Half-Year Results

30 June 2021

Incorporating the requirements of Appendix 4D

The half-year results announcement incorporates the half-year report given to the Australian Securities Exchange (ASX) under Listing Rule 4.2A. The half-year Consolidated Interim Report is to be read in conjunction with the IPO Prospectus dated 30 March 2021.

Latitude Group Holdings Limited
ABN 83 604 747 391

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Results for Announcement to the Market

Appendix 4D

Name of entity	Latitude Group Holdings Limited
ACN	604 747 391
Reporting period	Half year ended 30 June 2021
Previous corresponding period	Half year ended 30 June 2020

Extracts from the income statements ($ millions)	30 June 2021	30 June 2020	Change on previous period $	Change on previous period % [1]
Revenue from ordinary activities	506.7	586.4	(79.7)	(13.6)%
Profit from ordinary activities after tax attributable to members	89.5	(21.1)	110.6	524.5%
Net profit for the period attributable to members	89.5	(21.1)	110.6	524.5%

Dividend information	Amounts per share (cents)	Franked amount per share (cents)	Tax rate for franking credits
Interim 2021 dividend per share declared	7.85	-	-
Interim dividend dates			
Ex-dividend date			30 August 2021
Record date			31 August 2021
Payment date			14 October 2021

There is no dividend reinvestment plan in relation to this interim dividend.

Net tangible assets per security	30 June 2021	30 June 2020
Net Tangible Assets / (Liabilities) per security ($)	$0.49	$(0.85)

This information should be read in conjunction with the 2021 Interim Financial Report.

Additional information supporting the Appendix 4D disclosure requirements can be found in the Directors' Report and consolidated financial statements for the half year ended 30 June 2021.

This report is based on the consolidated financial statements for the half year ended 30 June 2021 which have been reviewed by KPMG and are not subject to qualification.

Note 1: Percentage change on previous period has been calculated from underlying source information and hence may not reconcile with movements in rounded calculations.

Table of Contents

Date of this report

This report has been prepared for the half-year ended 30 June 2021 and is current as at 23 August 2021.

Notice to readers

The purpose of Section A is to provide information supplementary to Latitude Group Holdings Limited Financial Report (the Financial Report) for the half-year ended 30 June 2021, including further detail in relation to key elements of Latitude Group Holdings Limited's financial performance and financial position. The report also outlines the funding and capital profile of the Group.

Comparative information within Section A has been presented to align to the IPO prospectus pro forma information that was previously released rather than the statutory comparatives contained within Section B due to the restructure of the Group prior to the IPO. Further information is contained in Section C.

References to the first half (1H) are to the six months ended 30 June of the respective year.

References to the second half (2H) are to the six months ended 31 December of the respective year.

All amounts disclosed in the tables in Section A are presented in Australian dollars ('A$' or '$') and, unless otherwise noted, are rounded to the nearest A$0.1 million. Calculations within tables, percentage movements and movements with the commentary have been calculated from underlying source information and hence may not reconcile with rounded calculations.

Section A | Results

Section A | Results

01 | Summary of Group Performance

Statutory profit after tax increased by $110.6 million to $89.5 million in 1H21 from a loss of $21.1 million in 1H20. Statutory Profit after tax increased by $23.2 million from $66.3 million in 2H20.

Cash NPAT[1] increased by $54.3 million or 81.4% to $120.9 million in 1H21 from $66.7 million in 1H20. Cash NPAT decreased by $36.3 million from $157.2 million in 2H20. This reduction relative to 2H20 is primarily due to changes in IFRS 9 provision levels which occurred in 2H20.

Table 1: Summary financial results

($m)	1H21	Pro forma 2H20	Pro forma 1H20	Change % 1H21 vs 2H20	Change % 1H21 vs 1H20
Net interest income	400.9	408.2	471.9	(1.8)%	(15.0)%
Total other operating income	25.1	25.3	28.8	(0.8)%	(12.6)%
Total Operating Income	**426.0**	**433.5**	**500.7**	**(1.7)%**	**(14.9)%**
Management Operating Expenses	(185.7)	(195.3)	(207.5)	(4.9)%	(10.5)%
Operating Profit	**240.3**	**238.2**	**293.2**	**0.9%**	**(18.0)%**
Net Charge Offs	(81.9)	(87.2)	(140.4)	(6.0)%	(41.7)%
Pre-provision Profit	**158.4**	**151.0**	**152.8**	**4.9%**	**3.7%**
Provision movement	12.3	76.7	(57.9)	(84.0)%	(121.2)%
Profit before Tax & Significant Items	**170.7**	**227.7**	**94.8**	**(25.0)%**	**80.1%**
Income tax expense	(49.8)	(70.6)	(28.1)	(29.4)%	77.0%
Cash NPAT	**120.9**	**157.2**	**66.7**	**(23.1)%**	**81.4%**
Amortisation of Acquisition Intangibles	(24.1)	(24.1)	(24.2)	0.0%	(0.3)%
Amortisation of Legacy Transaction Costs	(5.6)	(10.6)	(14.2)	(47.1)%	(60.5)%
Significant Items	(14.8)	(18.2)	(44.5)	(18.8)%	(66.7)%
Tax effect of adjustments	13.1	15.6	24.4	(15.9)%	(46.2)%
Pro forma NPAT	**89.5**	**119.8**	**8.2**	**(25.3)%**	**985.7%**
Changes in Capital Structure	-	(39.9)	(40.4)	n/a	n/a
Transaction and historical IPO costs	-	(10.0)	(0.1)	n/a	n/a
Public company LTI plans	-	3.9	3.9	n/a	n/a
Historic Management Equity Plan and related expenses	-	(27.3)	(0.2)	n/a	n/a
Discontinued operations (pre-tax)	-	-	(3.0)	n/a	n/a
Incremental public company costs	-	4.8	5.2	n/a	n/a
Tax effect of adjustments	-	15.0	5.1	n/a	n/a
Statutory Profit / (Loss) after tax	**89.5**	**66.3**	**(21.1)**	**34.9%**	**524.5%**
Discontinued operations	-	(0.7)	2.1	n/a	n/a
Statutory Profit / (Loss) after tax from continuing operations	**89.5**	**65.7**	**(19.0)**	**36.3%**	**570.1%**
Dividend per Share (cents)	7.85	n/a	n/a		
Payout ratios (% of cash NPAT)	64.9%	n/a	n/a		
Pro forma EPS Cash – Basic (cents)	12.1	15.7	6.7	(23.1)%	81.4%
Pro forma EPS Statutory – Basic (cents)	9.0	12.0	0.8	(25.3)%	985.7%
EPS Statutory from continuing operations- Basic (cents)	11.3	10.1	(2.9)	11.9%	489.7%

