in all ASX announcements and contact details, including phone number, website and email of the Company's share registry, Computershare are provided on the Company's website at https://investors.latitudefinancial.com.au/investor-centre/.

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

A listed entity should have an investor relations program that facilitates effective two-way communication with investors.

Latitude is committed to providing its shareholders with the appropriate information and facilities to allow them to exercise their rights as shareholders effectively. Latitude's Disclosure and Communications Policy, available on its investor website, provides the framework for how the Company meets its commitment to deliver timely disclosures and clear communications, underpinned by strong governance to promote investor confidence. Other methods which are used to facilitate effective two-way communication are:

- Annual Reports which are made available to shareholders;
- Disclosures made to the ASX;
- Notices of Meeting and Explanatory Memorandums in relation to resolutions to be put to a vote of shareholders;
- AGMs at which shareholders are given an opportunity to ask questions about and comment on the performance and operations of the Company and its subsidiaries and to vote on other items of business including Director appointments. Furthermore, shareholders can ask questions ahead of the meeting via email. Where appropriate, these questions will be answered at the meeting;

- Responding to communications from shareholders in a timely and responsive manner;
- Periodic investor presentations and briefings; and
- Investor roadshows following Half and Full year results.

All shareholders have the option to receive communications from and send communications to, the Company and its share registrar Computershare, electronically.

The Disclosure and Communications Policy is disclosed on the Company's website at https://investors.latitudefinancial.com.au/investor-centre/?page=corporate-governance.

Recommendation 6.3 Disclose how security holder participation at meetings is encouraged

> A listed entity should disclose how it facilitates and encourages participation at meetings of security holders.

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

Latitude is planning for the 2022 AGM to be a hybrid meeting to further facilitate interaction with its security holders.

Recommendation 6.4 Substantive security holder resolutions to be determined by poll

> A listed entity should ensure that all substantive resolutions at a meeting of security holders are decided by a poll rather than by a show of hands.

Latitude will conduct all material security holder resolutions by poll, the results of which are disclosed to the market.

Recommendation 6.5 Provide option to security holders to receive electronic communications

> A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.

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

Principle 7 Recognise and manage risk

Risk management

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

Recommendation 7.1 Have a Risk Committee and disclose its Charter

The board of a listed entity should:

(a) Have a Committee or Committees to oversee risk, each of which:

  (1) has at least three members, a majority of whom are independent Directors; and

  (2) is chaired by an independent Director,

  and disclose:

  (3) the charter of the Committee;

  (4) the members of the Committee; and

  (5) as at the end of each reporting period, the number of times the Committee met throughout the period and the individual attendances of the members at those meetings; or

(b) If it does not have a risk Committee or Committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.

The Board is responsible for overseeing and approving the Company's Enterprise Risk Management Framework and Risk Appetite.

Risk Committee

The Company has also established a Risk Committee which assists the Board in overseeing the implementation of an effective system of risk management.

The Chief Risk Officer reports to the Risk Committee on the implementation of the Enterprise Risk Management Framework and strategies to mitigate and manage material risks.

The Risk Committee is chaired by an independent Director (Mark Joiner) and has two other members (Beaux Pontak and James Corcoran). Whilst the majority of the members of the Risk Committee are not independent, the Board is satisfied that the composition reflects an appropriate range of, skills, diversity, corporate knowledge and experience for the Company after Listing to enable it to discharge its duties and responsibilities effectively.

Further details on the qualifications and experience of the Risk Committee are available in the Director's Report in the Company's Annual Report. Information concerning the attendance of the Risk Committee members at the Risk Committee meetings is available under ASX Principle 2.

Recommendation 7.2 Annually review the risk management framework

The Board or a Committee of the board should:

(a) Review the entity's risk management framework at least annually to satisfy itself that it continues to be sound and that the entity is operating with due regard to the risk appetite set by the Board; and

(b) Disclose, in relation to each reporting period, whether such a review has taken place.

The Company manages a range of business risks which have the potential to have a material impact on the performance and operation of the Company. The Risk Committee and the Board recognises that they have ultimate responsibility for ensuring that the risk mitigation actions and internal control environment of the Company, is fit for purpose and adequate in terms of safeguarding shareholder value.

The Board has put in place a comprehensive Enterprise Risk Management Framework that is reviewed annually and has been developed in line with the principles contained within the AS/NZS ISO 31000:2018 Risk Management – Principles and Guidelines. The Enterprise Risk Management Framework establishes the various processes and internal controls designed to safeguard the Company's assets, minimise its liabilities and to ensure the integrity of its reporting. The Company's Enterprise Risk Management Framework, Risk Appetite Statement and supporting policies and processes are designed to ensure that relevant risks in business activities are identified, measured, monitored and managed.

The Company's operating model for risk management is designed to:

- Maintain an effective system of internal controls commensurate with the scale and complexity of the Latitude business and consistent with the three lines of defence principles. This incorporates front line management and staff leading and taking primary responsibility for managing risk; and
- Support the business in enabling sustainable growth and productivity whilst supporting operational reliability and resilience.

Enterprise Risk Management Framework

The Board has adopted an Enterprise Risk Management Framework and associated policies, which contain the risk management assessment program, being:

- Identifying and analysing the main risks facing Latitude;
- Evaluating those risks and making judgements about whether they are acceptable or not;
- Implementing appropriately designed control systems to manage these risks in a way which is consistent with Latitude's Board Approved Risk Appetite Statement;
- Treating risks out of appetite by formulating responses following the identification of unacceptable risks, including actions to reduce the probability or consequences of an event and formulation of contingency plans for certain scenarios;
- Documenting these processes, with risk registers and risk reporting, supplemented by risk manuals or related documents as appropriate; and
- Ongoing monitoring, communication and review.

The Enterprise Risk Management Framework, along with related Board approved risk management policies specify the overall principles and practices to be applied to managing business risks within the organisation and provide guidance to management on key risk management issues.

The Board has established the following functions and Committees to monitor business risks:

- A risk management function that provides specialist support to all areas of risk management;
- An Internal Audit function to assist the Board, management and employees in the effective discharge of their responsibilities by providing analysis, testing, opinion and recommendations concerning the adequacy and effectiveness of the Company's internal controls;
- An internal legal function that provides specialist support in the areas of legal, regulatory and governance compliance;
- Board Risk Management Committee (refer section 7.1);

- The following Management Committees:
  - Executive Committee; and
  - Latitude Enterprise Risk Management Committee, inclusive of the following subordinate committees:
    - New Zealand Enterprise Risk Management Committee
    - Line 1 Risk and Compliance Committee
    - Credit Committee
    - Remediation Committee
    - Reserves Committee
    - Asset and Liability Committee.

The Board identified Company material risks are outlined each year in the Company's Annual Report.

Recommendation 7.3 Make disclosures regarding the internal audit function

A listed entity should disclose:

(a) If it has an internal audit function, how the function is structured and what role it performs; or

(b) If it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its governance, risk management and internal control processes.

Latitude has an internal audit function which consists of six staff members with additional resources sourced as required. Internal Audit has unfettered access to Management and the Board. The General Manager, Internal Audit reports directly to the Audit Committee which is responsible for reviewing and assessing the Internal Auditor's performance.

In accordance with the Audit Committee approved Internal Audit Charter, the role of Internal Audit is to provide independent, objective assurance to the Audit Committee and Board that financial and non-financial controls are operating in a compliant, efficient, effective, economical and ethical manner. This is done by bringing a systematic and disciplined approach to evaluate the effectiveness of Latitude's risk management, controls and governance processes. An annual plan is developed (refreshed mid-year) in conjunction with Management and approved by the Audit Committee, with regular reporting provided to the Committee. Private sessions with the Audit Committee and General Manager, Internal Audit, excluding management, are conducted four times a year.

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

A listed entity should disclose whether it has any material exposure to environmental or social risks and, if it does, how it manages or intends to manage those risks.

Latitude is dedicated to effectively managing all material risk faced by the Company including its exposure to environmental or social risks.

Further information regarding Latitude's approach to environmental and social sustainability matters can be found in the Sustainability section of the Annual Report.

Principle 8 Remunerate fairly and responsibility

Recommendation 8.1 Have a Remuneration Committee and disclose its Charter

The board of a listed entity should:

(a) Have a remuneration Committee which:

(1) Has at least three members, a majority of whom are independent Directors; and

(2) Is chaired by an independent Director,

and disclose:

(3) The charter of the Committee;

(4) The members of the Committee; and

(5) As at the end of each reporting period, the number of times the Committee met throughout the period and the individual attendances of the members at those meetings; or

(b) If it does not have a remuneration Committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for Directors and senior executives and ensuring that such remuneration is appropriate and not excessive.

The Board has established a Remuneration Committee. The Remuneration Committee's role is to assist the Board with its governance responsibilities with respect to remuneration matters involving the Company including:

- Performance review of the Managing Director and CEO and the Executive Committee members and the succession planning of these roles; and
- Remuneration strategies for the Non-Executive Directors, Managing Director and CEO and Executive Committee members.

The Remuneration Committee is chaired by an Independent Non-Executive Director (Alison Ledger). The other two members are Non-Independent Non-Executive Directors (Scott Bookmyer and Beaux Pontak). The chairman of the Remuneration Committee, Alison Ledger, is not the chairman of the Board. Whilst the majority of the members of the Remuneration Committee are not Independent, the Board is satisfied that the composition of the Board and its Committees reflects an appropriate range of, skills, diversity, corporate knowledge and experience for the Company after Listing to enable it to discharge its duties and responsibilities effectively.

Further details on the qualifications and experience of the Remuneration Committee is available in the Directors' Report in the Company's Annual Report. Information concerning the attendance of the Remuneration Committee members at the Remuneration Committee meetings is available under ASX Principle 2.

The Charter of the Remuneration Committee is available on the Company's website at https://investors.latitudefinancial.com.au/investor-centre/?page=corporate-governance.

The remuneration framework for the Managing Director and CEO and senior executives (and other KMPs) incorporates fixed and variable pay performance elements with both a short-term and long-term focus. Remuneration may contain any or all of the following:

- Annual fixed remuneration;
- Performance based remuneration;
- Equity based remuneration;
- Other leave and superannuation benefits;
- Expense reimbursement; and
- Termination payments.

Short-Term and Long-Term Incentive arrangements (STIs & LTIs) have been designed foremost to support the Latitude business strategy and provide a market-competitive executive remuneration structure. However, the incentive arrangements also reflect appropriate investor expectations including but not limited to:

- Delivery of a material portion of STI into equity restricted for 12 and 24 months;
- LTI vesting over a three-year period with a further 12 month restricted period;
- Restrictions on entering into any transactions designed to limit the economic risk of participating in the equity based remuneration scheme; and
- Introduction of malus/clawback provisions.

Remuneration for Non-Executive Directors ("NED") is provided within the context of the maximum aggregate annual sum of NED fees ("NED fee cap") approved from time-to-time by Members at the AGM. The remuneration includes annual fixed fees inclusive of superannuation payments.

Further detail is provided in the Summary Remuneration Policy which can be found on our website at https://investors.latitudefinancial.com.au/investor-centre/?page=corporate-governance.

Recommendation 8.2 Disclose policies and practices for Non-Executive Directors, Executive Directors, and for executive management

> A listed entity should separately disclose its policies and practices regarding the remuneration of Non-Executive Directors and the remuneration of Executive Directors and other senior executives.

Remuneration Report

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

Board Remuneration

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

Managing Director and CEO and Executive Remuneration

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

The Managing Director and CEO's performance is continually monitored and annually assessed.

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

A listed entity which has an equity-based remuneration scheme should:

(a) Have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and

(b) Disclose that policy or a summary of it.

The Board has adopted a Trading Policy 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', key management personnel's, employees', contractors' and their families and associates' dealings in Shares.

The Trading Policy sets out the restrictions that apply to dealing with Company securities (as defined in the Policy) including 'prohibited periods', during which certain designated persons are generally not permitted to deal with securities, along with a procedure under which designated persons are required to submit a request and obtain written confirmation prior to dealing in securities outside the prohibited periods.

The policy further provides that Directors, certain restricted employees and their connected persons must not deal in the Company's securities on a short-term or speculative trading basis, or enter into transactions which limit the economic risk related to a person's remuneration. The policy also sets out a process for maintaining the confidentiality of relevant information.

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

2021 Consolidated Financial Report

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Directors' Report

For the year ended 31 December 2021

Directors' Report

The Directors present their report together with the financial statements of Latitude Group Holdings Limited ('the Company') (formerly KVD Australia Holdco Pty Ltd) and the entities it controlled ('the Group') at the end of, or during, the year ended 31 December 2021 ('year') and the auditor's report thereon.

The Group reported a $160.3 million profit after tax from continuing operations for the year ended 31 December 2021 (2020: $46.7 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 Services from 2004 to 2008, having previously been Deputy Chairman. Prior to Challenger, Michael was Chairman and CEO of Merrill Lynch Australasia and Chairman of Mergers & Acquisitions for the Asia Pacific Region. Michael was a Non-Executive Director of ASX listed Orica from 2003 to 2013 and has also served as Chairman of ASX listed Hotel Property Investments and Tubi.

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

Ahmed Fahour
Managing Director and CEO
Appointed March 2021

Ahmed Fahour 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, Managing Director and 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 was a founder 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 and Honorary Doctorate from La Trobe University and an MBA from Melbourne Business School.

Mark Joiner
Independent Non-Executive Director
Appointed March 2021

Mark was the CFO of National Australia Bank 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, QBE Group's Australian and New Zealand subsidiaries and Chairman of Pexa Limited.

He is a Chartered Accountant and holds an MBA from the Melbourne Business School.

Alison Ledger
Independent Non-Executive Director
Appointed March 2021

Alison spent eight years with Insurance Australia Group in senior strategic and operational roles. As EGM for Product, Pricing & eBusiness and COO 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 MBA from Harvard Business School and graduated magna cum laude, with a BA degree in Economics from Boston College. She is a Graduate and Member of the Australian Institute of Company Directors.

Scott Bookmyer
Non-Executive Director
Appointed August 2017

Scott joined KKR in 2002 and is a Partner and the Head of KKR Australia. He serves on KKR’s Asia Private Equity Investment Committee and the KKR Asia Portfolio Management Committee. Scott’s other board roles include MYOB, the Australian Venue Company and Laser Clinics Australia. Scott’s previous employers include Procter & Gamble and Boston Consulting Group.

Scott holds a BA with honours from Indiana University and an MBA from The University of Chicago’s Booth School of Business.

James Corcoran
Non-Executive Director
Appointed January 2020

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

Beaux Pontak
Non-Executive Director
Appointed June 2015

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

He has a BA Economics and a BA in International studies.

Andrew Hoshino
Non-Executive Director
Appointed June 2021

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 GM to lead consumer finance business unit. Andrew has over 30 years’ work experience in consumer finance business in Japan, United States, and Hong Kong with companies such as GE Capital.

He holds a Bachelor of Arts from the University of Delaware.

Company Secretaries

Adrian Wong
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 GE, where he was responsible for all M&A activity in Australia and New Zealand. Prior to that, Adrian worked with Energy Australia, Linklaters in London and Ashurst in Australia. Adrian has a Bachelor of Laws (Honours) and a Bachelor of Commerce degree from Monash University.

Paul Burke
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 is responsible for managing company secretariat across the Company and is Chief of Staff. Paul has a B Bus (Acc) and is also Graduate of the Australian Institute of Company Directors and a Fellow of CPA 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]		Risk		Audit		Remuneration & People		Technology	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Director												
Mike Tilley	7	7	21	21	4	4	4	4	6	6	4	3
Ahmed Fahour	7	7	21	21	4	4	4	4	6	6	4	4
Scott Bookmyer	7	7	18	18	–	–	–	–	6	6	–	–
James Corcoran	7	7	18	18	4	4	4	4	1	1	–	–
Andrew Hoshino[2]	4	4	8	8	–	–	–	–	–	–	2	2
Mark Joiner	7	7	20	20	4	4	4	4	–	–	–	–
Alison Ledger	7	7	19	19	–	–	4	4	6	6	4	4
Beaux Pontak	7	7	18	18	4	4	–	–	6	6	4	4

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

2 Andrew Hoshino was appointed as a Non-Executive Director on 18 June 2021.

Directors' Interest

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

Principal Activities

The Group offers customers in Australia and New Zealand the following products:

- **Payments & instalments**: where the Group provides payment and finance solutions to merchants and their customers wanting to purchase goods or services. The Group provides choice and flexibility to customers, ranging from weekly instalment plans (buy now pay later) for small purchases to monthly or flexible payment plans for bigger purchases; and
- **Lending**: where customers are directly seeking support with payments and financing needs, including personal loans, motor loans and travel credit cards.

In addition, Hallmark Insurance provides insurance in connection with the Group's Instalments and Lending products, covering price protection, merchandise protection, stolen cards and adverse life events (including death, disability, unemployment).

During the final quarter of the year, the Group commenced operations in Canada and Asia.

Summary of Group Performance

Statutory profit after tax attributable to members from continuing operations increased by $115.7 million to $160.9 million in 2021 from $45.2 million in 2020.

Cash NPAT[1] increased by $8.3 million or 3.7% to $232.2 million in 2021 from $223.9 million in 2020.

Summary financial results

($'m)	Pro forma 2021	Pro forma 2020	Change % 2021 vs 2020
Interest income	932.4	1,058.1	(11.9)%
Interest expense	(160.3)	(178.0)	(9.9)%
Net interest income	**772.1**	**880.1**	**(12.3)%**
Other operating income	54.6	54.1	0.8%
Total Operating Income	**826.6**	**934.2**	**(11.5)%**
Net Charge Offs	(149.5)	(227.6)	(34.3)%
Risk Adjusted Income	**677.1**	**706.7**	**(4.2)%**
Management Operating Expenses	(387.1)	(402.9)	(3.9)%
Pre-provision Profit	**290.0**	**303.8**	**(4.5)%**
Provision movement	33.3	18.8	77.4%
Profit before Tax & Significant Items	**323.3**	**322.6**	**0.2%**
Income tax expense	(91.1)	(98.7)	(7.7)%
Cash NPAT	**232.2**	**223.9**	**3.7%**
Amortisation of Acquisition Intangibles	(48.3)	(48.3)	(0.0)%
Amortisation of Legacy Transaction Costs	(9.4)	(24.8)	(62.2)%
Significant Items	(43.0)	(62.7)	(31.5)%
Tax effect of adjustments	28.8	40.1	(28.2)%
Pro forma NPAT	**160.3**	**128.1**	**25.1%**
Changes in Capital Structure	–	(80.3)	100.0%
Transaction and historical IPO costs	–	(19.8)	100.0%
Discontinued operations (pre-tax)	–	(3.0)	100.0%
Tax effect of adjustments	–	18.7	100.0%
Statutory Profit/(Loss) after tax from continuing operations	**160.3**	**46.7**	**243.1%**
Discontinued operations	–	(1.5)	100.0%
Statutory Profit/(Loss) after tax	**160.3**	**45.2**	**254.5%**
Profit/ (Loss) from non-controlling interest	(0.6)	–	100.0%
Statutory Profit/(Loss) attributable to members	**160.9**	**45.2**	**256.0%**

1 Pre-provision profit, Risk Adjusted Income, Significant 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.

Statutory Profit after tax & Proforma NPAT

The Group has included both Statutory Profit after tax as well as Proforma NPAT in the table above. Proforma NPAT directly ties into the 2020 financials disclosed in Section 4 of Latitude's IPO Prospectus dated 30 March 2021. Whilst Statutory Profit after tax would be the conventional basis for comparability under accounting standards, the 2020 statutory profit after tax and the corresponding financial statements contain items associated with the historical structure as well as the restructure arrangements entered into prior to the listing of Latitude Group Holdings Limited on the Australian Securities Exchange ('ASX') on 20 April 2021 as set out in Sections 9.3 and 9.4 of the IPO Prospectus. Furthermore, the Group Statutory Profit after tax is different to that disclosed in the IPO Prospectus (described as "Combined") as some elements of the restructure are permitted to be restated under the accounting standards whilst other elements of the restructure are not. This means that further adjustments are required to enable direct comparison to those disclosures in the Prospectus.