[1] *Cash NPAT is a non-IFRS metric used for management reporting as Latitude believes it reflects what it considers to be the underlying performance of the business. Cash NPAT reflects the reported net profit after tax adjusted for the after-tax impact of Amortisation of acquisition intangibles, Legacy Transaction costs and Significant items. Further information on Cash NPAT is included in Section C supplementary Information*

Pre-provision profit[1] increased by $5.6 million or 3.7% to $158.4 million from $152.8 million in 1H20, and by 4.9% from $151.0 million in 2H20. This result was delivered despite the significant disruption to consumer spending trends and repayment rates that arose as a result of COVID-19, resulting in a material reduction in receivables for Latitude since March 2020. The key drivers of the stability in Pre-provision profit are as follows:

- **Operating Profit**[1] was stable, increasing modestly by $2.1 million or 0.9% to $240.3 million from $238.2 million in 2H20 after reducing by $55.0 million between 1H20 and 2H20 in FY20. The return to growth in operating profit was due to lower management operating expenses and benefits from Latitude's simplification agenda offsetting lower Total Operating Income given the fall in Gross Loan Receivables from COVID19 impacts on volume and repayment levels.

- **Net Charge offs** decreased by $58.5 million or 41.7% to $81.9 million from $140.4 million in 1H20. This result was also favourable by $5.3 million or 6.0% to the Net charge offs for 2H20 of $87.2 million. The improvement in Net Charge offs during the period was as a result of the ongoing improvement in the credit quality of the portfolio due to the tightening of underwriting standards during 2020 as well as repayment rates being elevated for more vulnerable customer segments during this period, with hardship metrics of the portfolio continuing to improve over the course of 2H20 and 1H21 (after the initial surge in hardship levels during 1H20). Further information on asset quality trends is included in the Asset Quality Metrics in this section. In line with improvements in asset quality, the Coverage ratio for loan losses reduced in 1H21, continuing the gradual trend of unwinding the increase initially recognised in 1H20 from elevated hardship levels at 30 June 2020 and the macro-economic outlook at that time.

Statutory Profit after tax & Proforma NPAT

Latitude has included both Statutory Profit after tax as well as Proforma NPAT in Table 1 above. Proforma NPAT directly ties into the FY20 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 FY20 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 Latitude's belief that the Pro forma information provided in the IPO Prospectus dated 30 March 2021 provides a more useful and representative basis of the Group's underlying performance for 1H20 and 2H20 than the Comparative Statutory results for those historical periods. As a result, the comparative information within Section A has been presented to align to the IPO prospectus pro forma information that was previously released rather than the statutory comparatives contained within Section B.

Section C of this Results document includes the following information to aid the readers understanding of the differences as follows:

- Section C.1 includes a description of the restructure of the Group and the impact on the statutory financial statements in the prior comparative period;
- Section C.8, Table C.6 sets out the reconciliation of the FY20 "Combined" statutory NPAT as included in the IPO prospectus Section 4, including the composition of 1H20 and 2H20 to the Comparative Statutory NPAT as included in the Financial Statements in Section B of this document; and
- Section C.8 Table C.7 sets out the reconciliation of Comparative Statutory NPAT for FY20, including the composition of 1H20 and 2H20 to the Proforma information in Section A of this document and the IPO Prospectus Section 4.

The remainder of the information in Section A will now reference Proforma for historical periods.

[1] *Pre-provision profit and Operating Profit are a non-IFRS metrics used by Latitude in assessing underlying performance. The definitions are set out in Section C – supplementary information*

Section A | Results

02 | Volume

Volume in 1H21 continued to recover towards pre-COVID-19 levels (excluding international volumes) with stronger relative recovery in the New Zealand Segment. Lending volumes in both Australia and New Zealand have grown in excess of 10% compared to 2H20.

Table 2: Volume

($m)	1H21	Pro forma 2H20	Pro forma 1H20	Change % 1H21 vs 2H20	Change % 1H21 vs 1H20
Group	**3,639.8**	**3,579.7**	**3,452.4**	**1.7%**	**5.4%**
Australia	**2,905.6**	**2,859.6**	**2,856.1**	**1.6%**	**1.7%**
- Instalments	1,560.1	1,696.8	1,593.1	(8.1)%	(2.1)%
- Lending	1,345.5	1,162.8	1,262.9	15.7%	6.5%
New Zealand	**734.2**	**720.1**	**596.3**	**2.0%**	**23.1%**
- Instalments	549.0	553.8	461.3	(0.9)%	19.0%
- Lending	185.2	166.3	135.0	11.4%	37.2%

At a Group level volume increased by $187.4 million or 5.4% in 1H21 compared to 1H20, comprising:

- Australian volume increased by $49.5 million or 1.7%, reflecting the combination of strong growth in the Lending products of 6.5% offset by lower volume in the Instalments products of 2.1%. The Lending volume growth was driven by Personal & Auto loans that increased by 34.7% offset by lower international scheme volume in the direct credit card portfolio. Scheme volume (across Instalments and Lending products) in 1H21 was flat with increased domestic spend offsetting a reduction in volume from international travel, noting that 1H20 volumes already reflected lower international travel levels given the onset of COVID-19 in March 2020.
- New Zealand volume increased by $137.9 million or 23.1% with strong performance across both Instalments and Lending, in particular interest free volume within Instalments that increased by 29.8% and Personal loans within Lending increasing by 45.6%. Overall scheme volume increased 10.5% in 1H21 compared to 1H20 with strong domestic spend outside lockdown periods offsetting a reduction in volume from international travel.