It is the Group's belief that the Proforma information provided in the IPO Prospectus dated 30 March 2021 provides a more useful and representative basis of the Group's underlying performance for 2020 than the Comparative Statutory results for those historical periods. As a result, the comparative information within this review of Group Performance has been presented to align to the IPO prospectus pro forma information that was previously released rather than the statutory comparatives.

Summary financial analysis

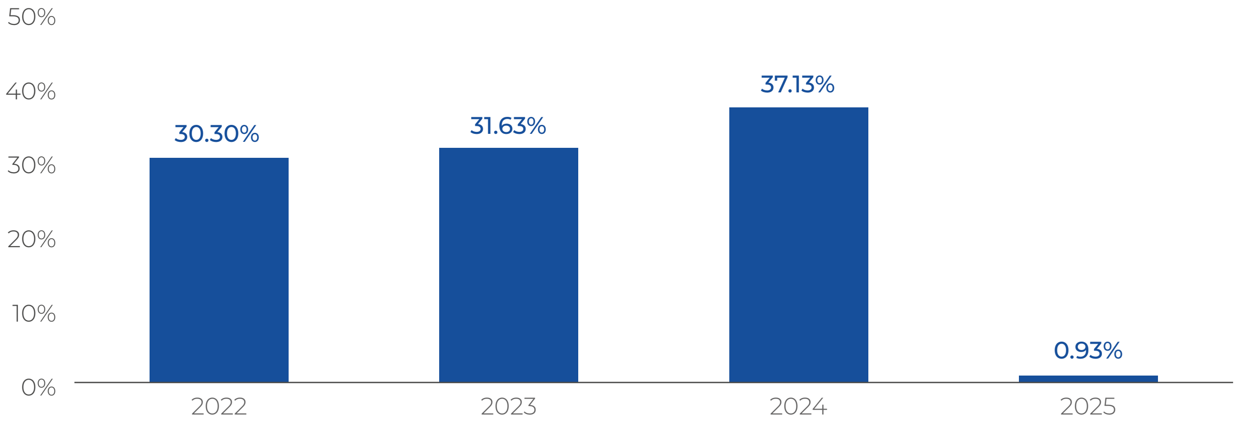
During 2021 group volumes increased 4.3% despite challenging trading conditions due to COVID-19 related lockdowns, travel restrictions and inconsistent consumer confidence. Customer repayments remained at elevated levels consistent with 2020, which contributed to a reduction in Gross receivables of 2.6% compared to 2020. Despite the impacts of the Omicron variant in 4Q21, receivables stabilised in 2H21, reducing by 1.9% in the half, in contrast to the 14.6% reduction in gross receivables in 2020 compared to 2019.

Cash NPAT of $232.2m increased by 3.7%, with key drivers as follows:

- **Total Operating Income** decreased by $107.6 million or 11.5% to $826.6 million. The reduction was driven by the 7.9% reduction in Average Gross Receivables compared to 2020 combined with a 53bps contraction in Operating Income yield. The yield decrease was a result of product mix and strategic pricing changes implemented to attract high quality customers;
- **Net Charge offs** decreased by $78.1 million or 34.3% to $149.5 million. The decrease in charge offs was as a result of the ongoing improvement in the credit quality of the portfolio driven by tightening of underwriting standards during 2020, improved portfolio credit mix at origination and elevated repayment rates during this period. The above drivers resulted in a reduction in the Net charge off rate of 94bps in 2021 compared to 2020;
- **Operating expenses** decreased by $15.8 million or 3.9% to $387.1 million from $402.9 million. Operating expenses continued to benefit from the implementation of a productivity agenda and investments in simplification and disciplined cost management despite higher levels of marketing expenses; and
- **Provision movement** increased by $14.5 million or 77.4% to $33.3 million in 2021. The provision movement was driven by the Coverage ratio improvement, reducing 34bps to 4.28% from 2020 in line with the improvements in underlying asset quality and hardship metrics in 2021 (after the initial surge in hardship levels during 2020). The reduction in Gross Loan Receivables also contributed to the increased provision movement.

During the year, the Group maintained a robust funding position and has remained active in the funding markets in 2021, refinancing and managing limits to maintain 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 debt maturity profile as at 31 December 2021.



Across both our Warehouse and ABS facilities we have drawn borrowings of $5.9 billion with available head room of $2.3 billion to support future growth.

The Group's Return on Equity (ROE) of 16.6% remains strong alongside the 31% increase in tangible equity during 2021. The Tangible Equity to Net Receivables (TER) increased by 217bps to 8.7% in 2021 from 6.5% in 2020, in part due to the issuance of $150 million of Capital Notes during 2021. The ROE and TER metrics demonstrate the strength and resilience of the Group and its ability to support a dividend payout ratio of 60-70% of Cash NPAT.

The Group acquired Symple Loans in October 2021 which will deliver enhanced digital capabilities for our Lending business, followed by the acquisition of OctiFi, a Singapore based Instalments business, both of these acquisitions expand our footprint for both Lending and Instalments globally. The Group announced on 18 February 2022, it had executed a binding transaction to acquire the consumer business of Humm Group Limited, incorporating its BNPL, Instalments and Cards operations.

The Directors have declared a final dividend of 7.85 cents per share, fully franked, taking the full year dividend distribution to 15.7 cents per share.

Strategy and Outlook

As a leading provider in Australia and New Zealand of interest free payments and lending, the Group is in a unique position to capitalise on growth opportunities and global expansion. Looking ahead to 2022 we are focused on four key operational priorities to continue our momentum and drive growth:

- Lead in payments and instalments;
- Lead in lending;
- Reinvent insurance; and
- Expand in Asia and Canada.

These four priorities will be underpinned by the ongoing transformation and optimisation of our operations and our portfolio operating model structure, centred around three portfolio businesses – Pay, Money and Insurance.

Risks

Risk management is fundamental to the success of the Group. The Group is continually developing and enhancing its risk management capabilities to cater for changes to its strategy, developments in the external environment and expectations, as well as the enduring focus of achieving the best customer outcomes.
The Group's enterprise risk management framework, risk appetite statement ('RAS') and supporting principles, policies and 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 and complexity 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 and targeting to accept in pursuit of its strategic objectives and business plan. The RAS is reviewed and approved by the Board on a regular basis.

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

Leadership and oversight of risk management in the Group are executed and formalised 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 leads and attests to the appropriateness of their 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 Risk Committee of the Board.

The Group undertakes business unit testing of controls, second line oversight and review, and independent third line audits to help ensure appropriate risk management and oversight.

Hallmark Insurance also maintains a risk management framework that is designed to be compliant with APRA's Prudential Standards and is aligned with the Group's risk management approach. This includes both Hallmark Insurance-specific and Group enterprise-wide policies, procedures and controls noting that the Group owns and manages a number of processes and risks for Hallmark Insurance. The Hallmark Insurance risk appetite statement is aligned with the Group's 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, and using technology to enhance risk management that includes partnering with third parties to build efficient and effective processes to assist in enhancing credit management and conduct;
- Enterprise risks – The Group operates an enterprise risk management framework and is prioritising efforts in a number of areas to enhance management and monitoring of key operational risks. The Group's risk appetite for compliance risks is low and it strives to create and maintain a strong culture whereby compliance obligations and risks are understood and demonstrably managed across the organisation. This is reinforced through values, Code of Conduct and policy framework, and includes compliance training and management and reinforcing a culture of good conduct;
- Operational and technology risk – The Group is progressing efforts in a number of areas to enhance management and monitoring of key operational risks including business resilience, cybersecurity, fraud, operational processes and human resources;
- 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 credit risk and underwriting procedures. The Group is also a participant in both Australia and New Zealand of Comprehensive Credit Reporting (CCR) and engages in ongoing customer account management and an in-house collections function;
- Asset quality – When a Latitude customer does not meet their minimum monthly payment requirements, they are deemed by the Group to be delinquent on their contractual terms. The Group makes provision 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 the business with funding diversity across multiple financiers, markets and facilities, and provides the business with scalability and stability with a balanced maturity profile. The key features of Latitude's funding strategy include maintaining a diversified funding platform with a broad base of financiers and staggered durations, managing incremental receivables funding capacity and maturity profiles and managing foreign exchange risk; and
- Regulatory and legislative reform – The industry in which the Group operates is subject to a range of laws and regulations across multiple jurisdictions. Whilst 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.

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) of the financial report.

Significant Changes in the State of Affairs

Latitude Group Holdings Limited listed on the Australian Securities Exchange ('ASX') on 20 April 2021. To facilitate this, the Group, together with the selling shareholder and the existing investors, entered into and undertook a series of arrangements to implement a restructure, including arrangements that were subject to approval by the Foreign Investment Review Board. The restructure is described in section 1.1(c).

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 $207.8 million. The consideration comprised of $100.0 million cash, the issuance of 38.46 million shares in Latitude Group Holdings Limited and a $24.0 million deferred promissory note. The Group intends to utilise 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 the Group's personal loans and auto loans and the Group will leverage Symple's platform to support its existing business, launch new products and build partnerships with other lenders. The acquisition is detailed in section 6.10(a).

Latitude Group Holding Limited (ASX: LFS) issued 1.5 million Latitude Capital Notes (Capital Notes) on 28 September 2021 at $100 each, raising $150 million and began trading on 29 September 2021 under ASX code "LFSPA". The detail of Capital Notes issue is detailed in section 4.1(a).

Events Subsequent to Balance Date

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.

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 or 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
31 December 2023	2,133,626
Total	**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 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 95 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 FY21.

This year has seen the successful execution of our strategy and delivery on the financial targets we set ourselves in the prospectus ahead of our ASX listing in April 2021.

Latitude's Managing Director and CEO (MD & CEO), along with other Key Management Personnel (KMP), have displayed strong leadership in addressing the challenges presented by COVID-19 while identifying opportunities to grow the business, both through strategic acquisitions or organically.

A key focus during the pandemic was ensuring that, along with increasing support for our customers and partners through difficult times, we looked after our employees by enabling them to work more flexibly. As we re-open our offices in Australia and New Zealand, Latitude will continue to support employees so they can work both safely and effectively.

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

Strong results and enhanced strategy

Latitude's strategy, refreshed in 2021 to align with identified growth opportunities as we emerge from the pandemic, is delivering results for our customers, partners and shareholders. We are implementing our plan to achieve our strategic objectives and maintaining effective cost control, without losing focus on our core instalments and lending businesses in Australia and New Zealand.

Latitude made a number of strategic investments to add to our capability, including the acquisition of Symple Loans, and began expanding overseas by launching lending in Canada and the BNPL brand LatitudePay in Singapore. We also launched Big Ticket BNPL in Australia and major enhancements to our Latitude Go card as part of our Future of Interest Free program.

Financial performance was strong despite the challenging environment created by COVID-19 and subsequent lockdowns which significantly disrupted retail and other economic settings in Australia and New Zealand during FY21.

Latitude's FY21 results released in February illustrate the strength of our business going into FY22, especially in lending, as well as improving credit quality, balance sheet strength, reduced costs and disciplined investment in strategic initiatives.

Our business performance has enabled Latitude to set itself up for future growth, including internationally, and deliver improving returns to our shareholders. In February we declared a 2H 2021 dividend of 7.85 cents per share (fully franked), taking the total dividend for the year ended 31 December 2021 to 15.7 cents per share.

It's clear there is more to be achieved but the Board is pleased with the results and momentum delivered through FY21, which have translated into strong profits and earnings.

Remuneration outcomes for FY21

Latitude is committed to attracting and retaining the best people to work in the organisation, including Directors and executives. An important element in achieving this objective is to ensure that Latitude appropriately remunerates its key people.

Latitude's remuneration framework is underpinned by six key principles: Fair and competitive, strategic alignment, support talent, simple and support growth, reinforce our culture, and reviewed regularly.

Importantly, the remuneration framework delivers an appropriate portion of remuneration linked to performance outcomes, which is assessed by the Remuneration & People Committee and the Board, together with qualitative assessments of other relevant factors, including responsible risk management and individual behaviours.

The Enterprise Scorecard, which informs Executive KMP STI outcomes, contains financial (Value/Growth) performance measures including Cash NPAT and Gross Receivables. The non-financial measures considered Customer, People and two strategic focuses (launch of the Big Ticket BNPL product and the upgrade of Digital Receivables platform).

In FY21, Executive KMP were found to have made substantial progress against all targets despite a significant agenda and the ongoing challenges of the pandemic and related lockdowns.

As a result, the overall STI outcome achieved for the MD & CEO was 90 percent of target (72 percent of maximum). The majority of the other Executive KMP also received STI outcomes of 90 percent of target, with two Executive KMP receiving a higher outcome due to outstanding individual performance.

The statutory remuneration table in this report reflects a year of transition for Latitude, with Executive KMP moving to updated employment agreements reflecting the remuneration framework designed and implemented for a listed organisation, and the unwind of the pre-ASX listing equity plan KMP participated in. Accounting values related to the unwind of the equity plan prior to the completion of the IPO are included in the table as they were expensed in the prior year (FY20) and are required for comparative purposes. They relate to accounting expenses and arrangements with the owners (KVD Singapore Pty Ltd) prior to listing, rather than Latitude the listed entity.

In considering the remuneration outcomes for FY21, the Remuneration and People Committee and the Board spent a significant amount of time balancing shareholder and community interests, while at the same time appropriately recognising the achievements of the MD & CEO as well as the other Executive KMP, particularly against the delivery of Latitude's strategy and business plan.

The Board is confident Latitude will continue its current growth momentum and its remuneration framework is competitive and appropriately rewards Executive KMP.

Looking forward

As disclosed in the Prospectus, from 1 January 2022, the STI delivered as restricted STI Shares has increased from one third to one half. This will increase the proportion of total remuneration delivered as equity from 38 percent to 44.5 percent for the MD & CEO and from 40 percent to 45 percent for other executives. The Board believes this further aligns executive remuneration with shareholder focus, building a sustainable business and creating longer-term growth.

The FY22 STI Enterprise Scorecard metrics have been set for 2022 and will be disclosed in the 2022 Remuneration Report.

The Board has determined that no other changes will be made to the executive remuneration framework for FY22, as it was appropriately set and aligned when the company listed in April 2021.

On behalf of your Board's Remuneration and People Committee I would like to invite you to read the full Remuneration report which will be presented for adoption at Latitude's 2022 Annual General Meeting.

Alison Ledger

Alison Ledger
Chair of the Remuneration and People Committee

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 2021 remuneration report covers both the Non-Executive Directors and Executive KMP during FY21 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	
Scott Bookmyer	Non-Executive Director (Shareholder Representative, KKR)	
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)	18 June 2021 to present

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	Managing Director and Chief Executive Officer (MD & CEO)	Full year
Adrienne Duarte[1]	Chief Financial Officer (CFO)	
Paul Varro[2]	Chief Commercial Officer	
Andrew Walduck	Chief Operating Officer	
Bob Belan[3]	Executive General Manager, Money	26 October 2021 to present
Jo Mikleus	Chief Risk Officer	Full year
David Gelbak	Chief Customer Officer, New Zealand	
Chris Blake	Executive General Manager, Corporate Services	

1 Ms Duarte retired as KMP on 31 December 2021 and ceased employment with Latitude on 16 March 2022.

2 Per section 6.2 following Ms Duarte's departure, Mr Varro became the Executive General Manager, Finance and Risk (CFO).

3 Mr Belan was appointed as KMP on 26 October 2021 following the acquisition of Symple Loans.

Please see section 6.3 for full details regarding changes to positions held by the Executive KMP from 1 January 2022, as a result of the new operating structure that took effect from that date.

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.

ROLE OF THE REMUNERATION AND PEOPLE COMMITTEE

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

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

ROLE OF THE RISK AND AUDIT COMMITTEE AND 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 and is appropriate for a financial services company.

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 Share Trading Policy applies to all KMP. Full details are provided in recommendation 8.3 of the Corporate Governance statement in this annual report.

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 outlined in the Prospectus, 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 Corporate Governance statement section of the Annual Report.

3. FY21 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 to ensure 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 are outlined below. These will be reviewed during the course of 2022.

FAIR AND COMPETITIVE

Employees are rewarded fairly and competitively according to job level, market trends and individual skills, experience and performance.

STRATEGIC ALIGNMENT

The reward framework is aligned with the overall business strategy in relation to acquisition, growth and retention of talent.

SUPPORT TALENT

The reward framework encompasses elements of fixed remuneration, benefits, recognition and incentives to support talent management for business and shareholder outcomes.

SIMPLE AND SUPPORTS GROWTH

It is simple, flexible, consistent and scalable across the business allowing for sustainable business growth.

REINFORCES CULTURE

It supports the business strategy whilst reinforcing culture, mission and values, diversity and equity principles.

REVIEWED REGULARLY

It is regularly reviewed against market benchmarks for similar roles, for ongoing relevance, equity and reliability.

3.2. FY21 remuneration framework

The remuneration framework for Executive KMP is outlined below:

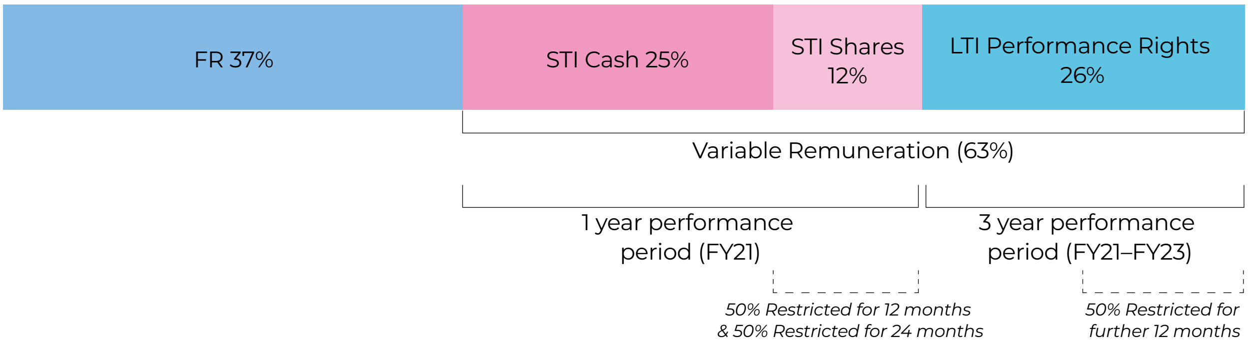
	Fixed Remuneration	Variable Remuneration	
	Fixed Remuneration ('FR')	**Short-Term Incentive ('STI') Plan**	**Long-Term Incentive ('LTI') Plan**
Purpose	To attract and retain the best talent to deliver Latitude's business strategy.	To reward short-term performance.	To reward long-term performance.
Composition and delivery	Comprises base salary and superannuation, paid in equal monthly instalments.	Annual performance incentive[1]: • Two-thirds paid as cash; and • One-third 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 Group 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.

1 As detailed in section 3.5, the STI will be paid one half as cash and one half delivered as restricted STI Shares from 1 January 2022.

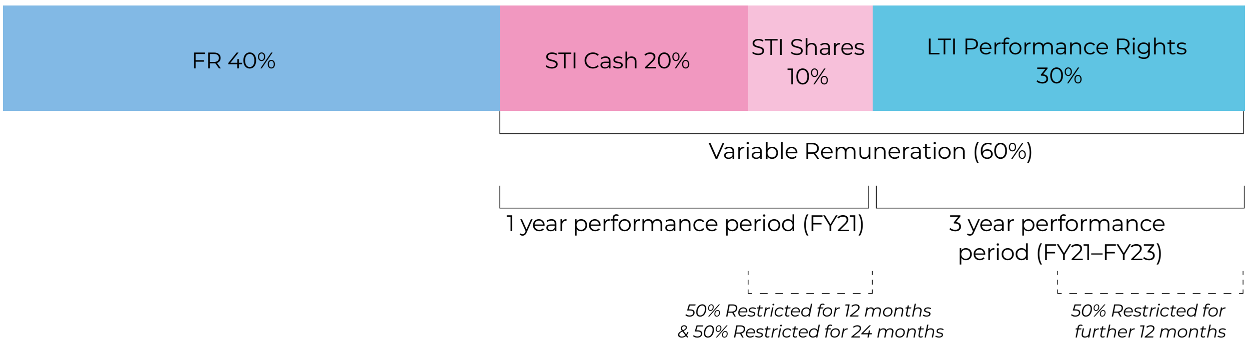
3.3. FY21 remuneration mix and delivery

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

Managing Director and CEO:



Other Executives:



1 Section 3.5 details the delivery and restriction end date of the STI Shares for all Executive KMP. Section 3.6 provides the Restriction Period for the LTI.