At a Group level volume increased by $60.1 million or 1.7% in 1H21 compared to 2H20, comprising:

- Australian volume increased by $46.0 million or 1.6%, primarily driven by the continuing momentum in Lending that increased by 15.7% with Personal & Auto loans growing 46.2% in 1H21 as compared to 2H20. This offset a decrease of 8.1% in volume from the Instalment products which was partially driven by seasonal expectations (refer Section C.3 for further information on seasonality) as well as a softer retail sales performance during 1Q21.
- New Zealand volume increased by $14.1 million or 2.0% reflecting the continuing momentum in Lending, in particular in Personal Loans that increased by 15.6% offset by volume reductions in a runoff credit card product within the Lending portfolio. In addition, this is further offset by a small decrease of 0.9% in volume from Instalments which is in line with seasonal expectations.

Section A | Results

03 | Gross Loan Receivables

Receivables growth from volume recovery has been offset by higher repayment rates given elevated levels of household deposits and government stimulus.

Table 3: Gross Loan Receivables and Average Gross Receivables ("AGR")

($m)	1H21	Pro forma 2H20	Pro forma 1H20	Change % 1H21 vs 2H20	Change % 1H21 vs 1H20
Gross Loan Receivables					
Group	**6,474.4**	**6,521.6**	**6,872.0**	**(0.7)%**	**(5.8)%**
Australia	**5,094.0**	**5,101.0**	**5,420.2**	**(0.1)%**	**(6.0)%**
- Instalments	2,784.5	2,856.6	3,073.9	(2.5)%	(9.4)%
- Lending	2,309.5	2,244.4	2,346.2	2.9%	(1.6)%
New Zealand	**1,380.3**	**1,420.6**	**1,451.8**	**(2.8)%**	**(4.9)%**
- Instalments	868.2	880.0	863.9	(1.3)%	0.5%
- Lending	512.1	540.6	587.9	(5.3)%	(12.9)%
Average Gross Receivables					
Group	**6,492.9**	**6,526.3**	**7,371.9**	**(0.5)%**	**(11.9)%**
Australia	**5,090.4**	**5,117.3**	**5,797.1**	**(0.5)%**	**(12.2)%**
- Instalments	2,823.4	2,859.7	3,333.6	(1.3)%	(15.3)%
- Lending	2,267.0	2,257.6	2,463.4	0.4%	(8.0)%
New Zealand	**1,402.6**	**1,408.9**	**1,574.8**	**(0.5)%**	**(10.9)%**
- Instalments	877.8	855.7	937.5	2.6%	(6.4)%
- Lending	524.8	553.2	637.3	(5.1)%	(17.6)%

Gross Loan Receivables decreased by $397.6 million or 5.8% in 1H21 compared to 1H20. AGR decreased by $878.9 million or 11.9% in 1H21 compared to 1H20, comprising:

- Across both Australia and New Zealand, Gross Loan Receivables in 1H21 were affected by the compounding effect of COVID-19 on volumes through FY20 and 1H21 combined with an elevated level of customer repayment rates as a result of external factors (including Government stimulus measures in both markets and access to superannuation withdrawals in Australia).
- Australian Gross Loan Receivables decreased $326.1 million or 6.0% as the elevated levels of repayments were most pronounced in the Instalment portfolio with the Auto Loans portfolio being the primary driver of growth in 1H21 increasing by 28.1%.
- In New Zealand Gross Loan Receivables decreased by $71.5 million or 4.9% with the elevated level of customer repayments across both the Instalments and Lending portfolios. The Instalments portfolio stabilised in 1H21 as retail volume recovered and increased by $4.3 million or 0.5% in 1H21, despite elevated repayments still persisting during this half.

Gross Loan Receivables stabilised in 1H21 compared to 2H20 only decreasing by $47.2 million or 0.7%. AGR has stabilised in 1H21 compared to 2H20 only decreasing by $33.3 million or 0.5%, comprising:

- Australian Gross Loan Receivables decreased $6.9 million or 0.1%. Whilst volumes continued to rebuild toward pre-COVID-19 levels and repayment rates eased from the extremely high levels experienced in FY20, repayment levels continued to remain elevated compared to pre COVID-19 levels with sporadic lockdowns affecting consumer confidence. The growth in the Lending products continued to be dominated by Auto Loans growing 15.5% in 1H21 compared to 2H20.
- New Zealand Gross Loan Receivables decreased $40.3 million or 2.8% impacted by a small decrease in the Instalments portfolio as a result of seasonal volumes in 2H20 plus a decrease in the Lending portfolio of 5.3% as volumes continued the growth momentum to return to pre-COVID-19 levels but was insufficient to offset repayments during the period.

04 | Operating Income

Total Operating Income has stabilised in 1H21 after reductions in 2H20 which reflected the fall in receivables during FY20. Yields remained steady compared to 2H20 with lending yield reductions being reflective of product mix and higher credit quality.