3.4. Fixed Remuneration (FR)

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

Element	FY21 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 February 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.

Upon listing, the MD & CEO and CFO received an increase to Fixed Remuneration, reflecting the increased scope and complexity of their roles as Latitude became a listed company. This was the first increase for both individuals since their appointment to Latitude in 2018 and 2017 respectively.

3.5. Short-term Incentive (STI)

The MD & CEO and other Executive KMP (excluding Mr Belan) were eligible to participate in the FY21 STI under the following terms:

<table>
<tr><th>Feature</th><th>Key terms of the FY21 STI</th></tr>
<tr><td>Performance Period</td><td>1 January 2021 to 31 December 2021</td></tr>
<tr><td>Opportunity</td><td>The STI opportunity as a percentage of FR was as follows:
<table>
<tr><th></th><th>MD & CEO</th><th>Other Executive KMP</th></tr>
<tr><td>Maximum (125% of Target)</td><td>125%</td><td>93.75%</td></tr>
<tr><td>Target</td><td>100%</td><td>75%</td></tr>
<tr><td>Minimum</td><td>0%</td><td>0%</td></tr>
</table></td></tr>
<tr><td>Gateway</td><td>STI outcomes were subject to meeting the Cash NPAT gateway</td></tr>
<tr><td>Weighting</td><td>The following weighting applied to STI outcomes:
<table>
<tr><th></th><th>MD & CEO</th><th>Other Executive KMP</th></tr>
<tr><td>Enterprise Scorecard</td><td>100%</td><td>50%[1]</td></tr>
<tr><td>Business Unit/Individual Performance</td><td>–</td><td>50%[1]</td></tr>
</table></td></tr>
<tr><td>Outcome Scale</td><td>The outcome for each performance measure in the Enterprise Scorecard was as follows:
<table>
<tr><th></th><th>% Outcome</th></tr>
<tr><td>Stretch (maximum)</td><td>125%</td></tr>
<tr><td>Target</td><td>100%</td></tr>
<tr><td>Threshold</td><td>0%</td></tr>
</table>
Straight-line pro-rata % outcome between Threshold and Target, and Target and Stretch.</td></tr>
<tr><td>Modifiers</td><td>The Board retains the discretion to modify STI outcome upwards (to maximum) or downwards (including to zero) including by reference to the following:
<table>
<tr><th>Modifier</th><th>Assessment</th></tr>
<tr><td>Leadership behaviours/values</td><td>Assessment of behaviours against Latitude's Code of Conduct, qualitative stakeholder feedback and other policies.</td></tr>
<tr><td>Risk management</td><td>Risk and compliance outcomes, informed with input received from the Risk Committee.</td></tr>
</table></td></tr>
<tr><td>Delivery</td><td>March 2022: Two-thirds (67%) paid in cash[1].

During or after April 2022: remaining one-third (~33%)[1] delivered as restricted shares ('STI Shares'), with 50% restricted for 12 months and 50% for 24 months.</td></tr>
<tr><td>STI Shares awarded</td><td>The number of restricted STI Shares awarded is one-third[1] of the participant's FY21 STI outcome, divided by the 5-day volume-weighted average price (VWAP) from the second trading day following the release of the FY21 results (21 February 2022).</td></tr>
</table>

Feature	Key terms of the FY21 STI
Restriction period	February 2023: 50% of STI Shares are released from restriction following the FY22 results announcement. February 2024: the remaining 50% of STI Shares are released from restriction following the FY23 results announcement.
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 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. *Dividend and voting rights* STI Shares rank equally with other Shares and are eligible for both. *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 Section 6.4.1 provides details regarding changes to the STI arrangements for Executive KMP to apply from 1 January 2022.

3.6. Long-term Incentive (LTI)

3.6.1 LTI Key Terms

The MD & CEO and other Executive KMP (excluding Mr Belan) were eligible to participate in the FY21 LTI under the following terms:

Feature	Key terms of the FY21 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 2021 to 31 December 2023
Opportunity	The LTI opportunity as a percentage of FR was as follows:

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

<table>
<tr><th>Feature</th><th>Key terms of the FY21 LTI</th></tr>
<tr><td>Grant</td><td>Performance Rights were granted on 29 April 2021 to eligible KMP.

The number of Performance Rights granted to eligible KMP was calculated based on a 5-day volume-weighted average price (VWAP) of $2.517250 for the period 22-28 April 2021.</td></tr>
<tr><td>Performance conditions and weightings</td><td>The following weightings apply to the performance conditions:
<table>
<tr><th>Return on Equity (‘ROE’)</th><th>Cash earnings per share growth (‘EPS’)</th></tr>
<tr><td>50% of Performance Rights may vest subject to the ROE performance condition.</td><td>50% of Performance Rights may vest, subject to the EPS growth performance condition.</td></tr>
</table>
See section 3.6.2 for further detail on the performance conditions.</td></tr>
<tr><td>Testing outcomes</td><td>Following the release of the FY23 results in March 2024, 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 performance 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 targets</td><td>0%</td></tr>
</table>
Performance Rights that vest are automatically exercised into Shares[1].

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 FY21 LTI outcomes will be reported in the 2024 Remuneration Report.</td></tr>
<tr><td>Restriction Period</td><td>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)[1].

Dividend and voting rights

Ordinary dividend and voting rights apply to Shares[1].</td></tr>
</table>

Feature	Key terms of the FY21 LTI
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: lapse. • Resignation: the Board will typically lapse the Performance Rights • 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. 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. *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 NZ participants, upon vesting 50% of Performance Rights will be automatically exercised into Shares and the remaining 50% will be automatically exercised into Shares 12 months after vesting. A cash dividend equivalent payment is applicable on the 50% of vested Performance Rights that are not automatically exercised into Shares until 12 months after vesting. The 12-month Restriction Period on Shares does not apply.

3.6.2 FY21 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.

Measures	ROE	Cash EPS growth
Measure type	The average ROE achieved for each financial year of the performance period (FY21, FY22 and FY23).	The growth rate is determined by comparing the final performance period (FY23) with the base year (FY20). 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.
How the Board sets the target?	Set by the Board at the outset of each performance period. Targets are set to be sufficiently challenging for Executives and deliver appropriate returns for shareholders.	
FY21 LTI Plan targets	Maximum (Target) 18% Threshold 15%	Maximum (Target) 8% Threshold 5%
Adjustments	Where mergers/acquisitions occur, 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 (covered by the Take 5 Leave Policy).

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 (Australia)	6 months	Non-compete and non-solicit: 12, 6, 3 months Restricted Area: Australia, Victoria, Melbourne
Other Executive KMP (New Zealand) [1]	6 months	Non-compete and non-solicit: 12 months Restricted Area: Auckland

1 Relates to Mr Gelbak for FY21 only.

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.

	Measure		
		FY21	FY20
Short-term measures	Cash NPAT[1]	$232.2m	$223.9m
	Gross receivables	$6,352m	$6,522m
Long-term measures	Return on equity	16.6%	18.2%
	Earnings per share[2]	23.1 cents	22.4 cents
Other measures	Closing share price	$2.00	
	Dividends per share	15.7 cents[3]	n/a (pre-listing)

1 Refer to the Summary of Group Performance in the Directors' Report that discloses the calculation of Cash NPAT.

2 EPS of 23.1c (FY21) and 22.4c (FY20) is based on Pro forma EPS Cash – Basic.

3 2021 dividend includes 7.85 cents interim dividend paid 14 October 2021 plus 7.85 cents full year dividend to be paid on 22 April 2022.

5. FY21 Executive KMP remuneration overview and outcomes

The following table provides a snapshot of at-risk, performance-based remuneration outcomes for FY21.

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

The Cash NPAT gateway of 85% of target was met, and triggered payment under the STI.

The following table outlines performance against the FY21 Enterprise Scorecard measures.

		Scorecard result				
STI Measure	**Weight**	**Threshold (50%)**	**Target (100%)**	**Stretch (125%)**	**Weighted result (% of target)**	**STI outcome (% of max.)**
Value/Growth Cash NPAT[1] achieved is $232 million which results in Latitude exceeding the stretch target.	30%				37.5%	30%
FY21 Gross Receivables is $6,352 million which was below threshold. Given the extra ordinary impact of COVID-19 outside of management's control (rolling lockdowns across Melbourne, Sydney and Auckland, and persistent elevated repayment rates), the Board exercised one-off discretion to balance management reward outcomes against partner and shareholder expectations, to payout 33.33% of this measure.	30%				10%	8%
Customer Exceeded the stretch target for customer engagement, which measures the effectiveness of Latitude's product life-cycle program designed to increase the cross-product holdings of Latitude customers, depending on their needs and circumstances.	10%				12.5%	10%
People Met target of overall Employee Engagement in FY21. Engagement continues to trend positively, with the FY21 score reflecting an increase on both the November 2020 and October 2019 results. The key recommendation measure (eNPS) 'I would recommend Latitude as a great place to work' has also increased since November 2020.	10%				10%	8%
Strategy The Big Ticket strategic initiative was assessed at target for FY21, with 22 new brands added while improving the application process, fraud capability, internal and external bureau analytical ability, and improved collections.	10%				10%	8%
The Digital Receivable Platform strategic initiative was assessed at target for FY21 with the successful addition of Symple loans. Successful integration and the delivery of synergies will provide Latitude with leading technology and capability, as well as new management expertise.	10%				10%	8%
FY21 Enterprise Scorecard Outcome					**90%**	**72%**

1 Refer to the summary of Group Performance section in the Directors' Report that discloses the calculation of Cash NPAT.

Given the strong performance against Cash NPAT and Customer, and achievement of target for several other measures in the Enterprise Scorecard, short-term incentive payments will be made to Executive KMP.

5.1.2 FY21 MD & CEO STI outcome

The MD & CEO's STI outcome was equivalent to the Enterprise Scorecard outcome of 90% of target (72% of maximum).

In considering remuneration outcomes for FY21, the Remuneration and People Committee and the Board considered shareholder, customer and community stakeholders in determining the appropriate STI outcome to recognise the achievements of the MD & CEO as well as the KMP, particularly against the delivery of Latitude's strategy and business plan.

The Committee and Board also considers Latitude's Workplace Behaviour Policy and Values in determining whether any modification should be made for leadership behaviours or risk management outcomes. No modification was made to the STI outcome with reference to these considerations.

5.1.3 FY21 STI Executive KMP outcomes

FY21 STI outcomes awarded to other Executive KMP are outlined below. Unless otherwise stated, all amounts are in AUD. The minimum potential outcome is zero.

			STI Actual[1]				
Name	STI target	STI maximum	Total	Cash	Restricted Shares	STI actual as a % of STI target	STI actual as a % of STI maximum[5]
Ahmed Fahour	$1,800,000	$2,250,000	$1,620,000	$1,080,000	$540,000	90%	72%
Adrienne Duarte[2]	$562,500	$703,125	$506,250	$506,250	–	90%	72%
Paul Varro	$450,000	$562,500	$405,000	$270,000	$135,000	90%	72%
Andrew Walduck	$543,750	$679,688	$557,344	$371,563	$185,781	102.5%	82%
Bob Belan[3]	–	–	–	–	–	–	–
Jo Mikleus	$375,000	$468,750	$337,500	$225,000	$112,500	90%	72%
David Gelbak[4]	NZ$399,244	NZ$499,055	NZ$399,244	NZ$266,163	NZ$133,081	100%	80%
Chris Blake	$450,000	$562,500	$405,000	$270,000	$135,000	90%	72%

1 At the conclusion of FY21, the Board determined each Executive KMP's STI based on their achievement against the Enterprise Scorecard and / or Business Unit / individual performance, and an assessment of their individual behaviours/values and risk management to determine the final amount payable.

2 Refer to the relevant footnote in section 8 regarding Ms Duarte's FY21 STI. One-third of the STI Total will be paid in deferred cash.

3 Mr Belan is eligible to participate in STI from 1 January 2022.

4 Mr Gelbak's STI is calculated with reference to Base Salary, rather than FR, in New Zealand.

5 The percentage of FY21 STI forfeited (as a % of STI maximum): Ahmed Fahour 28%, Adrienne Duarte 28%, Paul Varro 28%, Andrew Walduck 18%, Jo Mikleus 28%, David Gelbak 20%, Chris Blake 28%.

6. Key events impacting remuneration

6.1. Executive KMP appointment – Symple Acquisition

On 26 October 2021, Latitude acquired Symple Loans, a Melbourne-based personal lending fintech, to accelerate growth in Latitude's loan portfolio. As part of the acquisition, Symple CEO Mr Bob Belan joined Latitude as an Executive KMP effective 26 October 2021. Due to the timing of his appointment late in the performance year, Mr Belan is not eligible to participate in Latitude's Short-Term Incentive and Long-Term Incentive in FY21. He is eligible from 1 January 2022.

6.2. Chief Financial Officer (CFO) retirement

Adrienne Duarte retired from the role of Chief Financial Officer (and KMP), effective 31 December 2021. Ms Duarte made a significant contribution to the Company during her four years with Latitude and successfully oversaw the listing of Latitude on the ASX.

Section 8 and relevant footnotes provide further details regarding her remuneration for both the year ending 31 December 2021 and termination arrangements paid in 2022 linked to her time as KMP in 2021.

6.3. Executive KMP appointments effective 1 January 2022

Following Ms Duarte's departure, Paul Varro commenced as Latitude's Executive General Manager, Finance and Risk (CFO) on 1 January 2022. His role incorporates responsibility for both Finance and Risk and his remuneration was reviewed considering his promotion. His 2022 remuneration will be disclosed in the 2022 Remuneration Report.

In addition to the CFO appointment, Latitude re-aligned its operating structure with effect from 1 January 2022. Based on a portfolio of three end-to-end businesses: Pay (payments and instalments), Money (lending) and Insurance, the KMP team was aligned to the new structure, resulting in the following changes:

Name	Position held during FY21	Position effective 1 January 2022
Ahmed Fahour	Managing Director and Chief Executive Officer (MD & CEO)	
Paul Varro	Chief Commercial Officer	Executive General Manager, Finance and Risk (Chief Financial Officer)
Andrew Walduck	Chief Operating Officer	Executive General Manager, Pay
Bob Belan	Executive General Manager, Money	
Jo Mikleus	Chief Risk Officer	Executive General Manager, Insurance
David Gelbak[1]	Chief Customer Officer, New Zealand	Executive General Manager, Group Development
Chris Blake	Executive General Manager, Corporate Services	

1 Mr Gelbak repatriated from New Zealand to Australia on 10 December 2021 as part of the transition to his new role.

6.4. Remuneration framework for FY22

6.4.1 FY22 Short-Term Incentive changes

As disclosed in the Prospectus, from 1 January 2022, the proportion of the STI outcome delivered as restricted STI Shares will increase from one third to one half. The Board believes this further aligns Executive remuneration with the objective of building a sustainable business and growth for shareholders over the longer-term.

The STI Enterprise Scorecard metrics have been set for FY22 and will be disclosed in the 2022 Remuneration Report.

In addition, the weighting between enterprise performance and Business Unit / Individual performance for other Executive KMP's STI outcomes will be reviewed, linked to the nature of their role. There will be no change to the weighting of enterprise performance (100%) for the MD & CEO.

All information will be fully detailed in the 2022 Remuneration Report.

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.

From April 2021 (the date of listing on the ASX), Shareholder representative NEDs (identified in section 1) 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

NED fees were reviewed and increased from 20 April 2021 in line with the expanded responsibility and scope of their roles at the time Latitude became a listed company.

The current NED aggregate fee limit is $2,200,000 per annum and any change requires shareholder approval. Given the recent listing review, there is no proposed change to the aggregate fee limit in 2022.

7.2.1 FY21 Board and Committee fees

Board and committee fees are as stated in the Prospectus and applied from 21 April 2021 (the date of listing on the ASX) for all Directors (including Shareholder directors):

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.

7.2.2 Pre-Listing Board and Committee Fees

During the reporting period prior to listing on the ASX in April 2021, the Board and committee fees were as outlined in the following table.

Shareholding representative NEDs (identified in section 1) did not receive fees payable at the same level as Independent NEDs.

Board and Committee Fees[1]	Chair	Member
Board	$200,000	$0 – $200,000
Audit Committee	$20,000	–
Remuneration and People Committee	$10,000	–
Risk Committee	$10,000	–
Technology Committee	$10,000	–

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

7.3. FY21 Statutory Remuneration – NEDs

The table below sets out the NED remuneration for FY21, prepared in accordance with relevant Australian Accounting Standards.

		Short-term Benefits		Post-Employment Benefits	
	FY	Directors' Fees[1] $	Cash Bonus $	Super $	Total Statutory Remun-eration $
Michael Tilley[2]	**FY21**	**318,820**	**–**	**21,545**	**340,365**
	FY20	182,648	250,000	17,352	450,000
Mark Joiner[3]	**FY21**	**218,099**	**–**	**15,405**	**233,504**
	FY20	210,335	–	19,665	230,000
Alison Ledger[4]	**FY21**	**267,884**	**–**	**26,131**	**294,015**
	FY20	255,708	–	24,292	280,000
Scott Bookmyer[5]	**FY21**	**150,809**	**–**	**14,816**	**165,625**
	FY20	45,662	–	4,338	50,000
James Corcoran[6,7]	**FY21**	**212,263**	**–**	**–**	**212,263**
	FY20	200,000	–	–	200,000
Beaux Pontak[6,8]	**FY21**	**155,919**	**–**	**–**	**155,919**
	FY20	–	–	–	–
Andrew Hoshino[6,9]	**FY21**	**109,631**	**–**	**–**	**109,631**
	FY20	–	–	–	–
Total	**FY21**	**1,433,425**	**–**	**77,897**	**1,511,322**
	FY20	894,354	250,000	65,647	1,210,000

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 Principle 2 of the Corporate Governance Statement (CGS).

2 Mr Tilley's fees increased as a result of the new fee structure from listing and his statutory remuneration is pro-rata accordingly. Mr Tilley received a cash bonus of $250,000 in the prior 2020 reporting period, relating to services provided prior to listing.

3 Mr Joiner has not had superannuation deductions since 1 October 2021, in line with instructions from the Australian Tax Office. Mr Joiner's fees includes payment for his participation in committees as detailed in Principle 2 of the CGS.

4 Ms Ledger's remuneration includes fees received for services as a Director of Hallmark Insurance, being $54,794.53 plus superannuation of $5,205.47 in 2020 and $54,670 plus superannuation of $5,330 in 2021.

5 Mr Bookmyer's fees increased as a result of the new fee structure from listing and his statutory remuneration is pro-rata accordingly.

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

7 Mr Corcoran's fees includes payment for his participation in committees as detailed in Principle 2 of the CGS.

8 Mr Pontak's fees commenced with the new fee structure from listing and his statutory remuneration is pro-rata accordingly.

9 Mr Hoshino's Board fees commenced from his appointment on 18 June 2021 and his committee participation from 17 August 2021.

7.4. NED participation in Pre-Listing Equity Plan

The three independent directors (Mr Tilley, Mr Joiner and Ms Ledger) historically participated in the Pre-Listing Equity Plan. Refer to section 9.3 for further information.

7.5. Other details relating to Non-Executive Directors 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. FY21 statutory remuneration – Executive KMP

The table below sets out the Executive KMP remuneration for FY21, prepared in accordance with relevant Australian Accounting Standards.

Amounts included under the Pre-listing equity plan do not represent remuneration actually received or realised by Executive KMP during FY20 or FY21. The table reflects the fair value of share-based payments expensed over the vesting period.