Table 4: Total Operating income ($) and Operating income yield (%)

($m)	1H21	Pro forma 2H20	Pro forma 1H20	Change % 1H21 vs 2H20	Change % 1H21 vs 1H20
Group	**426.0**	**433.5**	**500.7**	**(1.7)%**	**(14.9)%**
Australia	**321.9**	**325.8**	**385.4**	**(1.2)%**	**(16.5)%**
- Instalments	200.7	197.1	233.5	1.9%	(14.0)%
- Lending	121.1	128.8	151.9	(5.9)%	(20.3)%
New Zealand	**93.3**	**98.2**	**108.2**	**(5.0)%**	**(13.8)%**
- Instalments	58.9	60.6	63.3	(2.9)%	(7.0)%
- Lending	34.5	37.6	44.9	(8.2)%	(23.1)%
Other	**10.8**	**9.5**	**7.1**	**13.9%**	**51.7%**
(%)					
Group	**13.23%**	**13.21%**	**13.66%**	**2bps**	**(43)bps**
Australia	**12.75%**	**12.67%**	**13.37%**	**8bps**	**(62)bps**
- Instalments	14.34%	13.71%	14.08%	63bps	25bps
- Lending	10.78%	11.35%	12.40%	(57)bps	(163)bps
New Zealand	**13.42%**	**13.86%**	**13.81%**	**(44)bps**	**(39)bps**
- Instalments	13.52%	14.08%	13.57%	(56)bps	(5)bps
- Lending	13.26%	13.52%	14.16%	(26)bps	(90)bps

Note – Table above excludes the Amortisation of Legacy Transaction costs (Refer Table C.5) which is included in Interest Expense and sub-lease revenue from discontinued facilities (Refer Table C.8) which is included in Other Operating Income for Statutory reporting purposes.

Total Operating Income decreased by $74.6 million or 14.9% with the Operating income yield decreasing by 43 bps in 1H21 compared to 1H20, comprising:

- Australian Operating income decreased by $63.5 million or 16.5%. The decrease was a result of a lower AGR for the period (as referenced above) combined with the reduced yield, which decreased by 62bps. The lower Operating income yield in the Lending products resulted from changes to new business pricing to drive growth and attract a higher quality customer cohort as well as the higher contribution of Auto lending as a proportion of the portfolio given its higher growth rates.
- New Zealand Operating income decreased by $14.9 million or 13.8%. The decrease was a result of lower AGR for the period (as referenced above) with the Operating income yield decreasing by 39bps. Operating income yield remained reasonably flat for the Instalments segment but was lower by 90bps in the Lending segment. Consistent with Australia, the Lending portfolio Operating income yield decreased as a result of changes made to new business pricing designed to drive growth and attract a higher quality customer cohort.
- An increase in the Other segment Operating income of $3.7 million or 51.7% largely as a result of higher Net Insurance income with lower Claims (post elevated claims in 1H20 impacted by early stages of COVID-19).

Total Operating Income decreased by $7.5 million or 1.7% with Operating income yield increasing by 2bps in 1H21 compared to 2H20, comprising:

- Australian Operating income remaining relatively flat with the Operating income yield increasing by 8bps. The seasonal 1H increase in Operating income yields on the Instalments portfolios has offset the reduction in the Lending portfolios due to the impact of the new business pricing changes discussed above and the relative increase in the Auto portfolio in the period.

- New Zealand Operating income decreased by $4.9 million or 5.0% and Operating income yield which decreased by 44bps. The key driver of both these reductions was that the composition of the AGR across 1H21 was weighted more to interest free receivables in the Instalments portfolio compounded by the new business pricing changes discussed above in the Lending portfolio.
- An increase in the Other segment Operating income of $1.3 million or 13.9% as a result of higher Net Insurance income resulting from lower Claims expense.

Table C.1 in Section C includes risk adjusted income and risk adjusted income yields.

05 | Operating Expenses

Latitude's expense base has continued to benefit from its productivity agenda and investment in simplification, with operating expenses reducing by 10.5% despite a reversion to higher levels of marketing expense.

Table 5: Operating Expenses

($m)	1H21	Pro forma 2H20	Pro forma 1H20	Change % 1H21 vs 2H20	Change % 1H21 vs 1H20
Management Operating Expenses					
Employee benefit expense	83.9	83.7	101.1	0.2%	(17.0)%
Marketing expenses	17.1	13.0	7.1	31.4%	142.6%
Depreciation & Amortisation expense*	21.6	23.8	20.8	(9.4)%	3.9%
Other Management Operating Expenses	63.2	74.8	78.6	(15.5)%	(19.7)%
Total Management Operating Expenses	**185.7**	**195.3**	**207.5**	**(4.9)%**	**(10.5)%**
Cost to income ratio	43.6%	45.1%	41.4%	(147)bps	214bps

** Refer Table C.8 in Supplementary information for reconciliation to Statutory disclosures in Section B*

Management Operating Expenses decreased by $21.8 million to $185.7 million from $207.5 million or 10.5% in 1H21 compared to 1H20, comprising the following movements:

- Employee benefit expense decreased $17.2 million, driven by operating model changes and productivity initiatives and the ongoing delivery of the simplification program.
- Marketing expenses increased $10.1 million in 1H21 compared to 1H20 as marketing spend to support Volume growth was reinitiated after being paused in 1H20 during the significant lockdown periods due to COVID-19.
- Other Management Operating Expenses decreased $15.5 million or 19.7%, which included other efficiency initiatives as well as a circa $4.0 million improvement in fraud losses.
- Cost to income ratio increased 214bps from 41.4% to 43.6% due to the decrease in Total Operating Income more than offsetting the reduction in management operating costs.

Management Operating Expenses decreased by $9.6 million or 4.9% in 1H21 compared to 2H20:

- Marketing expenses increased $4.1 million, reflecting an increase in marketing spend to pre-COVID levels for the full financial period to support volume growth.
- Other Management Operating Expenses decreased $11.6 million or 15.5%, driven by productivity savings in outside services as well as ongoing improvements in fraud losses.
- Cost to Income ratio decreased 147bps from 45.1% to 43.6%, with the reduction in management operating expenses due to productivity initiatives being more than sufficient to offset the reduction in Total Operating income during the period.

06 | Significant Items & Investment Spend

Latitude continued to invest in its simplification agenda and new LatitudePay plus (Big ticket) in 1H21 and commenced investment in the Asian expansion. Total investment of $35.1m in these programs of which $10m was expensed during the half.

Latitude excludes from Cash NPAT certain items that are included in the statutory profit after tax that Latitude believes should be separately identified due to their significant nature. Latitude believes these items are outside the ordinary course of business and temporary in nature or relate to the costs associated with entering new segments and markets where the associated revenues or benefits from that investment will not evolve during the reporting period and where the costs have not been capitalised.

Table 6: Summary of Significant items and Capex

($m)	1H21 Opex	1H21 Capex [(a)]	1H21 Total
Investment-related expense			
Technology Investment and Simplification	6.9	18.7	25.5
BNPL - Big Ticket	1.8	6.4	8.3
International	1.3	-	1.3
Total Investment-related Significant items	**10.0**	**25.1**	**35.1**
Other Significant items			
Restructuring [(b)]	0.9		
Remediation and Other provisions	-		
Asset/work in progress impairment	1.7		
Discontinued Facilities (net of sub-lease revenue)	2.2		
Total other Significant items	**4.8**		
Total Significant items	**14.8**		

(a) Excludes Business as usual opex and capex: Latitude invests in capex required to support ongoing operations of the business (the opex related to this investment is included in the core operating expenses and is not identified separately).
(b) Restructuring includes Management Equity Plan (contains final trust distributions) and IPO transaction cost reversal.

Significant items incurred in 1H21 include:

- the continuation of investment in the Simplification program (automation and digitisation of operational processes and streamlining of the technology cost base);
- the continuation of investment in developing the Latitude Pay plus product (the extension of the Latitude Pay proposition to larger ticket transactions -BNPL Big Ticket);
- the commencement of investment in Latitude's international expansion strategy, focussing specifically on Singapore and Malaysia;
- streamlining of the Latitude property and facilities footprint as preparations to exit certain locations given workforce virtualisation in those locations;
- minor asset / work in progress impairments; and
- restructuring costs (including costs associated with the IPO as well as associated corporate restructure costs, excluding IPO costs paid by KVD Singapore Pte Ltd).

Forecast investment for both the Simplification and Big Ticket BNPL programs remain in line with amounts previously disclosed in the IPO Prospectus.

07 | Asset Quality metrics

Asset quality metrics continued to improve during 1H21 with significant reductions in net charge offs and hardship levels. IFRS 9 provision coverage ratios modestly eased but remain above pre-COVID levels due to uncertainty of vaccine rollout and lockdown disruptions.

Credit losses (Net charge off rates – refer Table 7 below) have continued to perform strongly, dropping significantly to 254bps at 1H21, down 129bps on 1H20 and 11bps on 2H20. The result is driven by sustained low delinquency and gross charge off rates, including lower rates of bankruptcy, and influenced by higher customer repayment rates, with a more significant impact observed in the Australian Instalments portfolio. Cash flow access due to COVID-19 government support has also had a favourable impact on post charge-off recovery rates. The Australian portfolio has observed a more significant change in Net charge offs than New Zealand primarily due to the difference in COVID-19 government support, resulting in different customer repayment behaviour and deleveraging.

Portfolio delinquency rates (refer Table 8 below) are showing signs of pre-COVID-19 trends, with 90+ days past due rates down 13bps 1H21 compared to 1H20 and increasing 15bps 1H21 compared to 2H20 (in line with seasonal trends) at a Group level. Overall delinquency performance remains strong, with the low 2H20 delinquency levels influenced by COVID-19 government support, mortgage payment holidays, reduced discretionary spend, higher hardship approvals and increased lending restrictions between April and October 2020. Delinquency levels at the end of 1H21 continued to be low, driven by elevated customer repayment rates.

Portfolio hardship rates (refer Table 9 below) at a group level have reduced 330 bps in 1H21 compared to 1H20, with the Australian portfolio tracking towards pre COVID-19 levels of 2.90% while the New Zealand portfolio has returned to pre-COVID levels. The drivers of improvement in hardship inventory levels, which have improved by 50bps in 1H21 compared to 2H20, were similar to the Net charge off rates performance improvements discussed above. It is important to note that there has traditionally been a lower level of hardship inventory in New Zealand compared to Australia as a result of differences in the regulation and customer reporting requirements.

Table 7: Net charge off Rates

(%)	1H21	Pro forma 2H20	Pro forma 1H20	Change % 1H21 vs 2H20	Change % 1H21 vs 1H20
Group	**2.54%**	**2.66%**	**3.83%**	**(11)bps**	**(129)bps**
Australia	**2.47%**	**2.69%**	**4.05%**	**(21)bps**	**(158)bps**
- Instalments	2.62%	3.12%	4.13%	(50)bps	(151)bps
- Lending	2.29%	2.14%	3.95%	15bps	(166)bps
New Zealand	**2.73%**	**2.55%**	**3.02%**	**18bps**	**(29)bps**
- Instalments	2.63%	2.43%	2.80%	20bps	(17)bps
- Lending	2.89%	2.73%	3.34%	16bps	(44)bps

Table 8: 90+ days past due

(%)	1H21	Pro forma 2H20	Pro forma 1H20	Change % 1H21 vs 2H20	Change % 1H21 vs 1H20
Group	0.82%	0.67%	0.95%	15bps	(13)bps
Australia	0.81%	0.65%	0.95%	17bps	(14)bps
New Zealand	0.85%	0.76%	0.96%	9bps	(10)bps

Table 9: Hardship inventory

(%)	1H21	Pro forma 2H20	Pro forma 1H20	Change % 1H21 vs 2H20	Change % 1H21 vs 1H20
Group	2.80%	3.30%	6.10%	(50)bps	(330)bps
Australia	3.30%	3.90%	7.40%	(60)bps	(410)bps
New Zealand	0.90%	1.20%	1.90%	(30)bps	(100)bps

The Group Coverage ratio (refer Table 10) for 1H21 of 4.46% is down 104 bps from 1H20 and 16 bps from 2H20, however continues to be above pre-COVID-19 levels of 4.21% (as at 31 December 2019). The reduction in Coverage ratio during 1H21 was driven by:

- the decreasing core provision model, influenced by the strong portfolio delinquency profile as set out in Table 8, low Gross charge offs (including bankruptcy) with improved recovery levels as evidenced by the Net charge off rates included in Table 7;
- Improving levels of hardship in the portfolio (refer Table 9 above);
- Improving economic outlook, leading to lower probability of default; offset by
- a COVID-19 normalisation overlay, given the significant shift in portfolio performance over the last 12 months. Refer to Section B, note 3.2 of the Interim Financial Statements for further information on Latitude's IFRS 9 model risk overlays.