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	Long–term Benefits
	FY	Salary $	Other benefits[1] $	Cash STI[2] $	Super[3] $	LSL $
Ahmed Fahour	**FY21**	**1,687,596**	**7,748**	**1,080,000**	**22,631**	**23,075**
	FY20	1,478,651	7,343	1,968,946	21,349	11,835
Adrienne Duarte[7]	**FY21**	**697,445**	**332,748**	**506,250**	**22,631**	**14,110**
	FY20	628,651	7,343	360,750	21,349	7,074
Paul Varro	**FY21**	**577,369**	**7,748**	**270,000**	**22,631**	**9,420**
	FY20	578,651	7,343	333,000	21,349	9,897
Andrew Walduck	**FY21**	**702,369**	**7,748**	**371,563**	**22,631**	**6,623**
	FY20	684,901	7,343	402,375	21,349	4,262
Bob Belan[8]	**FY21**	**100,641**	**1,041**	**–**	**6,349**	**690**
	FY20	–	–	–	–	–
Jo Mikleus	**FY21**	**477,369**	**7,748**	**225,000**	**22,631**	**4,093**
	FY20	478,651	7,343	277,500	21,349	2,342
David Gelbak[9]	**FY21**	**515,700**	**249,756**	**250,893**	**32,403**	**–**
	FY20	496,347	197,739	278,615	28,002	–
Chris Blake	**FY21**	**577,369**	**7,748**	**270,000**	**22,631**	**5,361**
	FY20	578,651	7,343	333,000	21,349	3,346
Total	**FY21**	**5,335,857**	**622,283**	**2,973,706**	**174,538**	**63,372**
	FY20	4,924,505	241,799	3,954,186	156,094	38,756

1 Other benefits include temporary relocation assistance for Mr Gelbak while on an international assignment to New Zealand, and repatriation benefits for the return to Australia in December 2021. Also included in other benefits is the retention payment for Ms Duarte, and the cost of car parking available to each Executive.

2 For FY21 the Cash STI is two-thirds of the FY21 outcome with the balance delivered as STI Shares. For FY20 the entire STI outcome was delivered in cash with other Executive KMP having one third deferred and paid in cash after 12 months.

3 For Mr Gelbak, the amount shown represents employer contributions to Kiwisaver in New Zealand.

4 As detailed in section 3.5, restricted STI shares representing one-third of the FY21 STI outcome which are purchased on market and will be allocated to Executive KMP (excluding Ms Duarte and Mr Belan) during or shortly after April 2022.

5 The pre-listing equity plan amounts are accounting values and do not represent remuneration actually received or realised. The plan was unwound prior to the completion of the Initial Public Offering of shares in Latitude Group Holdings Limited in April 2021. The amounts represent the fair value of units granted and recognised over the FY20 period, prior to unwind. The terms and conditions on which some units were previously granted under loan funded agreements were modified during FY20, resulting in an increase in the fair value. The majority of the accounting values shown relate to the modification of the fair value. Refer to section 9.3 for further information on the pre-listing equity plan.

Termination benefits	Share–based payments			Share–based payments		
Termination benefits $	Performance Rights $	Restricted Shares[2,4] $	Total Statutory Remun-eration (excluding SBP Pre-listing equity plan expense) $	Pre–Listing equity plan expense[5] $	Total Statutory Remun-eration $	Variable Remun-eration as a % of Total[6] %
–	390,679	540,000	3,751,729	–	3,751,729	54%
–	–	–	3,488,124	7,432,802	10,920,926	56%
187,500	527,417	–	2,288,100	–	2,288,100	45%
–	–	–	1,025,167	126,000	1,151,167	35%
–	140,644	135,000	1,162,812	–	1,162,812	47%
–	–	–	950,240	916,958	1,867,198	35%
–	169,945	185,781	1,466,660	–	1,466,660	50%
–	–	–	1,120,230	1,787,348	2,907,578	36%
–	–	–	108,721	–	108,721	0%
–	–	–	–	–	–	–
–	117,204	112,500	966,545	–	966,545	47%
–	–	–	787,185	289,698	1,076,883	35%
–	117,204	125,447	1,291,402	–	1,291,402	38%
–	–	–	1,000,702	319,974	1,320,676	28%
–	140,644	135,000	1,158,753	–	1,158,753	47%
–	–	–	943,689	621,395	1,565,084	35%
187,500	1,603,736	1,233,728	12,194,721	–	12,194,721	–
–	–	–	9,315,340	11,494,174	20,809,514	–

6 For FY20 the variable remuneration as a percentage of the total is calculated using the cash STI divided by the Total Statutory Remuneration (excluding SPB pre-listing equity plan expense).

7 As noted in section 6.2 Ms Duarte ceased as Executive KMP on 31 December 2021 and her remuneration is reported to include all amounts associated with her role as KMP for 2021. This includes fixed remuneration for the period 1 January to 31 December 2021 (salary and superannuation), car parking and a retention payment of $325,000 (other benefits), the FY21 STI payment of $506,250 which will be paid in cash only, two-thirds of which is paid in March 2021 and the remaining one-third in February 2023, and a termination payment equivalent to three months fixed remuneration being $187,500 paid in March 2022. The FY21 LTI Performance Rights granted in April 2021 are fully expensed and accounted for in FY21 as $527,417 and will remain on-foot, subject to testing at the usual vesting dates.

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

9 Mr Gelbak's remuneration is paid in NZD (with the exception of share-based payments). Remuneration is reported in AUD using the average monthly exchange rate for each financial year (2020: 0.9430; 2021: 0.9426) in line with the approach adopted by Latitude.

9. Additional statutory disclosures

9.1. Executive KMP restricted shareholding and Performance Rights

9.1.1 Restricted STI shares

There are no shareholdings to report in this section for FY21. Following the award of STI shares during or after April 2022, the STI shares will be detailed in this section from the 2022 Remuneration Report.

9.1.2 Performance Rights

The table below sets out details of Performance Rights that were granted to KMP during FY2021. No Performance Rights were vested, exercised or forfeited during FY2021.

	Movement during financial period					Additional information
Name	**Opening Balance at 1 January 2021**	**Granted**	**Vested/ Exercised**	**Forfeited**	**Closing Balance at 31 December 2021**	**Accounting fair value of grant yet to vest[1]**
Ahmed Fahour	–	496,573	–	–	496,573	$1,172,036
Adrienne Duarte[2]	–	223,458	–	–	223,458	$527,417
Paul Varro	–	178,766	–	–	178,766	$421,932
Andrew Walduck	–	216,009	–	–	216,009	$509,835
Bob Belan[3]	–	–	–	–	–	–
Jo Mikleus	–	148,972	–	–	148,972	$351,611
David Gelbak	–	148,972	–	–	148,972	$351,611
Chris Blake	–	178,766	–	–	178,766	$421,932
Total	**–**	**1,591,516**	**–**	**–**	**1,591,516**	**$3,756,376**

1 Fair value based upon market price at grant of $2.517250, excluding dividend yield of $0.157.

2 As detailed in section 8, Ms Duarte will retain 223,458 FY21 LTI Performance Rights granted in April 2021 as part of her severance terms. These Performance Rights remain subject to testing at the usual vesting dates.

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

9.2. Ordinary shareholdings

9.2.1 Non-Executive Director ordinary shareholdings

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

Name	**Opening Balance at 1 January 2021**	**Shares acquired**	**Shares disposed**	**Closing balance at 31 December 2021**
Michael Tilley	–	3,737,2661[1]	–	3,737,266
Mark Joiner	–	514,322[1]	–	514,322
Alison Ledger	–	98,760[1]	–	98,760
Scott Bookmyer	–	–	–	–
James Corcoran	–	–	–	–
Beaux Pontak	–	–	–	–
Andrew Hoshino	–	–	–	–
Total	**–**	**4,350,348**	**–**	**4,350,348**

1 As detailed in section 7.4, the shares acquired by these individuals were in connection with the unwind of the Pre-Listing Equity Plan.

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 2021 ($2.00). As outlined in the table below, all Executive KMP currently exceed their MSR requirement.

Name	Share type	Opening Balance at 1 January 2021	Shares acquired	Shares disposed	Closing balance at 31 December 2021	Alignment to MSR
Ahmed Fahour	Ordinary	–	–	–	–	All Executive KMP, including the MD & CEO, exceed the MSR as at 31 December 2021.
	Escrow[1]	–	2,692,308	–	2,692,308	
Adrienne Duarte	Ordinary	–	385,016[2]	–	385,016	
	Escrow[3]	–	968,784		968,784[4]	
Paul Varro	Ordinary	–	260,835	166,900	93,935	
	Escrow[3]	–	497,768	–	497,768	
Andrew Walduck	Ordinary	–	359,735[2]	659	359,076	
	Escrow[3]	–	594,344	–	594,344	
Bob Belan	Ordinary	–	–	–	–	
	Escrow[5]	–	11,730,769	–	11,730,769	
Jo Mikleus	Ordinary	–	89,577	–	89,577	
	Escrow[3]	–	116,194	–	116,194	
David Gelbak	Ordinary	–	536,026	–	536,026	
	Escrow[3]	–	1,235,215	–	1,235,215	
Chris Blake	Ordinary	–	179,153	–	179,153	
	Escrow[3]	–	246,709	–	246,709	

1 As detailed in section 9.4, Mr Fahour holds escrowed shares subject to dealing restrictions until 1 November 2022.

2 Includes ordinary shares acquired at IPO by Ms Duarte and Mr Walduck's associated entities/parties.

3 As detailed in section 9.4, these Executives hold escrowed shares subject to dealing restrictions in two equal tranches until:

(a) on or after 4:15pm on the Trading Day falling 30 days after the release of the 2021 annual results to the ASX; and

(b) the start of trading on the second Trading Day falling 30 days after the release of the 2022 half-year results to the ASX.

4 Following cessation of employment with Latitude on 16 March 2022, the obligations under the Escrow Deed were released and all Ms Duarte's escrowed shares were released to her.

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

9.3. Unwind of the Pre-Listing Equity Plan

Prior to listing on the ASX in April 2021 Latitude operated a 'Pre-Listing Equity Plan' (detailed in the prospectus section 6.3.2 "Pre-Completion Equity Plans").

All Executive KMP (excluding Mr Belan) and certain Directors participated in the Pre-Listing Equity Plan. The Pre-Listing Equity Plan was established on 1 January 2016 and participation was at the discretion of the Board. Participants in the Pre-Listing Equity Plan were provided limited recourse loans in connection with their subscription for equity interest in KVD Australia Pty Ltd. The plan was unwound prior to the completion of the Initial Public Offering of shares in Latitude Group Holdings Limited in April 2021. All entitlements of the plan vested, and all net loan balances repaid. Participants realised their interest through the receipt of shares in the new listed Company (net of cash-settled tax obligations). No new units were granted in the FY21 reporting period and the plan was ceased.

The accounting cost associated with the unwind of the plan was recognised and expensed in 2020 and was incurred by the pre-listing owner of Latitude, being KVD Singapore Pty Ltd.

Shares acquired by Executive KMP in connection with the unwind of the Pre-Listing Equity Plan are subject to voluntary escrow arrangements (as detailed in section 9.4).

9.4. Equity Arrangements with KMP – Escrow arrangements

As detailed in section 9.2.2 and in the Prospectus, prior to Latitude listing on the ASX in April 2021 all Executive KMP (excluding Mr Belan) agreed to enter into an Escrow Deed with the Company. The Escrow Deed 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.

Following employment with Latitude ceasing on 16 March 2022, Ms Duarte's obligations under the Escrow Deed will be released and her Escrowed Shares released to her.

Further, as detailed in section 9.2.2, in October 2021 Mr Belan acquired shares held subject to escrow until 26 October 2023 as part of the acquisition of the Symple business.

9.5. Employee Share Acquisition Plan (ESAP)

The Company established the Employee Share Acquisition Plan ('**ESAP**') in 2021 to recognise the contribution of its employees and provide them with the opportunity to become shareholders in Latitude. The Company made an Employee Gift Offer to employees prior to listing on the ASX in April 2021, providing eligible employees the opportunity to acquire up to $1,000 worth of Latitude shares at no cost. The Offer was made under the ESAP and completed in April 2021. No KMP participated in the Employee Gift Offer.

9.6. Other transactions and balances

9.6.1 Directors' declarations 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 loans made, 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 2021 are as follows:

	2021 $
Outstanding balances at 31 December 2020	94,137
Interest paid and payable for the period	8
Outstanding balances at 31 December 2021	53,459
Total available credit facility during the period	268,233
Maximum drawn amount during the period	103,224

Loans 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.

9.6.2 Call Options (MD & CEO)

As previously disclosed in the Prospectus section 6.2.2.5 B, 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.

Mr Fahour may exercise one or more tranches of the Call Option on any trading day falling in the period commencing 1 March 2023 and ending on 31 March 2023 (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 in the form of cash 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 31 March 2023.

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

9.7. Use of consultants/associated parties

No consultants or associated parties made any recommendation or provided any remuneration advice.

Directors' Declaration

The Directors of Latitude Group Holdings Limited declare that:

(a) the consolidated financial statements and notes set out on pages 96 to 173 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 2021 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 2021.

Signed in accordance with a resolution of the Directors.

Michael Tilley
Director

Sydney, NSW
21 February 2022

Auditor’s Independence Declaration

KPMG

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 2021 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

Chris Wooden

Partner

Melbourne

21 February 2022

Consolidated Income Statement

For the year ended 31 December 2021

	Notes	2021 $'m	*2020 $'m
Interest income	2.2(a)	932.4	1,058.1
Interest expense	2.2(a)	(169.7)	(278.6)
Net interest income		**762.7**	779.5
Other operating income	2.2(b)	25.1	21.4
Net insurance income	2.2(c)	30.4	22.5
Total other operating income		**55.5**	43.9
Total operating income		**818.2**	823.4
Loan impairment expense	3.2(g)	(116.2)	(208.8)
Operating expenses			
Employee benefit expense		(175.0)	(202.0)
Depreciation and amortisation expense		(92.9)	(93.0)
IT and data processing expenses		(53.6)	(47.2)
Marketing expenses		(38.0)	(19.6)
Administrative and professional expenses		(34.8)	(37.8)
Occupancy and operating expenses		(21.5)	(25.6)
Other expenses		(60.3)	(98.2)
Total operating expenses		**(476.1)**	(523.4)
Distribution to trust beneficiaries		(3.2)	(4.5)
Profit before income tax		**222.7**	86.7
Income tax expense	2.3(a)	(62.4)	(40.0)
Profit from continuing operations		**160.3**	46.7
Net loss after tax from discontinued operations	6.7(b)	–	(1.5)
Profit for the year		**160.3**	45.2
Profit/(loss) is attributable to:			
Owners of Latitude Group Holdings Limited		160.9	45.2
Non-controlling interests		(0.6)	–
Profit for the year		**160.3**	45.2

* As restated, refer to section 1.1(c).

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

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2021

	Notes	2021 $'m	*2020 $'m
Net profit from continuing operations		**160.3**	46.7
Other comprehensive income			
Item that may be reclassified to income statement			
Cash flow hedges – fair value gain/(losses)	4.1(b)	23.0	(16.0)
Cash flow hedges – related taxes	4.1(b)	(5.4)	4.1
Currency translation differences arising during the period	4.1(b)	5.6	(1.7)
Other comprehensive income/(loss), net of tax		**23.2**	(13.6)
Total comprehensive income from continuing operations		**183.5**	33.1
Net loss from discontinued operations	6.7(b)	–	(1.5)
Total comprehensive income		**183.5**	31.6
Total comprehensive income/(loss) is attributable to:			
Owners of Latitude Group Holdings Limited		184.1	31.6
Non-controlling interests		(0.6)	–
Total comprehensive income		**183.5**	31.6

* As restated, refer to section 1.1(c).

Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the Company		Cents	Cents
Earnings per share	2.5	17.8	7.2
Diluted earnings per share	2.5	16.4	7.2

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

Consolidated Balance Sheet

As at 31 December 2021

	Notes	2021 $'m	*2020 $'m
Assets			
Cash and cash equivalents	3.1(b)	605.7	463.0
Investments	3.1(c)	83.6	31.7
Assets classified as held for sale		0.2	0.1
Derivative financial instruments	3.1(e)	12.3	0.2
Loans and other receivables	3.1(d)	6,008.1	6,091.0
Other assets		8.2	9.1
Deferred tax assets	2.3(d)	178.3	205.4
Other financial assets		1.6	1.6
Property, plant and equipment	5.1(a)	69.2	81.7
Intangible assets	5.1(b)	1,047.9	834.9
Total assets		**8,015.1**	7,718.7
Liabilities			
Trade and other liabilities	3.1(f)	380.7	378.2
Current tax liabilities		36.8	2.7
Derivative financial instruments	3.1(e)	1.0	13.8
Provisions	5.1(f)	74.5	81.4
Gross insurance policy liabilities	5.1(g)	19.2	40.4
Deferred tax liabilities	2.3(d)	72.2	84.3
Borrowings	3.1(g)	5,865.2	6,757.7
Total liabilities		**6,449.6**	7,358.5
Net assets		**1,565.5**	360.2
Equity			
Contributed equity	4.1(a)	2,221.0	1,110.0
Reserves	4.1(b)	(667.2)	(676.0)
Retained profits/(Accumulated losses)	4.1(c)	7.2	(73.8)
Capital and reserves attributable to owners of Latitude Group Holdings Limited		**1,561.0**	360.2
Non-controlling interests		4.5	–
Total equity		**1,565.5**	360.2

* As restated, refer to section 1.1(c).

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

Consolidated Statement of Changes in Equity

For the year ended 31 December 2021

	Attributable to owners of Latitude Group Holdings Limited					
	Contri-buted equity $'m	Reserves $'m	Retained earnings/ (losses) $'m	Total Equity $'m	Non–control-ling interests $'m	Total equity $'m
At 1 January 2021	**1,110.0**	**(676.0)**	**(73.8)**	**360.2**	**–**	**360.2**
Profit/(loss) from continuing operations	–	–	160.9	160.9	(0.6)	160.3
Other comprehensive income from continuing operations	–	23.2	–	23.2	–	23.2
Total comprehensive income	–	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:						
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**
At 1 January 2020*	1,110.0	(674.5)	(117.4)	318.1	–	318.1
Profit from continuing operations	–	–	46.7	46.7	–	46.7
Other comprehensive loss from continuing operations	–	(13.6)	–	(13.6)	–	(13.6)
Loss from discontinued operations	–	–	(1.5)	(1.5)	–	(1.5)
Total comprehensive income	–	(13.6)	45.2	31.6	–	31.6
Amounts transferred from reserves, net of tax from continuing operations	–	10.4	–	10.4	–	10.4
Transactions with owners:						
Share–based compensation payments	–	17.0	–	17.0	–	17.0
Management equity plan dividends	–	–	(1.6)	(1.6)	–	(1.6)
Transfers to common control reserve from restructure	–	(15.3)	–	(15.3)	–	(15.3)
At 31 December 2020*	1,110.0	(676.0)	(73.8)	360.2	–	360.2

* As restated, refer to section 1.1(c).

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

Consolidated Statement of Cash Flows

For the year ended 31 December 2021

	Notes	2021 $'m	*2020 $'m
Cash flows from operating activities			
Interest received		897.2	1,043.7
Interest paid		(157.9)	(251.0)
Other operating income received		27.8	22.0
Net insurance income:			
Premiums received		13.9	24.9
Claims paid		(16.0)	(21.5)
Investment income		0.6	2.0
Operating expenses paid		(317.6)	(323.7)
Income taxes (paid)/refunded		(17.9)	(4.2)
Cash flow from operating activities before changes in operating assets and liabilities		**430.1**	492.2
Changes in operating assets and liabilities arising from cash flow movements			
Net decrease in loans and other receivables		21.2	830.5
Net decrease in trade and other liabilities		(19.5)	(10.3)
Net increase/(decrease) in gross insurance policy liabilities		0.1	(7.8)
Net increase in other assets		(0.2)	–
Net increase in other balance sheet items		–	(7.1)
Changes in operating assets and liabilities arising from cash flow movements		**1.6**	805.3
Net cash provided by operating activities		**431.7**	1,297.5
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)	–
Purchases of intangible assets, property, plant & equipment		(84.2)	(69.5)
Purchase of equity investment securities		–	(1.6)
Net investment in debt investments		(51.9)	27.9
Net cash used in investing activities		**(238.7)**	(43.2)
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		2,706.5	3,822.2
Repayment of borrowings		(2,778.3)	(4,905.7)
Movement from restructuring		(29.7)	(15.3)
Inflow from new participating interests in management equity plan		–	1.3

	Notes	2021 $'m	*2020 $'m
Outflow from management equity plan leavers		(0.1)	(3.8)
Payment of lease liabilities		(13.1)	(11.1)
Payments of transaction costs from financing activities		(5.6)	(3.0)
Dividends paid		(78.5)	–
Distributions paid pre-IPO, for pre-listing equity plan		(3.0)	(1.6)
Net cash used in financing activities		**(55.8)**	(1,117.0)
Net increase in cash and cash equivalents		**137.2**	137.3
Cash and cash equivalents at beginning of financial period		463.0	324.4
Effects of exchange rate changes on cash and cash equivalents		5.5	1.3
Cash and cash equivalents at end of financial period	3.1(b)	**605.7**	463.0

* As restated, refer to section 1.1(c).

The Consolidated Statement of Cash Flows includes discontinued operations. Refer to section 6.7 for cash flows associated with discontinued operations.

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

Notes to the Financial Statements

For the year ended 31 December 2021

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. Its registered office and principal place of business is 800 Collins Street, Docklands, Melbourne, Victoria, 3008.

Latitude Group Holdings Limited listed on the Australian Securities Exchange ('ASX') on 20 April 2021.

These consolidated financial statements were authorised for issue by the Directors on 21 February 2022.

(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). Refer to section 6.7 for details of an operation that ceased in the prior period.

(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 though other comprehensive income and derivatives; and
- Assets held for sale – measured at the lower of carrying amount and fair value less cost to sell.

(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.

(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: Estimation of insurance claims liability;
- Section 5.1: Recoverability of goodwill and other intangible assets and estimated useful life (other than goodwill); and
- Section 5.1: Customer remediation.

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 2020. The Group continues to incorporate estimates, assumptions and judgements specific to the impact of the COVID-19 pandemic into the measurement calculations as described in section 3.2. The estimates, assumptions and judgements related to COVID-19 are managed through model risk overlays, 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.

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.

1.3 New and amended standards

(a) New and amended standards adopted

Interest Rate Benchmark Reform Phase 2 (AASB 2020-8) – The Group applied the new amendments with a date of initial application of 1 January 2021. The Standard made amendments to AASB 9 *Financial Instruments*, AASB 139 *Financial Instruments: Recognition and Measurement*, AASB 7 *Financial Instruments: Disclosures*, AASB 4 *Insurance Contracts* and AASB 16 *Leases* to address issues that arise during the reform of an interest rate benchmark (IBOR), including the replacement of one benchmark with an alternative one.

The Group's main interest rate benchmark exposures arise from issued securitisation notes ($5,868.0 million) and interest rate swap hedging instruments ($2,314.4 million) which reference BBSW and NZD-BBR-FRA each primarily at the 1-month tenor for instruments denominated in A$ and NZ$ respectively. None of the A$ and NZ$ benchmarks have been impacted by the benchmark reform.

Potential exposure exists via the Group's multi-currency corporate credit facility (A$/NZ$/US$) as US$ pricing is based off US$ LIBOR, however the Group has no US$ drawings under the facility with exposure to US$ LIBOR.

Work is ongoing to understand the impacts and accommodate the implementation of potential A$ and NZ$ interest rate benchmark changes. The Group is participating in Industry forum discussions on potential reforms and continues to monitor developments as they occur.

IFRS Interpretations Committee (IFRIC) agenda decision published April 2021 – IFRIC published the second of two agenda decisions clarifying how arrangements for SaaS cloud technology should be accounted for. The decision deals with specific circumstances in relation to configuration and customisation costs incurred in implementing SaaS and had no 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 2021 reporting periods and has not been early adopted by the Group. The Group expects to adopt this on its effective dates.

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 impact of AASB 17 on the Group's financial statements is still being determined. Substantial changes are expected in relation to presentation and disclosure and there is an expected impact to the Group's consolidated statement of comprehensive income. The Standard introduces a new 'General Model' for the recognition and measurement of insurance contracts and permits a 'Simplified Approach' that is similar to the current treatment of general insurance contracts under AASB 1023 *General Insurance Contracts*. To apply the Simplified Approach one the following two requirements must be satisfied:

1. The Simplified Approach would not produce a materially different liability for remaining coverage; or
2. The coverage period of the contract is 1 year or less.

The Group has completed a preliminary gap analysis and determined that the Simplified Approach is expected to apply as the coverage period requirements of AASB 17 are largely satisfied, and for those contracts that do not satisfy the coverage period requirements, the Simplified Approach does not appear to produce a materially different liability for remaining coverage.

The Simplified Approach will provide a broadly similar basis for accounting for insurance contracts with the following notable exceptions identified by the Group at this time:

- Onerous contracts: If at any time during the coverage period, facts and circumstances indicate that a group of insurance contracts is onerous, an onerous contract provision will be required to be recognised.
- Discount rate: Claims liabilities not expected to be settled within 12 months must be discounted using a rate that reflects the characteristics of the liability. The Group will apply the risk-free interest rate curve and will consider if it is appropriate to make an allowance for illiquidity.
- Risk adjustment: An explicit risk adjustment must be applied to claims liabilities. The impact of this is still being assessed, but the Group expects that there will be a change to the risk margin currently applied under AASB 1023 *General Insurance Contracts* for the General Insurance business. The concept of a risk adjustment is currently not required under AASB 1038 *Life Insurance Contracts*.
- Reinsurance: Reinsurance contracts are required to be recognised in line with AASB 17. The Group is in the process of determining the implications on reinsurance contracts to the Life Insurance business.

On transition to AASB 17 the Group expects to apply the full retrospective approach. Due to the complexity of the Standard, some of the expectations noted following the preliminary gap analysis are subject to change as the Group continues to assess the impact of the Standard. The Group will develop appropriate accounting policies along with the design and implementation of required changes to financial reporting and relevant systems.

Other Standards

Other Standards and interpretations that have been published that are not mandatory for 31 December 2021 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 Pre-Provision Profit Before Tax (PBT) basis where the Pre-Provision PBT is total revenue, being interest income and other operating income, net of interest expense, net charge offs, and insurance claims and expenses. Operating expenditure is not allocated to any segments or business unit, but rather managed at a Group level.

The CEO and EC have identified three reportable segments of its business:

- **Australia:** LatitudePay and other payments and instalments products, LMoney including credit cards, personal loans and motor loans, inclusive of Symple Loans;
- **New Zealand:** Genoapay and other payments and instalments products, credit cards and personal loans; and
- **Other/unallocated:** Consumer credit insurance (Hallmark life and general companies), International operations, other statutory adjustments not directly attributable to segments for management decision making purposes and unallocated operating expenses.

Australia charges Hallmark Insurance and New Zealand a management fee and Hallmark Insurance pays commission to other segments. Sales 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 income.

(b) Operating segment overview

Year ended 31 December 2021	Australia $'m	New Zealand $'m	Other/ Unallocated $'m	Total $'m
Segment income statement information				
Interest income	713.1	219.3	–	932.4
Interest expense	(114.9)	(37.6)	(17.2)	(169.7)
Net interest income	**598.2**	**181.7**	**(17.2)**	**762.7**
Other operating income	26.7	1.4	2.3	30.4
Net insurance income	–	–	25.1	25.1
Total other operating income	**26.7**	**1.4**	**27.4**	**55.5**
Total operating income before inter-segment operating Income	**624.9**	**183.1**	**10.2**	**818.2**
Inter-segment operating income/(expense)	(3.1)	(2.2)	5.3	–
Total operating income reported consolidated group	**621.8**	**180.9**	**15.5**	**818.2**
Total operating expenses	–	–	(476.1)	(476.1)
Operating profit/(loss)	**621.8**	**180.9**	**(460.6)**	**342.1**
Net charge offs	(115.8)	(32.9)	(0.8)	(149.5)
Pre-provision profit/(loss) before tax	**506.0**	**148.0**	**(461.4)**	**192.6**
Movement in loss provisions	16.1	17.2	–	33.3
Management profit/(loss) before tax	**522.1**	**165.2**	**(461.4)**	**225.9**
Distribution to trust beneficiaries	–	–	(3.2)	(3.2)
Profit/(loss) before tax	**522.1**	**165.2**	**(464.6)**	**222.7**
Income tax expense	–	–	(62.4)	(62.4)
Profit/(loss) from continuing operations	**522.1**	**165.2**	**(527.0)**	**160.3**
Revenue from external customers	739.8	220.7	27.4	987.9
Segment balance sheet information				
Total segment assets at 31 December 2021	5,280.6	1,562.2	1,333.4	8,176.2
Inter-segment assets eliminated on consolidation	(0.4)	(0.1)	(160.6)	(161.1)
Total assets reported by the Consolidated Group	**5,280.2**	**1,562.1**	**1,172.8**	**8,015.1**
Total segment liabilities at 31 December 2021	4,578.1	1,642.3	390.3	6,610.7
Inter-segment liabilities eliminated on consolidation	(0.8)	(159.8)	(0.5)	(161.1)
Total liabilities reported by the Consolidated Group	**4,577.3**	**1,482.5**	**389.8**	**6,449.6**

Year ended 31 December 2020*	Australia $'m	New Zealand $'m	Other/ Unallocated $'m	Total $'m
Segment income statement information				
Interest income	814.6	243.5	–	1,058.1
Interest expense	(133.0)	(40.8)	(104.8)	(278.6)
Net interest income	**681.6**	**202.7**	**(104.8)**	**779.5**
Other operating income	27.3	3.6	0.2	31.1
Net insurance income	–	–	12.8	12.8
Total other operating income	**27.3**	**3.6**	**13.0**	**43.9**
Total operating income before inter segment operating Income	**708.9**	**206.3**	**(91.8)**	**823.4**
Inter-segment operating income/(expense)	(6.5)	(3.1)	9.6	–
Total operating income reported consolidated group	**702.4**	**203.2**	**(82.2)**	**823.4**
Total operating expenses	–	–	(523.4)	(523.4)
Operating profit/(loss)	**702.4**	**203.2**	**(605.6)**	**300.0**
Net charge offs	(237.5)	(55.5)	–	(293.0)
Pre-provision profit/(loss) before tax	**464.9**	**147.7**	**(605.6)**	**7.0**
Movement in loss provisions	74.6	9.6	–	84.2
Management profit/(loss) before tax	**539.5**	**157.3**	**(605.6)**	**91.2**
Distribution to trust beneficiaries	–	–	(4.5)	(4.5)
Profit/(loss) before tax	**539.5**	**157.3**	**(610.1)**	**86.7**
Income tax expense	–	–	(40.0)	(40.0)
Profit/(loss) from continuing operations	**539.5**	**157.3**	**(650.1)**	**46.7**
Profit/(loss) from discontinued operations	(1.5)	–	–	(1.5)
Revenue from external customers	841.9	247.1	13.0	1,102.0
Segment balance sheet information				
Total segment assets at 31 December 2020	5,141.7	1,560.4	1,028.6	7,730.7
Inter-segment assets eliminated on consolidation	(0.7)	(10.6)	(0.7)	(12.0)
Total assets reported by the Consolidated Group	**5,141.0**	**1,549.8**	**1,027.9**	**7,718.7**
Total segment liabilities at 31 December 2020	4,479.3	1,446.7	1,444.5	7,370.5
Inter-segment liabilities eliminated on consolidation	(0.8)	–	(11.2)	(12.0)
Total liabilities reported by the Consolidated Group	**4,478.5**	**1,446.7**	**1,433.3**	**7,358.5**

* As restated, refer to section 1.1(c).

(c) Geographical information

The Group's business segments operate principally in Australia and New Zealand. Hallmark Insurance also operates business in New Zealand and reported as such for geographical reporting below.

	External Revenue		*Non-current assets	
	2021 $'m	2020 $'m	2021 $'m	2020 $'m
Geographical information				
Australia	758.4	850.6	924.1	704.0
New Zealand	229.5	251.4	132.7	140.8
Total	**987.9**	**1,102.0**	**1,056.8**	**844.8**

* Consists of goodwill and other intangibles and property, plant and equipment.

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 16 months and motor loans 16 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.

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.

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.

(a) Net interest income

	2021 $'m	2020 $'m
Interest income	932.4	1,058.1
Total interest income	**932.4**	1,058.1
Finance costs on borrowings	(166.8)	(198.8)
Finance costs on borrowings – related parties	–	(76.2)
Lease interest expense	(2.9)	(3.6)
Total interest expense	**(169.7)**	(278.6)
Net interest income	**762.7**	779.5

(b) Other operating income

	2021 $'m	2020 $'m
Net interchange and operating fees	22.8	19.6
Other	2.3	1.8
Total other operating income	**25.1**	21.4

(c) Net insurance income

	2021 $'m	2020 $'m
Insurance premium revenue	35.2	49.1
Insurance claims and expenses	(5.5)	(28.6)
Investment income	0.7	2.0
Total net insurance income	**30.4**	22.5

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

	2021 $'m	*2020 $'m
Net profit/(loss) after income tax	160.3	45.2
Increase in interest receivable	(34.7)	(15.9)
Increase in interest payable	11.8	27.6
Depreciation and amortisation	92.9	93.0
Non-cash charge offs	171.2	273.3
Other (income)/expenses including asset impairment	28.6	69.0
(Increase)/decrease in loans and other receivables	21.2	830.5
Net increase/(decrease) in trade and other liabilities	(19.5)	(10.3)
Net increase/(decrease) in gross insurance policy liabilities	0.1	(7.8)
Increase in other assets	(0.2)	(7.1)
Net cash provided by operating activities	**431.7**	1,297.5

* As restated, refer to section 1.1(c).

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.

(a) Income tax expense

	2021 $'m	*2020 $'m
Current tax expense		
Current tax on profits for the period	55.8	49.4
Adjustments recognised in the period for current tax of prior periods	(2.7)	0.7
	53.1	50.1
Deferred tax expense		
Origination and reversal of temporary differences	9.3	(11.7)
	9.3	(11.7)
Income tax expense	**62.4**	38.4
Income tax expense/(benefit) is attributable to:		
Profit/(loss) from continuing operations	62.4	40.0
Profit/(loss) from discontinued operations	–	(1.6)
Income tax expense	**62.4**	38.4

* As restated, refer to section 1.1(c).

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

	2021 $'m	*2020 $'m
Profit from continuing operations before income tax expense	222.7	86.7
Loss from discontinued operations before income tax expense	–	(3.1)
	222.7	83.6
Tax at the Australian tax rate of 30% (2020: 30%)	66.8	24.9
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Permanent differences^	(1.2)	12.7
Effect of differences in tax rates in foreign jurisdictions	(1.1)	(0.6)
Other	0.6	0.7
Adjustments of prior periods	(2.7)	0.7
Income tax expense	**62.4**	38.4

* As restated, refer to section 1.1(c).

^ Includes amortisation of interest rate swap break-costs, historical equity plan and transactions associated with its unwind.

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

	2021 $'m	*2020 $'m
Provisions and other liabilities	15.5	(1.2)
Deferred income	1.6	4.1
Property, plant and equipment	(0.1)	(1.4)
Intangible assets	(14.6)	(13.4)
Deferred expenses and prepayments	2.2	0.1
Trust net income	3.9	–
Other	0.8	0.1
Deferred tax expense/(benefit)	**9.3**	**(11.7)**

* As restated, refer to section 1.1(c).

The Group has $0.6 million of unused tax losses and $0.2 million deductible temporary differences for which no deferred tax asset is recognised in the balance sheet (2020: $nil). These relate to the Symple Loans and OctiFi business acquisitions 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

	2021 $'m	*2020 $'m
Deferred tax assets		
Provisions and other liabilities	107.7	123.1
Deferred income	35.5	37.2
Lease liability	20.0	23.5
Property, plant and equipment	12.8	12.3
Other	2.3	9.3
Deferred tax assets	**178.3**	205.4
Deferred tax liabilities		
Intangible assets	38.8	53.4
Deferred expenses & prepayments	11.5	9.4
Right-of-use assets	17.7	21.1
Trust net income	3.9	–
Other	0.3	0.4
Deferred tax liabilities	**72.2**	84.3
Net deferred tax assets	**106.1**	121.1
Amounts expected to be settled within 12 months	70.9	88.7
Amounts expected to be settled after more than 12 months	35.2	32.4
Net deferred tax assets	**106.1**	121.1

* As restated, refer to section 1.1(c).

(e) Other tax recognised

	2021 $'m	2020 $'m
Income tax recognised in other comprehensive income:		
Cash flow hedge reserve	7.2	(0.6)
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

The following dividends were declared and paid by the Company for the year.

	2021 $'m	2020 $'m
7.85 cents per qualifying ordinary share – interim dividend	78.5	–
	78.5	–

On 21 February 2022 the following dividends were determined by the Directors.

	2021 $'m	2020 $'m
7.85 cents per qualifying ordinary share – final dividend	81.5	–
	81.5	–

The Group does not have a dividend reinvestment plan. The final dividend declared is fully franked with 100% franking credits.

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.

The amount of Australian franking credits available to shareholders at 2021 for subsequent financial years is $5.0 million (2020: $nil).

(b) Distributions payable on other equity instruments

	2021 $'m	2020 $'m
Latitude Capital Note (ASX: LFSPA)	1.4	–
	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	
	2021	*2020	2021	*2020
Earnings ($'m)				
Profit/(loss) for the year attributable to owners of the Company	160.9	45.2	160.9	45.2
Adjusted earnings	**160.9**	45.2	**160.9**	45.2
Net loss from discontinued operations attributable to owners of the Company	–	(1.5)	–	(1.5)
Adjusted earnings from continuing operations	160.9	46.7	160.9	46.7
Weighted average number of ordinary shares (millions)				
Weighted average number of ordinary shares	902.0	650.2	902.0	650.2
Potential dilutive weighted average number of ordinary shares:				
Conversion of capital notes	–	–	79.1	–
Total weighted average number of ordinary shares	**902.0**	650.2	**981.1**	650.2
Earnings per share (cents) attributable to owners of the Company				
Earnings per share (cents) from continuing operations	17.8	7.2	16.4	7.2
Earnings per share (cents) from discontinued operations	–	(0.2)	–	(0.2)

* As restated, refer to section 1.1(c).

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.

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 and associated provision model is currently in development, while following a three-stage approach to measuring expected credit losses (ECLs) for loans and advances, it will likely have different definitions across stage 1, 2 and 3 given the short-term nature of the product.

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 combined statement of profit or loss and 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

(The Group continues to apply hedge accounting under AASB 139)

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.

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
2021						
Cash and cash equivalents	3.1(b)	–	–	–	605.7	605.7
Investments		–	83.6	–	–	83.6
Assets classified as held for sale		–	–	0.2	–	0.2
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**	**12.5**	**6,612.6**	**6,711.5**
***2020**						
Cash and cash equivalents	3.1(b)	–	–	–	463.0	463.0
Investments		–	31.7	–	–	31.7
Assets classified as held for sale		–	–	0.1	–	0.1
Derivative financial instruments		–	–	0.2	–	0.2
Loans and other receivables	3.1(d)	–	1.4	–	6,089.6	6,091.0
Other financial assets		1.6	–	–	–	1.6
Total financial assets		1.6	33.1	0.3	6,552.6	6,587.6

* As restated, refer to section 1.1(c).

Financial liabilities	Notes	Liabilities designated FVOCI $'m	Liabilities at fair value $'m	Liabilities at amortised cost $'m	Total $'m
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**
***2020**					
Trade and other liabilities	3.1(f)	–	–	378.2	378.2
Derivative financial instruments		–	13.8	–	13.8
Borrowings	3.1(g)	–	–	6,757.7	6,757.7
Total financial liabilities		–	13.8	7,135.9	7,149.7

* As restated, refer to section 1.1(c).

(b) Cash and cash equivalents

	2021 $'m	*2020 $'m
Current assets		
Cash and cash equivalents	580.9	331.3
Hallmark short-term deposits	17.9	124.7
Restricted cash[1]	6.9	7.0
Cash and cash equivalents	**605.7**	463.0

* As restated, refer to section 1.1(c).