Table 10: Coverage ratio

(%)	1H21	Pro forma 2H20	Pro forma 1H20	Change % 1H21 vs 2H20	Change % 1H21 vs 1H20
Group	**4.46%**	**4.62%**	**5.50%**	**(16)bps**	**(104)bps**
Australia	4.86%	4.85%	5.96%	0bps	(110)bps
New Zealand	2.99%	3.78%	3.80%	(79)bps	(81)bps

Table C.2 in Section C includes the Loan impairment expense analysis.

08 | Interest expense

Interest expense reduced, both in absolute terms due to lower receivables as well as in terms of yield % since 1H20. The stabilisation of yield in 1H21 is driven by lower swap rates offset by new costs associated with the syndicated loan facility and higher fees.

Table 11: Interest expense ($) and Interest expense yield (%)

($m)	1H21	Pro forma 2H20	Pro forma 1H20	Change % 1H21 vs 2H20	Change % 1H21 vs 1H20
Group	**80.2**	**80.3**	**97.8**	**0.1%**	**18.0%**
Australia	57.9	58.6	72.1	1.1%	19.6%
New Zealand	18.5	18.6	22.2	0.6%	16.9%
Other	3.8	3.1	3.5	(21.3)%	(9.3)%
(%)					
Group	**2.49%**	**2.45%**	**2.67%**	**(4)bps**	**18bps**
Australia	2.30%	2.28%	2.50%	(2)bps	21bps
New Zealand	2.65%	2.62%	2.84%	(3)bps	18bps

Interest expense decreased by $17.6 million or 18.0% in 1H21 compared to 1H20. The associated Interest expense yield decreased by 18bps from 2.67% to 2.49%.

- The Australian Interest expense decreased by $14.1 million or 19.6% due to a combination of the lower AGR, which reduced by 12.2% and lower Interest expense yield, which reduced by 21bps. Interest expense yield in 1H21 benefited from lower base interest rates partially offset by increased credit margins (funding facilities refinanced in FY20 in a disrupted market) and higher commitment fees, due to higher levels of undrawn limits.
- The New Zealand Interest expense decreased by $3.8 million or 16.9% due to a combination of the lower AGR, which reduced by 10.9% and lower Interest expense yield, which reduced by 18bps. Interest expense yield in 1H21 benefited from lower base interest rates partially offset by increased credit margins (funding facilities refinanced in FY20 in a disrupted market) and higher commitment fees, due to higher levels of undrawn limits.
- The Other segment Interest expense increased by $0.3 million and 9.3% largely driven by costs associated with the new syndicated loan facility entered into following the IPO.

Interest expense decreased by $0.1 million or 0.1% in 1H21 compared to 2H20. The associated Interest expense yield increased by 4 bps from 2.45% to 2.49%.

- The Australian Interest expense decreased by $0.6 million or 1.1% due to lower AGR, which reduced by 0.5% offset by slightly higher Interest expense yield, (increase of 2bps). Interest expense yield in 1H21 benefited from lower base interest rates which was fully offset by increased credit margins (with the full period effect of funding facilities refinanced during the 2H20 disrupted market conditions) as well as higher transaction expense amortisation.
- The New Zealand Interest expense decreased by $0.1 million or 0.6%, due to lower AGR, which reduced by 0.3% partially offset by higher interest expense yield, (increase of 3 bps). Interest expense yield in 1H21 is slightly higher than 2H20 due to increased credit margins (with the full period effect of funding facilities refinanced during the 2H20 disrupted market conditions) as well as higher transaction expense amortisation with base interest rates relatively stable.
- The Other segment Interest expense increased by $0.7 million or 21.3% largely driven by costs associated with the syndicated loan facility entered into following the IPO.

Section C.6 includes a breakdown in Latitude's funding facilities. Table C.5 includes the Amortisation of Legacy Transaction costs which is included in Interest expense for Statutory reporting purposes.

09 | Capital and Shareholder Returns metrics

Latitude's ROE of 19.1% and 25.3% growth of tangible equity during 1H21 demonstrates the strength and resilience of the Group and its ability to support a dividend payout ratio of 60-70% of Cash NPAT.

An interim dividend of 7.85 cents per share has been declared for 1H21.

Table 12: Shareholder return and capital

($m)	1H21	Pro forma 2H20	Pro forma 1H20	Change % 1H21 vs 2H20
Total Equity	1,319.8	1,229.6	n.a.	7.3%
Tangible Equity	494.8	394.8	n.a.	25.3%
Return on Equity (ROE)	19.1%	n.a.	n.a.	n.a.
Return on Tangible Equity (ROTE)	54.4%	n.a.	n.a.	n.a.
Tangible Equity to Net Receivables (TER)	8.2%	6.5%	n.a.	168bps

Notes:

(a) *1H21 metrics are based on the average equity position between the respective balance dates. No ROE or ROTE are calculated for the historic half-year periods as average pro forma equity positions for those half-year periods are unavailable.*

The 1H21 ROE of 19.1% and ROTE of 54.4% are reasonably consistent with the pro forma FY20 ROE of 18.2% and pro forma FY20 ROTE of 56.7% contained in the IPO prospectus.