1 Being cash deposited as security.

(c) Investments

	2021 $'m	*2020 $'m
Investments		
Cash investments – greater than 3 months	70.0	31.7
Investments – RMBS	13.6	–
Investments	**83.6**	**31.7**

* As restated, refer to section 1.1(c).

(d) Loans and other receivables

	Notes	2021 $'m	*2020 $'m
Loans and advances			
Loans and advances		6,352.1	6,521.6
Unearned income		(100.2)	(135.4)
Provision for impairment losses		(271.6)	(301.3)
Total loans and advances		5,980.3	6,084.9
Other receivables			
Trade receivables		18.8	0.7
Other receivables		9.0	3.6
Total other receivables		27.8	4.3
Related party receivables			
Receivables from related parties – unsecured	6.5(c)	–	1.8
Total loans to related parties		–	1.8
Total loans and other receivables		**6,008.1**	6,091.0
Current		3,076.2	3,169.0
Non-current		2,931.9	2,922.0
Total loans and other receivables		**6,008.1**	6,091.0

* As restated, refer to section 1.1(c).

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.

(e) Derivatives

	2021 $'m	2020 $'m
Current derivative assets		
Forward foreign exchange contracts	0.4	–
Total current derivative financial instrument assets	0.4	–
Non-current derivative assets		
Interest rate swap contracts – cash flow hedges	11.9	0.2
Total non-current derivative financial instruments	11.9	0.2
Total derivative assets	**12.3**	0.2
Current derivative liabilities		
Forward foreign exchange contracts	–	1.0
Total current derivative financial instrument liabilities	–	1.0
Non-current derivative liabilities		
Interest rate swap contracts – cash flow hedges	1.0	12.8
Total non-current derivative financial instrument liabilities	1.0	12.8
Total derivative liabilities	**1.0**	13.8

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.

(f) Trade and other liabilities

	Notes	2021 $'m	*2020 $'m
Current			
Trade and other payables		79.9	63.8
Accrued expenses		55.9	50.7
Payables to related parties	6.5(c)	39.4	21.9
Customer credit balances		55.0	50.0
Promissory note	6.10	24.0	–
Outstanding Insurance claims liability		7.5	14.9
Lease liability		10.5	11.6
Capital note distributions		1.4	–
Current trade and other liabilities		**273.6**	212.9
Non-Current			
Trade and other payables		–	5.2
Payables to related parties	6.5(c)	45.1	84.5
Outstanding Insurance claims liability		4.4	7.5
Lease liability		57.6	68.1
Non-current trade and other liabilities		**107.1**	165.3
Total trade and other liabilities		**380.7**	378.2

* As restated, refer to section 1.1(c).

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 3.79% as at 31 December 2021 (31 December 2020: 3.79%).

(g) Borrowings

	2021			2020		
	Current $'m	**Non-current $'m**	**Total $'m**	**Current $'m**	**Non-current $'m**	**Total $'m**
Secured						
Securitisation liabilities	949.1	4,916.1	5,865.2	450.2	5,422.0	5,872.2
Total secured borrowings	949.1	4,916.1	5,865.2	450.2	5,422.0	5,872.2
Unsecured						
Shareholder loan	–	–	–	1.4	884.1	885.5
Total unsecured borrowings	–	–	–	1.4	884.1	885.5
Total borrowings	**949.1**	**4,916.1**	**5,865.2**	451.6	6,306.1	6,757.7

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:

- The Australian Personal Loans Trust was refinanced for its personal lending portfolios on 19 January 2021. The total commitment level of the facility was reduced by $162 million to $1,038 million and the scheduled amortisation date was extended from 17 February 2021 to 17 January 2024.
- In February 2021 an Amending Deed was executed to increase the limit for the Australian Auto Loan Trust from $808 million to $926 million.
- In April 2021 the Australian Sales Finance and Credit Card Trust No.3 was established with a scheduled amortisation date of 22 April 2024. The total commitment level of the facility was $1,056 million and this included capability to fund a portion of LatitudePay receivables. As part of the establishment of Australian Sales Finance and Credit Card Trust No.3, the Australian Sales Finance and Credit Card Trust total commitment level was reduced from $1,429 million to $930 million.
- In May 2021 the outstanding notes of the Australian Sales Finance and Credit Card Trust No.2 were fully repaid ahead of the scheduled amortisation date of 31 March 2022.
- A new Series 2021-1 within the New Zealand Sales Finance and Credit Card Master Trust was issued in August 2021. This series had a facility limit of NZ$250 million and an expected redemption date of 22 August 2024.
- In November 2021 $500 million was issued by the Australian Personal Loans Series 2021-1 Trust. The expected call date for this series is in August 2025.
- The outstanding notes of the New Zealand Sales Finance and Credit Card Master Trust Series 2018-1 were fully redeemed on their expected redemption date of 22 November 2021. On the same date, the 2018-1 VFN was replaced by the 2021-VFN with an increase in committed limit from NZ$20 million to NZ$30 million.

The Group also entered into a new Syndicated Facility Agreement as described under Financing Arrangements in section 3.2.

Transaction costs incurred to establish funding

Borrowings are shown net of capitalised transaction costs incurred to establish the funding program. Unamortised transaction costs of $8.5 million are set off against borrowings at 31 December 2021 (31 December 2020: $10.3 million), of which $1.8 million (2020: $4.9 million) relates to historic transaction costs in relation to the initial GE acquisition. During the year $5.6 million (31 December 2020: $2.3 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 2021 reporting 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 instrument 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.

(i) Recurring fair values

	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
Assets classified as held for sale	–	0.2	–	0.2
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	**–**	**97.3**	**1.6**	**98.9**
Financial Liabilities				
Derivative financial liabilities				
Derivatives used for hedging – interest rate swaps	–	1.0	–	1.0
Total financial liabilities	**–**	**1.0**	**–**	**1.0**

	Level 1 $'m	Level 2 $'m	Level 3 $'m	Total $'m
2020				
Financial assets				
Hallmark Insurance assets designated at fair value	–	33.1	–	33.1
Assets classified as held for sale	–	0.1	–	0.1
Derivative financial assets				
Derivatives used for hedging – interest rate swaps	–	0.2	–	0.2
Other financial assets	–	–	1.6	1.6
Total financial assets	**–**	**33.4**	**1.6**	**35.0**
Financial Liabilities				
Derivative financial liabilities				
Derivatives used for hedging – interest rate swaps	–	12.8	–	12.8
Derivatives used for hedging – foreign exchange contracts	–	1.0	–	1.0
Total financial liabilities	**–**	**13.8**	**–**	**13.8**

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.

(j) Level 3 fair values

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

	2021 $'m	2020 $'m
Other financial assets:		
Balance 1 January	1.6	–
Purchases		
Equity Investments	–	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 approved strategies and policies, risk appetite statements and operating procedures that establish appropriate limits and controls to monitor and manage the level of risk exposure. The management committees supporting risk governance include the Asset and Liability Committee, who manage funding, liquidity and market risks, and the Risk Management Committee who manage strategic, credit, operational and financial risks. A 'three-line' of defence model is operated to comply with the 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.

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	7,823.1	–	–	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**
Very low risk	8,378.6	–	–	2.6	8,381.2
Low risk	642.5	–	–	0.9	643.4
Medium risk	201.5	–	–	0.4	201.9
Moderate risk	29.7	–	–	0.1	29.8
High risk	5.3	–	–	–	5.3
2020	9,257.6	–	–	4.0	9,261.6

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	2,365.8	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.

* Unrated: increase in unrated loans and advances due to the acquisition of the Symple and OctiFi portfolios, along with the growing Buy Now Pay Later portfolios, which do not have a bespoke behavioural scorecard.

	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	2,311.2	4.4	–	1.8	2,317.4
Low risk	1,748.3	20.7	–	3.1	1,772.1
Medium risk	1,160.8	42.7	–	3.9	1,207.4
Moderate risk	329.9	29.5	–	1.8	361.2
High risk	329.3	196.1	312.7	9.3	847.4
Unrated	16.1	–	–	–	16.1
2020	5,895.6	293.4	312.7	19.9	6,521.6

^ 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.

Credit quality

(c) Loans and advances by credit quality

Gross loans and advances	2021 $'m	2020 $'m
Neither past due or impaired (not POCI^)	5,541.2	5,592.9
Past due but not impaired (not POCI^)	574.8	596.1
Impaired (not POCI^)	221.8	312.7
POCI^	14.3	19.9
Total	**6,352.1**	6,521.6

^ POCI: Purchased or Originated Credit Impaired.

(d) Loans and advances past due

Gross loans and advances	2021 $'m	2020 $'m
Current	5,699.3	5,831.6
Past due 1-29 days	504.5	538.0
Past due 30-89 days	105.2	108.4
Past due > 90 days	43.1	43.6
Total	**6,352.1**	6,521.6

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

	2021 $'m	2020 $'m
Cash and cash equivalents		
Investment grade (credit rating range A-2 to A-1+)	605.7	463.0
Investments		
Investment grade (credit rating range A-1+ to AAA)	83.6	31.7
Derivative financial assets		
Investment grade (credit rating AA-)	12.3	0.2

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

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 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
ECL calculation impact	(21.5)	(0.8)	(1.8)	–	(24.1)
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.

	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 2020	**216.8**	**17.5**	**84.0**	**4.1**	**322.4**
Effects of exchange rate on translation	(1.0)	–	(0.3)	–	(1.3)
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	37.3	1.3	5.1	–	43.7
ii) derecognition of financial instruments during the reporting period	(31.2)	(4.7)	(28.5)	(0.8)	(65.2)
iii) change in balance during reporting period	(30.2)	(0.4)	(3.8)	(0.7)	(35.1)
iv) transfers between stages	(8.7)	2.6	32.1	–	26.0
ECL calculation impact	(3.3)	(0.2)	(23.8)	(0.7)	(28.0)
Other	27.1	2.7	8.9	0.1	38.8
At 31 December 2020	**206.8**	**18.8**	**73.7**	**2.0**	**301.3**

^ POCI: Purchased or Originated Credit Impaired.

The Group's total provision for impairment losses decreased $29.7 million between 31 December 2020 and 31 December 2021 ($301.3 million to $271.6 million) and the coverage ratio decreased by 34bps (4.62% at December 2020 to 4.28% and December 2021). The application of model risk overlays is used to offset a number of inherent model risks, including the atypical delinquency and loss trends currently driving the lower core model coverage ratios; anticipating delinquency and loss levels normalising.

A consistent approach has been applied to the three key model risk overlays that are held by the Group 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);
- 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; and
- A 'COVID-19 normalisation' model risk overlay, to account for the atypical delinquency and loss trends currently impacting the core provision model. At 31 December 2021, the 'COVID-19 normalisation' model risk overlay was $53 million or 83bps, up from $33 million or 50bps at 31 December 2020. The approach for calculating this model risk overlay, while consistent in leveraging a year-on-year change in the core model coverage, has been updated to look at the change in over the last 12 months, as an estimate of the impact COVID-19 has had on the Group's Portfolios.

Latitude applied the below scenario weightings as part of the 31 December 2021 financial statements:

Scenario	Weighting
Scenario One – Upside	
A 100% weighting to this scenario would result in a decrease to the total ECL provision at the reporting date of $19.4 million	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 $8.2 million	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 $16.4 million	40%

Weightings for the three scenarios for the prior reporting period of 31 December 2020 were 10% for Scenario One – Upside; 40% for Scenario Two – Baseline; and 50% for Scenario Three – Downside.

Latitude applies inflation, claims on the private sector and household disposable income in the macroeconomic scenarios noted above.

Impairment losses

(g) Losses recognised in relation to loans and advances

During the year, the following losses were recognised:

	2021 $'m	2020 $'m
Recognised in profit or loss		
Movement in provision on loans and advances	32.4	18.5
Net impairment loss on loans and advances	(148.6)	(227.3)
Losses recognised in relation to loans and advances	(116.2)	(208.8)

Enforcement activity

Loans and advances with a contractual amount of $63.7 million (2020: $101.1 million) written off during the year are subject to enforcement activity.

Collateral

(h) Collateral held

	2021	2020
Maximum exposure ($'m)	**6,352.1**	6,521.6
Collateral classification:		
Secured (%)	20.5	17.5
Unsecured (%)	79.5	82.5

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 2021 (2020: $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$ and SGD$). Additional exposure arises from transactions denominated in non-functional currencies, such as US$ 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.

Exposure

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

	2021 $'m	2020 $'m
Net open position – US Dollar	3.2	(2.3)
Net open position – NZ Dollar	–	(0.9)

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:

	2021 $'m	2020 $'m
Recognised in profit or loss		
Net foreign exchange gain/(loss) included in other operating income	1.1	(0.9)
Recognised in other comprehensive income		
Translation of entities with a non-Australian denominated functional currency recognised in foreign currency translation reserve	5.6	(1.7)

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	2021 $'m	2020 $'m	2021 $'m	2020 $'m
USD/AUD exchange rate – increase 10%	0.2	(0.2)	–	–
USD/AUD exchange rate – decrease 10%	(0.2)	0.2	–	–
NZD/AUD exchange rate – increase 10%	–	(0.1)	10.7	5.8
NZD/AUD exchange rate – decrease 10%	–	0.1	(10.7)	(5.8)
SGD/AUD exchange rate – increase 10%	–	–	3.3	–
SGD/AUD exchange rate – decrease 10%	–	–	(3.3)	–
CAD/AUD exchange rate – increase 10%	–	–	1.0	–
CAD/AUD exchange rate – decrease 10%	–	–	(1.0)	–

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, 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 currently in place cover 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. 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:

	2021 $'m	2020 $'m
Variable rate borrowings	5,868.0	5,878.7
Fixed interest rate – repricing dates:		
1 – 5 years	–	885.5
	5,868.0	6,764.2

(m) Interest rate swaps

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

	2021		2020	
	Weighted average interest rate %	Balance $'m	Weighted average interest rate %	Balance $'m
Interest rate swaps (nominal amount)	0.65%	2,314.4	0.61%	2,218.2

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
2021			
Interest rate risk			
Variable rate borrowings	23.5	8.5	–
Discontinued hedges[1]	–	–	(1.7)
2020			
Interest rate risk			
Variable rate borrowings	(16.3)	(9.1)	–
Discontinued hedges[1]	–	–	(6.3)

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 ineffect-iveness recognised in profit or loss $'m	Amount reclassified from hedging reserve to profit or loss $'m
2021						
Interest rate risk						
Interest rate swaps	2,314.4	11.9	1.0	23.0	0.5	–
Discontinued hedges[1]	–	–	–	–	–	6.3
2020						
Interest rate risk						
Interest rate swaps	2,218.3	0.2	12.8	(16.0)	(0.3)	–
Discontinued hedges[1]	–	–	–	–	–	13.9

1 A number of hedge relationships were discontinued in 2019 in order to rebase the economics of the fixed rate portfolios of the Group. Gain 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 profit or loss from discontinuation.

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

	Hedged risk	Continuing hedges $'m	Discontinued hedges $'m	Total $'m
2021				
Cash flow hedges				
Variable rate borrowings	Interest rate	8.5	(1.7)	6.8
2020				
Cash flow hedges				
Variable rate borrowings	Interest rate	(9.1)	(6.3)	(15.4)

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:

	2021 $'m	2020 $'m
Recognised in profit or loss		
Net gain/(loss) for ineffective portion of derivatives designated as cash flow hedges	0.5	(0.3)
Recognised in other comprehensive income		
Gain/(loss) recognised in other comprehensive income	15.8	(15.4)

Sensitivity

(r) Sensitivity to changes in interest rates

	Impact on pre-tax profit		Impact on other components of equity	
	2021 $'m	*2020 $'m	2021 $'m	*2020 $'m
Interest rates – increase by 100 basis points – Increase in profit	(19.6)	(20.2)	30.6	28.1
Interest rates – decrease by 100 basis points – Decrease in profit	19.6	20.2	(31.4)	(28.8)

* As restated, refer to section 1.1(c).

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.

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.

Financing arrangements

The Group entered into a new Syndicated Facility Agreement effective 21 April 2021 for the following lines of credit:

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

$7.5 million of the AUD component (facility A) was utilised at 31 December 2021 to refinance existing bank guarantees. $152.5 million of facility A remains undrawn.

US$40.9 million ($56.3 million) of the USD component facility (facility B) was utilised at 31 December 2021 to refinance existing letters of credit provided as collateral for access to Schemes.

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:

(s) Undrawn facilities

Floating rate	2021 $'m	*2020 $'m
Borrowing facilities available	8,222.9	8,164.3
Drawn facilities	(5,868.0)	(5,878.7)
Undrawn facilities	2,354.9	2,285.6

* As restated, refer to section 1.1(c).

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
2021							
Non-derivatives							
Borrowings – Securitisation liabilities	312.4	440.8	1,605.3	3,683.0	2.3	6,043.8	5,873.7
Trade and other liabilities	323.3	12.3	11.9	33.2	–	380.7	380.7
Total non-derivatives	**635.7**	**453.1**	**1,617.2**	**3,716.2**	**2.3**	**6,424.5**	**6,254.4**
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**
2020							
Non-derivatives							
Borrowings – Securitisation liabilities	238.2	318.9	1,205.4	4,214.8	106.6	6,083.9	5,882.5
Borrowings – Shareholder loans	26.3	26.3	906.0	–	–	958.6	885.5
Trade and other liabilities	293.7	–	39.4	45.1	–	378.2	378.2
Total non-derivatives	558.2	345.2	2,150.8	4,259.9	106.6	7,420.7	7,146.2
Derivatives							
Derivatives – forward foreign exchange contracts	0.9	–	–	–	–	0.9	1.0
Derivatives – interest rate swaps	5.2	3.8	4.3	(0.1)	–	13.2	12.8
Total derivatives	6.1	3.8	4.3	(0.1)	–	14.1	12.8

* As restated, refer to section 1.1(c).

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 program, 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

	2021 Number of shares million	*2020 Number of shares million	2021 $'m	*2020 $'m
Issued and paid-up ordinary share capital				
Ordinary Shares – fully paid	1,038.5	650.2	2,087.2	1,123.2
Equity raising transaction costs	–	–	(13.2)	(13.2)
Total ordinary share capital	**1,038.5**	650.2	**2,074.0**	1,110.0

* Refer to section 1.1(c) for details of the restatement of equity accounted for under common control.

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.

	Notes	Number of shares million	$'m
Balance at 1 January 2020		650.2	1,110.0
Balance at 31 December 2020		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

	2021 Number of securities million	2020 Number of securities million	2021 $'m	2020 $'m
Other contributed equity				
Capital notes				
Latitude Capital Note LFSPA	1.5	–	150.0	–
Less: Equity raising transaction costs			(4.0)	–
Deferred tax recognised directly in equity			1.0	–
Total other contributed equity	**1.5**	–	**147.0**	–
Total contributed equity			**2,221.0**	1,110.0

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 29 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 dividend can be paid while accrued capital note distributions remain unpaid.

(b) Reserves

	2021 $'m	2020 $'m
Cash flow hedge reserve		
At 1 January	(15.4)	(13.9)
Fair value gains/(losses)	23.0	(16.0)
Income taxes on fair value gains/(losses)	(5.4)	4.1
Amounts transferred to income statement	6.3	13.9
Income taxes on amounts transferred to income statement	(1.7)	(3.5)
At 31 December	6.8	(15.4)
Share-based payment reserve		
At 1 January	36.7	20.2
Employee share plan movement	4.0	16.5
At 31 December	40.7	36.7
Other reserve		
At 1 January	(14.0)	(14.5)
Issued equity instruments	1.3	0.5
At 31 December	(12.7)	(14.0)
Foreign currency translation reserve		
At 1 January	0.3	2.0
Currency translation differences arising during the year	5.6	(1.7)
At 31 December	5.9	0.3

	2021 $'m	2020 $'m
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	(681.2)	(665.9)
Net change in fair value of common control reserve	(24.3)	(15.3)
At 31 December	(705.5)	(681.2)
Total reserves	**(667.2)**	(676.0)

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)

	2021 $'m	*2020 $'m
At 1 January	(73.8)	(117.4)
Net profit for the year – attributable to owners	160.9	45.2
Ordinary share dividends	(78.5)	–
Capital note distributions	(1.4)	–
Management equity plan dividends	–	(1.6)
At 31 December	7.2	(73.8)

* As restated, refer to section 1.1(c).

4.2 Commitments

(a) Non-cancellable operating leases

	2021 $'m	2020 $'m
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	14.3	15.3
Later than one year but not later than five years	45.4	50.5
Later than five years	18.6	26.6
Commitments for minimum lease payments in relation to non-cancellable operating leases	**78.3**	92.4

	2021 $'m	2020 $'m
Rental expense relating to operating leases:		
Minimum lease payments	16.0	14.7

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

	2021 $'m	2020 $'m
Commitment to extend credit	8,566.8	9,261.6
Capital commitments	4.1	2.7
Other commitments	**8,570.9**	9,264.3

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

The Group is investing significantly in technology developments as it transitions to a more digital business model. At the reporting date, the Group has committed expenditure in relation to a number of technology transformation programs.

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 the 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.

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.

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.

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.

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) 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 2021						
Cost	6.2	10.2	92.6	0.8	1.1	110.9
Accumulation depreciation	(3.5)	(3.0)	(21.6)	(0.3)	(0.8)	(29.2)
Net book amount	2.7	7.2	71.0	0.5	0.3	81.7
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**
Year ended 31 December 2020						
Opening net book amount	3.7	2.8	84.0	0.1	0.7	91.3
Effects of exchange rate differences on translation of foreign operations	–	–	(0.6)	–	–	(0.6)
Additions	2.0	–	6.4	0.6	–	9.0
Disposals	(0.1)	–	(6.8)	–	–	(6.9)
Depreciation charge	(2.2)	(1.0)	(12.0)	(0.2)	(0.4)	(15.8)
Impairment loss	(0.9)	–	–	–	–	(0.9)
Transfers	0.2	5.4	–	–	–	5.6
Closing net book amount	2.7	7.2	71.0	0.5	0.3	81.7
At 31 December 2020						
Cost	6.2	10.2	92.6	0.8	1.1	110.9
Accumulated depreciation	(3.5)	(3.0)	(21.6)	(0.3)	(0.8)	(29.2)
Net book amount	2.7	7.2	71.0	0.5	0.3	81.7

(b) Intangible assets

	Goodwill $'m	Distri-bution agree-ments $'m	Customer contracts $'m	Software $'m	Capital works in progress $'m	Trade-mark $'m	Total $'m
At 1 January 2021							
Cost	521.0	161.5	265.6	147.9	45.7	0.5	1,142.2
Accumulation amortisation	–	(93.8)	(153.8)	(59.5)	–	(0.2)	(307.3)
Net book amount	521.0	67.7	111.8	88.4	45.7	0.3	834.9
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[1]	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**
Year ended 31 December *2020							
Opening net book amount	524.0	86.3	138.2	79.3	30.3	0.3	858.4
Effects of exchange rate differences on translation of foreign operations	(3.0)	(0.2)	(0.5)	(0.2)	(0.1)	–	(4.0)
Additions	–	–	7.1	2.6	67.4	–	77.1
Disposals	–	–	–	(2.5)	–	–	(2.5)
Amortisation charge	–	(18.4)	(33.0)	(30.3)	–	–	(81.7)
Impairment loss	–	–	–	(6.0)	(0.8)	–	(6.8)
Transfers	–	–	–	45.5	(51.1)	–	(5.6)
Closing net book amount	521.0	67.7	111.8	88.4	45.7	0.3	834.9
At 31 December *2020							
Cost	521.0	161.5	265.6	147.9	45.7	0.5	1,142.2
Accumulated amortisation	–	(93.8)	(153.8)	(59.5)	–	(0.2)	(307.3)
Net book amount	**521.0**	**67.7**	**111.8**	**88.4**	**45.7**	**0.3**	**834.9**

* As restated, refer to section 1.1(c).

1 The value of goodwill recognised in relation the business combination is provisional – refer to section 6.10(a).

2 The value of goodwill recognised in relation to the business combination is provisional – refer to section 6.11(a).

Distribution agreements and customer contracts recognised as part of a business combination in 2015 have remaining amortisation periods of 3 years in Australia and 1 year in New Zealand at 31 December 2021 (31 December 2020: 4 years in Australia and 2 years in New Zealand).

Impairment testing for cash-generating units containing goodwill

(c) Goodwill allocation

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).

	2021 $'m	2020 $'m
Australia	396.1	396.1
New Zealand[1]	112.0	111.3
Insurance	13.6	13.6
Goodwill recognised in Symple business combination[2]	201.5	–
Goodwill recognised in OctiFi business combination[3]	14.9	–
Total goodwill	**738.1**	521.0

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

2 The value of goodwill recognised in relation the business combination is provisional – refer to section 6.10(a).

3 The value of goodwill recognised in relation the business combination is provisional – refer to section 6.11(a).

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

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:

	Australia		New Zealand		Insurance	
	2021 %	2020 %	2021 %	2020 %	2021 %	2020 %
Pre-tax discount rate	16.9	15.6	16.6	13.8	16.0	15.6
Terminal growth rate	3.6	2.3	3.2	1.3	3.0	2.3
Average revenue growth rate applied from years 1-5	11.2	12.5	7.0	6.2	6.9	4.5

(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 Australia and New Zealand CGUs to exceed their respective recoverable amounts.

Management have identified that, in relation to the Insurance CGU, a change in two current assumptions could cause the carrying amount to exceed the recoverable amount. The following table shows the amount by which these two assumptions would need to change individually, (keeping other factors consistent) for the estimated recoverable amount to be equal to the carrying amount.

	Insurance 2021 Basis points
Change required for carrying amount to equal recoverable amount:	
Pre-tax discount rate	190
Average revenue growth rate applied over years 1-5	(145)

(f) Provisions

	2021			2020		
	Current $'m	Non-current $'m	Total $'m	Current $'m	Non-current $'m	Total $'m
Leave obligations	20.3	1.5	21.8	18.5	1.7	20.2
Other employee benefit obligations	27.0	–	27.0	24.6	–	24.6
Total employee benefit obligations	**47.3**	**1.5**	**48.8**	43.1	1.7	44.8
Customer remediation and other provisions	**23.6**	**2.1**	**25.7**	35.0	1.6	36.6
Total provisions	**70.9**	**3.6**	**74.5**	78.1	3.3	81.4

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.

(g) Gross insurance policy liabilities

	2021 $'m	2020 $'m
Current	10.7	21.4
Non-current	8.5	19.0
Total gross insurance policy liabilities	**19.2**	40.4

5.2 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:

(a) Basis of preparation

The effective date of the actuarial report on policy liabilities and capital requirements is 31 December 2021. 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*).

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 (2020: Accumulation)	Claims (implied)
Disability and involuntary unemployment income	Accumulation (2020: 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.

(b) 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 0.07% (2020: 0.01%), New Zealand 0.97% (2020: 0.27%); and
- 5 years: Australia 1.34% (2020: 0.34%), New Zealand 2.19% (2020: 0.39%).

(ii) Inflation rates

Allowance for future inflation:

Australia 2.5%. (2020: 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% (2020: 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 2022 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 2020.

Currently claims experience in Australia and New Zealand is not being significantly impacted by the COVID-19 pandemic. There have been no specific adjustments to actuarial assumptions adopted for 31 December 2021 due to COVID-19. The long-term impact of the COVID-19 pandemic remains uncertain and actuarial assumptions will continue to be monitored closely against experience.

(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 average claim size (Disability = NZ$1,392, Unemployment = NZ$1,010), a claims handling expense rate of 12.0% of the projected gross claim payments (based on expense investigation) and a discount rate of 1.735% (based on the yield of 1 year and 2 year New Zealand Government bonds as at 31 December 2021). 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 Australian business, the assumed aggregate rates of discontinuance are:

- Consumer credit – 30% p.a.(2020: 26% p.a.);
- Regular premium term life – 15% p.a.(2020: 17% p.a.).

For the major classes of New Zealand business, the assumed aggregate rates of discontinuance are:

- Consumer credit – 32% p.a.(2020: 30% p.a.); and
- Regular premium term life: n/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.

(c) 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 2021, the Consumer Credit Insurance related product group for Statutory Fund 2 remains in loss recognition. Any assumption changes have not resulted in other 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.

(d) 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 business.

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.

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

31/12/2020 Australia	Percentage change in assumptions	Impact on 2020 profit or loss ($'000)		Impact on 2020 equity ($'000)	
		Gross of Reinsurance	Net of Reinsurance	Gross of Reinsurance	Net of Reinsurance
Mortality/morbidity	Worsening by 5%	(73)	(68)	(73)	(68)
	Improving by 5%	73	68	73	68
Lapse rates	Worsening by 5%	10	10	10	10
	Improving by 5%	(10)	(10)	(10)	(10)
Expenses	Worsening by 5%	(150)	(150)	(150)	(150)
	Improving by 5%	150	150	150	150

31/12/2021 New Zealand	Percentage change in variables	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%	(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

31/12/2020 New Zealand	Percentage change in variables	Impact on 2020 profit or loss ($'000)		Impact on 2020 equity ($'000)	
		Gross of Reinsurance	Net of Reinsurance	Gross of Reinsurance	Net of Reinsurance
Mortality/morbidity	Worsening by 5%	(33)	(33)	(33)	(33)
	Improving by 5%	33	33	33	33
Lapse rates	Worsening by 5%	8	8	8	8
	Improving by 5%	(8)	(8)	(8)	(8)
Expenses	Worsening by 5%	(39)	(39)	(39)	(39)
	Improving by 5%	39	39	39	39

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; and
- Repayment Protection.

(e) Process used to determine outstanding claims liabilities (actuarial methods)

The general approach to the actuarial estimation of insurance 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% chance 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"). A blend of the projection methods is adopted based on the nature of the claims within each portfolio to estimate the appropriate outstanding claims.

(f) Actuarial assumptions

The key actuarial assumptions for the determination of the outstanding claims liabilities of the consumer credit insurance portfolios are as follows:

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%
Discount rate	1.74%	1.74%	1.74%	1.74%	1.74%

^ Merchandise protection, price protection and stolen cards (credit cards).

* As at 31 December.

2020	Disability (Personal Loans)	Unemployment (Personal Loans)	Disability (Credit Cards)	Unemployment (Credit Cards)	Protection^
Australia:					
Number of future finalisations	601	539	487	653	1,147
Discounted loss ratio*	49%	96%	18%	46%	35%
Expense rate	12%	12%	12%	12%	48%
Discount rate	0.04%pa –2.9%pa	0.04%pa –2.9%pa	0.04%pa –2.9%pa	0.04%pa –2.9%pa	0.04%pa –2.9%pa
New Zealand:					
Number of future finalisations	320	351	125	50	39
Discounted loss ratio*	49%	46%	30%	32%	9%
Expense rate	12%	12%	12%	12%	48%
Discount rate	0.26%	0.26%	0.26%	0.26%	0.26%

^ Merchandise protection, price protection and stolen cards (credit cards).

* As at 31 December.

Other assumptions

The outstanding claims provision for Disability (Personal Loans) includes an additional 1.3% for medical expenses, with a prudential margin calculated at a 90% probability of adequacy.

- **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 for number of future reports and finalisations.
- **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 for average claim.
- **Expense rate**: The adopted claims handling expense rate of 12.8% in Australia and 12.2% in New Zealand (2020: 12.4% in Australia and 12.2% in New Zealand) of the projected gross claim payments, has been determined based on the results of an expense allocation exercise.
- **Discount rate**: Central estimates of the outstanding claims liabilities – 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. The Australian rates have been derived from the yield curve on Australian Government bonds as at 31 December 2021 as published by the Reserve Bank of Australia. The New Zealand discount factor has been based on the annual risk-free rates of return from the yield curve on New Zealand Government Bonds.

(g) 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 Company. The table below describes how a change in each of the assumptions will affect the outstanding claims liabilities.

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 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 claims handling expense rate by 4%	+109	+4.03

* Branch credit insurances only.

Key actuarial assumptions 2020	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%	+484	+3.1
Discount rate	Decrease discount rate by 1%	+158	+1.0
Claims handling expense rate	Increase from claims handling expense rate by 4%	+595	+3.9
New Zealand*:			
Chain ladder factor	Increase the chain ladder factor by 10%	+87	+1.37
Discount rate	Decrease discount rate by 1%	+47	+0.74
Claims handling expense rate	Increase from claims handling expense rate by 4%	+256	+4.03

* Branch credit insurances only.

Section 6 Other disclosures

6.1 Interests in other entities

(a) Controlled entities

Name of entity	Ownership: Group		Ownership: NCI		Principal activities
	2021 %	2020 %	2021 %	2020 %	
Country of incorporation – Australia:					
KVD Australia 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
Latitude Financial Services JV Holdco Pty Ltd[1]	100	100	–	–	Dormant
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 Group Limited[1*, 2, 3]	100	100	–	–	Holding company
Latitude Financial IP Pty Ltd[1*, 2, 3, 6]	100	100	–	–	Intellectual property
KVD Treasury Pty Ltd[1*, 2, 3]	100	100	–	–	Non-trading financier
KVD Australia Insurance Holdco Pty Ltd[1*, 2, 3]	100	100	–	–	Non-trading holding company
Australian Sales Finance and Credit Cards Trust[3]	100	100	–	–	Securitisation of receivables
Australian Personal Loans Trust[3]	100	100	–	–	Securitisation of receivables
Australian Auto Loans Trust[3]	100	100	–	–	Securitisation of receivables
Australian Sales Finance and Credit Cards No.2 Trust[3]	–	100	–	–	Securitisation of receivables
Australian Sales Finance and Credit Cards Trust No.3[3]	100	100	–	–	Securitisation of receivables
Latitude Australia Credit Card Master Trust[3]	100	100	–	–	Securitisation of receivables
Latitude Australia Credit Card Loan Note Trust[3]	100	100	–	–	Securitisation of receivables

Name of entity	Ownership: Group		Ownership: NCI		Principal activities
	2021 %	2020 %	2021 %	2020 %	
Latitude Australia Personal Loans Series 2017-1 Trust[3]	100	100	–	–	Securitisation of receivables
Latitude Australia Personal Loans Series 2020-1 Trust[3]	100	100	–	–	Securitisation of receivables
Latitude Australia Personal Loans Series 2021-1 Trust[4]	100	–	–	–	Securitisation of receivables
Latitude Investment Holdings Pty Ltd	100	100	–	–	Trust management
Latitude Investment Holdings No.1 Pty Ltd	100	100	–	–	Trust management
Latitude Investment Trust	–	–	–	100	Investment trust
Latitude Investment Sub-Trust 1	–	–	–	100	Investment trust
Latitude Investment Sub-Trust 2	–	–	–	100	Investment trust
Latitude Investment Sub-Trust 3	–	–	–	100	Investment trust
Latitude Investment Sub-Trust 4	–	–	–	100	Investment trust
Symple Financial Group Pty Limited[1*, 5]	100	–	–	–	Holding company
Symple Loans Pty Limited[1*, 5]	100	–	–	–	Personal lending
Symple Warehouse Trust 2019-1[5]	100	–	–	–	Securitisation of receivables
Symple Canada Holdings Pty Limited[1*, 5]	100	–	–	–	Holding company
Country of incorporation – Canada:					
Symple Canada Financial Group Limited[5]	100	–	–	–	Personal lending

* Entities became party to the deed of cross guarantee on 13 December 2021.

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 2021.

2 In accordance with the control principle under AASB 10 consolidation they were deemed subsidiaries of the Group and consolidated. The legal ownership was transferred on 1 August 2021.

3 2020 ownership deemed by Common Control accounting (refer section 1.1(c)).

4 Trust established 11 October 2021.

5 The Group gained control of these entities on 26 October 2021 following the acquisition of Symple Loans as described in section 6.10.

6 KVCF Pty Ltd was renamed Latitude Financial IP Pty Ltd on 13 December 2021.

Name of entity	Ownership: Group		Ownership: NCI		Principal activities
	2021 %	2020 %	2021 %	2020 %	
Country of incorporation – New Zealand:					
Latitude Financial Services Limited[7]	100	100	–	–	Operating/ lending company
New Zealand Sales Finance and Credit Cards Trust[7]	100	100	–	–	Securitisation of receivables
New Zealand Personal Loans Trust[7]	100	100	–	–	Securitisation of receivables
Latitude New Zealand Credit Card Master Trust[7]	100	100	–	–	Securitisation of receivables
Latitude Innovation Holdings Limited[7]	100	100	–	–	Payment platform
Country of incorporation – Singapore:					
Latitude Financial International Pte. Ltd[8]	100	–	–	–	Holding company
Latitudepay Singapore Pte Ltd[9]	85	–	15	–	Factoring/ BNPL lending
Latitude AM Pte. Ltd[10]	100	–	–	–	Non trading
Country of incorporation – Malaysia:					
LatitudePay Malaysia Sdn. Bhd.[11]	100	–	–	–	Non trading

7 2020 ownership deemed by Common Control accounting (refer section 1.1(c)).

8 Company incorporated on 5 August 2021.

9 Company incorporated on 6 August 2021.

10 Company incorporated on 11 November 2021.

11 Company incorporated on 10 December 2021.

(b) New acquisitions

On 26 October 2021, Latitude Financial Services Australia Holdings Pty Ltd acquired 100% of the ordinary share capital of Symple Financial Group Pty Ltd and acquired control of entities under the control of Symple Financial Group Pty Ltd; being Symple Canada Holdings Pty Ltd, Symple Loans Pty Ltd, Symple Canada Financial Group Ltd and Symple Warehouse Trust 2019 – 1. The acquisition of the Symple Financial Group (Symple) is described in section 6.10.

Further to the disclosure in the IPO prospectus regarding Latitude's opportunities to develop the Instalments business with partners in Asian markets, Latitude Financial International Pte. Ltd, Latitudepay Singapore Pte. Ltd and Latitude AM Pte. Ltd were incorporated in Singapore on 5 August 2021, 6 August 2021 and 11 November 2021 respectively. Latitude Group Holdings Limited holds 100% of the ordinary share capital of Latitude Financial International Pte. Ltd. Latitude Financial International Pte. Ltd holds 85% of the ordinary share capital of Latitudepay Singapore Pte Ltd and 100% of the ordinary share capital of Latitude AM Pte. Ltd. Latitudepay Singapore Pte Ltd is the acquiring entity in relation to assets acquired through a business combination as described in section 6.11.

(c) 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) 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') (also outlined in the prospectus section 6.3.2 and referred to as the 'Pre-Completion Equity Plans').

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 (2020: $16.6 million).

	2021 $'m issued	2020 $'m issued
At 1 January	38.8	20.1
Fair value of units granted during the year	–	6.7
Fair value of plan modification for loan funded units	–	12.0
Change in fair value on entitlement to units vesting	(38.8)	–
At 31 December	–	38.8

(ii) 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 the FY2021 Restricted Shares (STI Shares) granted under the LEP
Eligibility	Managing Director and CEO and other eligible executives as approved by the Board, awarded an STI outcome for FY21. An Executive Director may participate in the LEP. Non-Executive Directors will not be eligible to participate in the LEP.
Offer	The number of restricted shares (**STI Shares**) is one-third[1] of a participant's FY2021 STI outcome, divided by the 5-day Volume Weighted Average Price (VWAP) from the second trading day following the release of the FY2021 results.
Grant	During or after April 2022: one-third[1] of each participant's STI awarded is delivered as STI Shares that are purchased on market.
Restriction period	February 2023: 50% of STI Shares vest are released from restriction following the FY22 results announcement. February 2024: the remaining 50% STI Shares are released from restriction following the FY23 results announcement.
Treatment of restricted STI Shares during restricted period	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: 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 restricted 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 end date, the disposal restrictions cease and Shares are held subject to restrictions under the Share Trading Policy.