During 1H21, the Tangible Equity to Net receivables (TER) rose by 168bps to 8.2% from 6.5% as at 31 December 2020. The increase in Latitude's capital ratio since 31 December 2020 demonstrates the high capital generative nature of the Latitude business, and its ability to support the proposed dividend as well as the growth trajectory of the business with tangible equity growth being higher than total equity due to the continued amortisation of acquisition intangibles being higher than growth in new capitalised software. Refer to the commentary on acquisition intangibles in Section C Table C.5.

Section B | 2021 Consolidated Interim Financial Report

Section B | 2021 Consolidated Interim Financial Report
Latitude Group Holdings Limited

For the half-year ended 30 June 2021

This Interim Financial Report ('Interim Report') has been prepared in accordance with Australian Accounting Standards and the Corporations Act 2001 and does not include all the notes of the type normally included in an Annual Financial Report. Latitude Group Holdings Limited has also released information to the Australian Securities Exchange operated by ASX Limited ('ASX') in compliance with the continuous disclosure requirements of the ASX Listing Rules. Announcements made by Latitude Group Holdings Limited under such rules are available on ASX's internet site www.asx.com.au (Latitude Group Holdings Limited ASX code is ASX:LFS). The material in this report has been prepared by Latitude Group Holdings Limited ABN 83 604 747 391 and is current at the date of this report.

The Interim Financial Report was authorised for issue by Latitude Group Holdings Limited's Directors on 23 August 2021.

The Board of Directors has the power to amend and reissue the Interim Report. Latitude Group Holdings Limited is a 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
ABN 83 604 747 391

Section B | 2021 Consolidated Interim Financial Report

Latitude Group Holdings Limited

For the half-year ended 30 June 2021

Contents

Section B | 2021 Consolidated Interim Financial Report
Latitude Group Holdings Limited

For the half-year ended 30 June 2021

Directors' Report

The Directors present their Interim Financial Report on the consolidated entity consisting 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 6 months ended 30 June 2021 ('half-year') and the auditor's report thereon.

Directors

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

Michael Tilley
Independent Non-Executive Chairman

Ahmed Fahour (Appointed 29 March 2021)
Managing Director and CEO

Alison Ledger (Appointed 29 March 2021)
Independent Non-Executive Director

Mark Joiner (Appointed 29 March 2021)
Independent Non-Executive Director

Scott Bookmyer
Non-Executive Director

James Corcoran
Non-Executive Director

Beaux Pontak
Non-Executive Director

Andrew Hoshino (Appointed 18 June 2021)
Non-Executive Director

Company Secretaries

Adrian Wong
General Counsel and Company Secretary

Paul Burke
General Manager Government Affairs and Company Secretary

Principal activities

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

- **Instalments (L-Pay)**: where the customer's need is to purchase goods or services and where Latitude provides a payment and finance solution for the merchant and customer to transact either with small purchases and weekly instalments (buy now, pay later ('BNPL')) or bigger purchases and monthly or flexible payments (interest free plans with/without Scheme features); and
- **Lending (L-Money):** where customers are directly considering their payments and financing needs for personal loans, motor loans or travel credit cards.
- 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).

Section B | 2021 Consolidated Interim Financial Report

Latitude Group Holdings Limited

For the half-year ended 30 June 2021

Results

The Group reported a $89.5 million profit after tax from continuing operations for the half-year ended 30 June 2021 (half-year ended 30 June 2020: $(19.0) million loss).

Dividends

Since the end of the half-year the Company has declared an unfranked dividend of 7.85 cents per share $78.5 million for the half-year ended 30 June 2021 (half-year ended 30 June 2020: $nil).

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).

Events occurring after the reporting date

On 21 July 2021 Latitude Group Holdings Limited received a no objection decision from the Foreign Investment Review Board in relation to the proposed restructure of the Group. The relevant restructure steps were finalised on 1 August 2021.

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 and Latitude Financial Singapore Pte. Ltd were incorporated in Singapore on 5 August 2021 and 6 August 2021 respectively. Latitude Group Holdings Limited holds 100% of the ordinary share capital of Latitude Financial International Pte. Ltd and Latitude Financial International Pte. Ltd holds 100% of the ordinary share capital of Latitude Financial Singapore Pte Ltd.

On 9 August 2021, Latitude Group Holdings Limited agreed to acquire Symple Financial Group Limited (Symple Loans) for $200 million, subject to regulatory approval and the execution by Symple of internal restructuring steps. The transaction is intended to be funded by the issue or delivery of 38.46 million Latitude Group Holdings Limited shares valued at $2.60 per share and $100 million in cash. The purchase of Symple is expected to accelerate growth in Latitude's loan portfolio and reduce costs. The transaction is subject to regulatory approval, execution by Symple of internal restructuring steps, and completion adjustments for cash and cash like balances.

There has not arisen in the interval between the end of the interim 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.

Likely developments and expected results of operations

Information about likely developments in the operations of the Group and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would likely result in unreasonable prejudice to the Company and the Group.

Environmental regulation

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

Insurance of officers and indemnities

(a) Insurance of officers

During the half-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 half-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.

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 23 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.

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

Michael Tilley
Director

Arcadia, NSW
23 August 2021

For the half-year ended 30 June 2021

Directors' Declaration

The Directors of Latitude Group Holdings Limited declare that:

(a) the consolidated interim financial statements and notes set out on pages 26 to 56 are in accordance with the *Corporations Act 2001*, including:

   (i) section 304, that they comply with the Australian Accounting Standards and any further requirements in the Corporations Regulations 2001; and

   (ii) section 305, that they give a true and fair view of the Group's financial position as at 30 June 2021 and of its performance for the half-year ended on that date; and

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

Signed in accordance with a resolution of the Directors.