1 From 1 January 2022, this amount will increase to 50%.

<table>
<tr><th>Feature</th><th>Key terms of the FY2021 LTI Performance Rights granted under the LEP</th></tr>
<tr><td>Eligibility</td><td>Managing Director and CEO, eligible Executive KMP and selected Senior Leaders as approved by the Board.</td></tr>
<tr><td>Performance period[2]</td><td>1 January 2021 to 31 December 2023.</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 grant price. Two grants occurred in FY2021.
<table>
<tr><th>Grant Date</th><th>Grant Price</th><th>5-day VWAP</th></tr>
<tr><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>5-31 August 2021 (aligned to the open period commencing on the second trading day following the release of the FY21 half year results)</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 the Board retains discretion to determine a different treatment:
• Misconduct or summary dismissal for cause: lapse.
• Resignation: The Board will typically lapse the Performance Rights.

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>

Testing Outcomes	Following the release of the FY23 results in March 2024, the Performance Rights will be tested equally against each measure and the number that vest will be calculated as:

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

- 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 FY21 LTI outcome will be reported in the 2024 remuneration report.

Restrictions on dealing	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.

2 It is expected that future deferred LTI grants will have three year performance/vesting periods.

LEP Share Rights movements:

	2021 Number
Outstanding at 1 January	–
Granted	2,133,626
Outstanding closing balance at 31 December	**2,133,626**
Exercisable at 31 December	–

The fair value of the share rights is determined at grant date and recognised over the vesting period.

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

	Grant date 29 April 2021	Grant date 29 October 2021
Contractual life (years)	2	2
Risk free interest rate (%)	0.59	0.59
Share closing price at grant date ($)	2.52	2.34
Expected volatility of share price (%)	25.78	25.78

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

(iii) 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.

Feature	Key terms of the Shares allocated under the ESAP
Eligibility conditions	• Employees had to be employed by the Company, or a subsidiary of the Company, under a permanent contract of employment, with a commencement date on or before 31 December 2020; • The employee could not have given, or received notice of termination of their employment; • The employee was not eligible to participate in the Company's LTIP; and • Directors of the Company were ineligible.
Offers	Eligible participants could opt in to acquire Shares up to a maximum value of A$1,000 at no cost. The acquired shares rank equally in all respects with other shares.
Share allocation calculation	Based on the 5-day VWAP ($2.51472502) prior to the grant date, aligned to Latitude's initial trading period on the ASX (22-28 April 2021).
Restriction period	Three years from the date of allocation.
Cessation of employment	Shares are retained by the participant and disposal restrictions cease to apply on termination.

As part of the IPO transaction, eligible employees were able to participate in an employee gift offer to receive up to $1000 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).

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 2021, 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 and distribution, interest and fees and the entitlement to charge them, customer remediation and insurance distribution. 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 particular, the ATO is completing assurance reviews of the top 1,000 companies in Australia. 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. The ATO advised in December 2021 that they will revert with further enquires over the next few months. However, no further correspondence has been received since that time. Accordingly, any potential outcomes and total costs associated with any such activities remain uncertain at this time. 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. The Group is also currently subject to a GST Risk Review by the ATO which commenced in November 2021 and is still ongoing. 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

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.

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 IPO completion, 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, with the first payment date being 1 January 2022.

(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.

	2021 $'thousands	2020 $'thousands
At 1 January	885,509	891,143
Effects of exchange rate on translation of foreign operations	(2,388)	(5,165)
Loan repayments made	–	–
Interest due to related parties	–	76,082
Interest paid	(1,443)	(76,551)
Settlement of loan on restructure (conversion to equity)	(881,678)	–
At 31 December	**–**	885,509

(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

	2021 $'thousands	2020 $'thousands
Short-term employee benefits	10,365	10,972
Long-term benefits	63	48
Post-employment benefits	252	248
Termination benefits	188	933
Share-based payments	2,837	11,646
	13,706	23,848

Compensation paid above includes share-based awards that were granted to participants during their time in a KMP role during the year, as follows:

	2021 $'thousands	2020 $'thousands
At 1 January	24,339	14,630
Granted	1,603	2,526
Plan modification	–	9,120
Equity adjustments	–	(1,937)
At 31 December	**25,942**	24,339

(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.

	2021 $'thousands	2020 $'thousands
Outstanding balances at 31 December	53	94
Total available credit facility during the period	268	349
Maximum drawn amount during the period	103	165

(c) Other transactions and outstanding balances

Other transactions	2021 $'thousands	2020 $'thousands
Ordinary share dividends paid	78,500	–
Capital note distribution payable	1,387	–

Outstanding balances	2021 $'thousands	2020 $'thousands
Payable to selling shareholders	(84,507)	(106,448)
Receivable from other related party	–	1,483

6.6 Remuneration of auditor

(a) Remuneration to KPMG

	2021 $	2020 $
Audit and other assurance services		
Audit and review of financial statements	1,402,500	957,500
Regulatory assurance services	220,000	220,000
Other assurance services	179,500	422,500
Total remuneration for audit and other assurance services	1,802,000	1,600,000
Other services		
Transaction and other advisory services[1]	761,000	1,175,000
Total remuneration for other services	761,000	1,175,000
Total remuneration of KPMG	**2,563,000**	2,775,000
Total auditor's remuneration	**2,563,000**	2,775,000

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

(a) Description

In June 2020, the Group sold its Residential Loan portfolio, a run-off line of business that was a legacy of the previous GE ownership. The sale, effective 30 June 2020, completed on 14 August 2020. An impairment loss of $5.6 million was recognised in the year ended 31 December 2020 in relation to assets sold within the discontinued operation. There are no discontinued operations in the year ended 31 December 2021.

(b) Financial performance

	Notes	*2020 $'m
Revenue		1.7
Expenses		0.8
Asset impairment recognised		(5.6)
Income tax benefit	2.3(a)	1.6
Loss after income tax of discontinued operations		(1.5)
Net (loss) after tax for the period from discontinued operations attributable to owners of the Group		(1.5)
Loss after income tax of discontinued operation		(1.5)

(c) Assets and liabilities of disposal group classified as held for sale

	Notes	2020 $'m
Liabilities directly associated with assets classified as held for sale		
Trade and other liabilities		2.2
Total liabilities of disposal group held for sale		2.2

(d) Cashflow statement

	Notes	2020 $'m
Net cash provided by operating expenses		4.5
Net cash provided by financing expenses		26.4
Net increase in cash and cash equivalents		30.9

(e) Earnings per share for discontinued operations

	Notes	*2020 Cents
Earnings/(loss) per share for loss attributable to the ordinary equity holders of the Company – Discontinued operations		
Earnings/(loss) per share	2.5	(0.2)
Diluted earnings/(loss) per share	2.5	(0.2)

* As restated, refer to section (1.1c).

6.8 Deed of cross guarantee

(a) Consolidated statements of entities party to the deed of cross guarantee

	2021 $'m	*2020 $'m
Consolidated statement of profit or loss and other comprehensive income		
Profit/(loss) before income tax expense	181.8	(37.3)
Income tax (expense)/benefit	(41.4)	0.4
Profit/(loss) for the year	**140.4**	(36.9)
Other comprehensive income/(loss)	15.9	(1.4)
Total comprehensive income/(loss) for the year	**156.3**	(38.3)
Summary of movements in consolidated retained earnings		
Retained earnings at the beginning of the financial year	(135.9)	(90.3)
Profit/(loss) for the year	140.4	(36.9)
Dividends paid	(82.7)	–
Capital note distribution	(1.4)	
Transactions with MEP participants	–	(8.7)
Retained earnings at the end of the financial year	**(79.6)**	(135.9)
Consolidated balance sheet		
Assets		
Cash and cash equivalents	160.3	153.3
Investments	375.3	457.5
Assets classified as held for sale	0.2	0.1
Derivatives financial instruments	8.7	–
Loans and other receivables	4,877.9	4,921.1
Other assets	8.2	9.0
Deferred tax assets	159.2	180.0
Investment in controlled entity	243.9	321.5
Other financial assets	1.6	1.6
Property, plant and equipment	45.1	55.3
Intangible assets	904.3	698.5
Total assets	**6,784.7**	6,797.9
Liabilities		
Trade and other liabilities	328.2	286.6
Current tax liabilities	28.1	0.8
Derivatives financial instruments	1.0	12.2
Provisions	63.9	70.5
Deferred tax liabilities	64.3	73.4
Borrowings	4,759.7	5,636.2
Total liabilities	**5,245.2**	6,079.7
Net assets	**1,539.5**	718.2

	2021 $'m	*2020 $'m
Equity		
Contributed equity	2,221.0	1,305.0
Other reserves	(601.9)	(450.9)
Retained earnings/(losses)	(79.6)	(135.9)
Total equity	**1,539.5**	718.2

* As restated, refer to section 1.1(c).

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.

As a result of the restructure (refer section 1.1(c)) and entities acquired during the year (refer section 6.10), seven new entities acceded the deed of cross guarantee on 13 December 2021, as noted in section 6.1(a).

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:

	2021 $'m	*2020 $'m
Balance sheet		
Current assets	211.8	1.1
Total assets	1,824.8	1,625.7
Current liabilities	103.3	84.5
Total liabilities	152.2	1,082.1
Shareholders' equity		
Contributed equity	2,234.2	1,110.0
Reserves		
Common control reserve	(602.5)	(566.4)
Foreign currency translation reserve	2.8	–
Retained earnings	38.1	–
	1,672.6	543.6
Profit/(loss) for the year	**118.0**	–
Total comprehensive income/(loss)	**120.8**	–

* As restated, refer to section 1.1(c).

(b) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 31 December 2021 (2020: $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 $207.8 million. The consideration comprised of $100.0 million cash, the issuance of 38.46 million shares in Latitude Group Holdings Limited and a $24.0 million deferred promissory note.

Latitude intends to utilise 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

The transaction meets the definition of a business combination under AASB 3 *Business Combinations* (refer section 1.2(b)) and details of the purchase consideration, the net assets acquired and goodwill are as follows:

	2021 $'m
Purchase consideration:	
Cash paid	100.0
Ordinary shares issues	83.8
Promissory note	24.0
Total purchase consideration	**207.8**

$6.4 million of acquisition related costs have been recognised within Other operating expenses in the consolidated income statement in the period.

Fair values measured on a provisional basis

The assets and liabilities recognised as a result of the acquisition are as follows:

	2021 $'m
Cash and cash equivalents	10.5
Loans and other receivables	61.1
Other assets	0.1
Property, plant and equipment	0.4
Intangible assets	0.4
Trade and other liabilities	(13.7)
Provisions	(0.5)
Borrowings	(52.0)
Net identifiable assets acquired	**6.3**
Add: Goodwill	201.5
Net assets acquired	**207.8**

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 fair value of the assets and liabilities recognised for the business combination in the period are provisional and as such, the goodwill has not yet been attributed to identifiable assets of the acquired business. No amount of goodwill has therefore been deducted for tax purposes at 31 December 2021.

If new information obtained within one year of the date of acquisition about facts and circumstances that existed at the date of acquisition identifies adjustment to the above amounts, or any additional provisions that existed as the date of the acquisition, then the accounting for the acquisition will be revised.

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

The transaction meets the definition of a business combination under AASB 3 *Business Combinations* (refer section 1.2(b)) and details of the purchase consideration, the net assets acquired and goodwill are as follows:

	2021 $'m
Purchase consideration:	
Cash paid	15.9
Amounts set off against amounts due from founding sellers	5.2
Deferred consideration	3.7
Total purchase consideration	**24.8**

Fair values measured on a provisional basis

The assets and liabilities recognised as a result of the acquisition are as follows:

	2021 $'m
Cash and cash equivalents	2.8
Customer receivables	0.8
Other receivables	6.3
Other assets	0.2
Employee provisions	(0.2)
Net identifiable assets acquired	**9.9**
Add: Goodwill	14.9
Net assets acquired	**24.8**

The fair value of the assets and liabilities recognised for the business combination in the period are provisional and as such, the goodwill has not yet been attributed to identifiable assets of the acquired business. No amount of goodwill has therefore been deducted for tax purposes at 31 December 2021.

If new information obtained within one year of the date of acquisition about facts and circumstances that existed at the date of acquisition identifies adjustment to the above amounts, or any additional provisions that existed as the date of the acquisition, then the accounting for the acquisition will be revised.

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 is $0.8 million, being the gross contractual amount for receivables due of $0.8 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 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 2021 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

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 2021 and of its financial performance for the year ended on that date; and

complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

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 these requirements.

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Key Audit Matters

The ***Key Audit Matters*** we identified are

- Expected credit loss provisioning
- 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.

Expected credit loss provisioning (Group $271.6 million)

Refer to Note 3.1(d) Note 3.2(f) to the Financial Report

The key audit matter	How the matter was addressed in our audit

Expected credit loss provisioning 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 measure expected credit losses (ECL) on loans and advances in accordance with the 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 ECL measurement uncertainties in their models. In the current year, this included judgements related to the expected impact of COVID-19 under multiple scenarios and the determination of a weighting for each of these scenarios (COVID-19 normalisation
	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 Committee review and approval of both the modelled provision and the provision model risk overlays.
	  – Inspecting the Group's Risk Committee packs and meeting minutes encompassing review and approval by Management of the Group's ECL models 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 of the macroeconomic model inputs including probability weighting developed by the Group's Macroeconomic Expert Panel.
	
	Working with our financial risk management specialists, we:
	• Assessed the appropriateness of the Group's provisioning methodology and ECL models, including COVID-19 normalisation, model risk overlays and historical loss experience, against the requirements of the accounting standards and industry practice.

overlay), as well as a model risk overlay to deal with model uncertainty. 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 ECL models. We applied a significant level of judgement to assess the key forward-looking assumptions and economic scenarios, including COVID-19 and 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.	• Assessed the integrity of the ECL models, including the COVID-19 normalisation and 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 ECL 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 ECL models relating to forward-looking assumptions with reference to publicly available macro-economic information. This included the assumptions used in COVID-19 normalisation, 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 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 (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	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.

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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.	• 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. • 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. Where instances of ineffectiveness were observed, we identified and tested compensating controls issues. • 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.

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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: FY21 Highlights, Our Business Model, Chair’s Report, Managing Director and CEO’s Report, What Makes Us Different, Future Growth Opportunities, Our People, Social Impact, 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
- 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.

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.

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Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of Latitude Group Holdings Limited for the year ended 31 December 2021, 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 69 to 93 of the Directors' report for the year ended 31 December 2021.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with *Australian Auditing Standards*.

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Chris Wooden

Partner

Melbourne

21 February 2022

ASX Additional Information

For the financial year ended 31 December 2021

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 2022 – Ordinary shares

Name	Units	% Units
KVD SINGAPORE PTE LTD	662,534,273	63.80
SHINSEI BANK LIMITED	100,000,000	9.63
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	63,330,558	6.10
CITICORP NOMINEES PTY LIMITED	39,402,201	3.79
MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	14,029,929	1.35
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <GSCO CUSTOMERS A/C>	13,433,691	1.29
ROBERT NICHOLAS BELAN	11,354,681	1.09
PAUL CHRISTOPHER BYRNE	10,333,916	1.00
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED – A/C 2	8,510,239	0.82
MCDONALD BROS HOLDINGS PTY LTD <ALFRED UNIT A/C>	5,497,856	0.53
CREMORNE CO PTY LTD <CREMORNE CO A/C>	5,291,728	0.51
BALMORAL FINANCIAL INVESTMENTS PTY LTD	5,236,053	0.50
ONE CREMORNE PTY LTD <ONE CREMORNE TR A/C>	4,289,447	0.41
UBS NOMINEES PTY LTD	4,220,698	0.41
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <EUROCLEAR BANK SA NV A/C>	3,847,000	0.37
OXLEIGH PTY LTD	3,737,266	0.36
COLORAC PTY LTD <ARMITAGE INVESTMENT A/C>	3,224,898	0.31
MUTUAL TRUST PTY LTD	3,208,448	0.31
EQUITAS NOMINEES PTY LIMITED <PB – 601801 A/C>	2,692,308	0.26
OTTOMIN PTY LTD	2,524,925	0.24
TOTAL	**966,700,115**	**93.09**

(b) Distribution of Shareholder Numbers as at 21 February 2022

Range	Total holders	Units	% Units
1 – 1,000	1,067	567,981	0.05
1,001 – 5,000	773	2,144,491	0.21
5,001 – 10,000	285	2,314,701	0.22
10,001 – 100,000	422	12,463,287	1.20
100,001 Over	121	1,020,971,078	98.32
Total	**2,668**	**1,038,461,538**	**100.00**

(c) There were 238 holdings of less than a marketable parcel (less than $500 in value or 248 shares based on the market price of $2.02 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 2022 are:

Shareholder	Ordinary	%
KVD SINGAPORE PTE LTD	662,534,273	63.8%
SHINSEI BANK LIMITED	103,847,000	10%

(e) As outlined in the Prospectus dated 30 March 2021, a certain number of ordinary shares in the Company held by KVD Singapore Pte. Ltd. (KVDS) were voluntarily escrowed by KVDS on the initial public offering (IPO) of Latitude. As per the ASX announcement dated 14 February 2022 431,267,136 shares were released from escrow on 23 February 2022. Voluntary escrow arrangements continue to apply to 231,267,137 of the Company's ordinary shares held by KVDS. Details of these ongoing escrow arrangements can be found in Latitude's prospectus dated 30 March 2021.

(f) 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 – LSFPA

On 28 September 2021 the Company issued Latitude Capital Notes (LFSPA) which were offered pursuant to a prospectus dated 10 September 2021. As at 21 February 2022 the 21 largest holders of LSFPA held 767,855 securities, equal to 51.19% of the total issued securities. As at 21 February 2022 the total number of LSFPA on issue was 1,500,000.

(a) 21 Largest LFSPA Capital Note holders as at 21 February 2022

Rank	Name	Units	% Units
1	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	337,521	22.50
2	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	83,935	5.60
3	CITICORP NOMINEES PTY LIMITED	71,886	4.79
4	BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD <DRP A/C>	65,382	4.36
5	LEOPOLD STATION PTY LIMITED	60,000	4.00
6	NATIONAL NOMINEES LIMITED	33,978	2.27
7	BALMORAL FINANCIAL INVESTMENTS PTY LTD <NO 2 A/C>	16,900	1.13

Rank	Name	Units	% Units
8	MRS ALINA BARLOW	15,000	1.00
9	SPECIALIST NOMINEES PTY LIMITED	10,830	0.72
10	PREMIUM CAPITAL (AUST) PTY LTD	10,150	0.68
11	AURISCH INVESTMENTS PTY LTD	10,000	0.67
12	AUSTRALIAN SHAREHOLDER NOMINEES PTY LTD <LEGAL EAGLE PL COLMANSF A/C>	6,770	0.45
13	MUTUAL TRUST PTY LTD	6,533	0.44
14	BOND STREET CUSTODIANS LIMITED <3M1CW – D64096 A/C>	5,400	0.36
15	MARAFA PTY LTD <FAUSTINO MARASCO FAMILY A/C>	5,070	0.34
16	HARDINGS TRADING PTY LTD	5,000	0.33
16	MOELIS AUSTRALIA ASSET MANGEMENT LTD <SIV BOND INCOME A/C>	5,000	0.33
16	PUPGALL PTY LTD	5,000	0.33
16	THE CORPORATION OF THE TRUSTEES OF THE ORDER OF THE SISTERS OF MERCY IN QLD <CONGREGATION A/C>	5,000	0.33
20	BLB HOLDINGS PTY LTD	4,250	0.28
20	PROGRESSIVE DISTRIBUTION PTY LTD	4,250	0.28
Total		**767,855**	**51.19**

(b) Distribution of LFSPA Capital Note holders as at 21 February 2022

Range	Total holders	Units	% Units
1 – 1,000	2,433	535,293	35.69
1,001 – 5,000	108	225,352	15.02
5,001 – 10,000	5	33,773	2.25
10,001 – 100,000	9	368,061	24.54
100,001 Over	1	337,521	22.50
Total	**2,556**	**1,500,000**	**100.00**

(c) There were no unmarketable parcel holders.

(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
James Corcoran
Beaux Pontak
Andrew Hoshino

Company Secretaries

Paul Burke
Adrian Wong

Registered Office

800 Collins Street
Docklands, VIC 3008

Share Registry

Computershare Investor Services Pty Limited

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452 Johnston Street
Abbotsford, VIC 3067

Tel: 1300 850 505 (within Australia)
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Fax: +61 32 9473 2500

Auditor

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LATITUDE

latitudefinancial.com.au