Michael Tilley
Director

Arcadia, NSW
23 August 2021

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 review of Latitude Group Holdings Limited for the half-year ended 30 June 2021 there have been:

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

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

KPMG

KPMG

Chris Wooden

Partner

Melbourne

23 August 2021

Independent Auditor's Review Report

To the shareholders of Latitude Group Holdings Limited and its controlled entities

Report on the Consolidated Interim Financial Report

Conclusion

We have reviewed the accompanying ***Consolidated Interim Financial Report*** of Latitude Group Holdings Limited (the Company) (formerly KVD Australia Holdco Pty Ltd) and its controlled entities (together the ***Group***).

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the Consolidated Interim Financial Report of Latitude Group Holdings Limited does not comply with the *Corporations Act 2001*, including:

- giving a true and fair view of the Group's financial position as at 30 June 2021 and of its performance for the Interim Period ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The ***Consolidated Interim Financial Report*** of the Group comprises:

- Consolidated statement of financial position as at 30 June 2021;
- Consolidated statement of profit or loss, Consolidated statement of comprehensive income, Consolidated statement of changes in equity and Consolidated statement of cash flows for the Interim Period ended on that date;
- Notes 1 to 6 comprising a summary of significant accounting policies and other explanatory information; and
- The Directors' Declaration.

The ***Group*** comprises Latitude Group Holdings Limited (the Company) and the entities it controlled at the Interim Period's end or from time to time during the Interim Period.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report.

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

KPMG

Responsibilities of the Directors for the Consolidated Interim Financial Report

The Directors of the Group are responsible for:

- the preparation of the Consolidated Interim Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001;* and
- such internal control as the Directors determine is necessary to enable the preparation of the Consolidated Interim Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Review of the Consolidated Interim Financial Report

Our responsibility is to express a conclusion on the Consolidated Interim Financial Report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the Consolidated Interim Financial Report does not comply with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 30 June 2021 and its performance for the Interim Period ended on that date, and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of an Interim Period Financial Report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with *Australian Auditing Standards* and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

KPMG

KPMG

Chris Wooden

Partner

Melbourne

23 August 2021

For the half-year ended 30 June 2021

Consolidated Income Statement

	Notes	30 June 2021 $'m	*30 June 2020 $'m
Interest income	2.2(a)	**481.1**	569.7
Interest expense	2.2(a)	**(85.8)**	(150.8)
Net interest income		**395.3**	418.9
Other operating income	2.2(b)	**8.6**	12.4
Net insurance income	2.2(c)	**17.0**	4.3
Total other operating income		**25.6**	16.7
Total operating income		**420.9**	435.6
Loan impairment expense		**(69.6)**	(198.3)
Operating expenses			
Employee benefit expense		**(85.9)**	(96.2)
Depreciation and amortisation expense		**(45.7)**	(45.0)
IT and data processing expenses		**(26.2)**	(28.2)
Marketing expenses		**(17.1)**	(6.4)
Administrative and professional expenses		**(14.6)**	(19.1)
Occupancy and operating expenses		**(11.2)**	(13.5)
Other expenses		**(21.2)**	(47.0)
Total operating expenses		**(221.9)**	(255.4)
Distribution to trust beneficiaries		**(3.2)**	(1.5)
Profit/(loss) before income tax		**126.2**	(19.6)
Income tax (expense)/benefit	2.3(a)	**(36.7)**	0.6
Profit/(loss) from continuing operations		**89.5**	(19.0)
Net loss after tax for the period from discontinued operations	6.4(b)	**-**	(2.1)
Net profit/(loss) for the period		**89.5**	(21.1)
Profit/(loss) is attributable to:			
Owners of Latitude Group Holdings Limited		**89.5**	(21.1)
Profit/(loss) for the period		**89.5**	(21.1)

**As restated, refer to note 1.1(c)*

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

For the half-year ended 30 June 2021

Consolidated Statement of Comprehensive Income

	Notes	30 June 2021 $'m	*30 June 2020 $'m
Net profit/(loss) for the period from continuing operations		**89.5**	(19.0)
Other comprehensive income			
Item that may be reclassified to income statement			
Cash flow hedges		**5.5**	(14.8)
Currency translation differences arising during the period		**1.4**	(7.9)
Other comprehensive income/(loss) for the period, net of tax		**6.9**	(22.7)
Total comprehensive income/(loss) for the period from continuing operations		**96.4**	(41.7)
Net loss for the period from discontinued operations	6.4(b)	**-**	(2.1)
Total comprehensive income/(loss) for the period		**96.4**	(43.8)
Total comprehensive income/(loss) for the period is attributable to:			
Owners of Latitude Group Holdings Limited		**96.4**	(43.8)
Total comprehensive income/(loss) for the period		**96.4**	(43.8)
Earnings/(loss) per share for profit/(loss) from continuing operations attributable to the ordinary equity holders of the Company		**Cents**	**Cents**
Earnings/(loss) per share	2.5	**11.3**	(2.9)
Diluted earnings/(loss) per share	2.5	**11.3**	(2.9)

** As restated, refer to note 1.1(c)*

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

For the half-year ended 30 June 2021

Consolidated Balance Sheet

As at 30 June 2021

	Notes	30 June 2021 $'m	*31 December 2020 $'m
Assets			
Cash and cash equivalents	3.1(b)	**445.7**	463.0
Investments		**101.5**	31.7
Assets classified as held for sale		**0.1**	0.1
Derivative financial instruments		**2.7**	0.2
Loans and other receivables	3.1(c)	**6,065.2**	6,091.0
Other assets		**13.6**	9.1
Deferred tax assets		**187.7**	205.4
Other financial assets		**1.6**	1.6
Property, plant and equipment	5.1(a)	**73.8**	81.7
Intangible assets	5.1(b)	**825.0**	834.9
Total assets		**7,716.9**	7,718.7
Liabilities			
Trade and other liabilities	3.1(d)	**317.6**	378.2
Current tax liabilities		**19.1**	2.7
Derivative financial instruments		**6.1**	13.8
Provisions	5.1(c)	**67.7**	81.4
Gross insurance policy liabilities		**27.7**	40.4
Deferred tax liabilities		**77.2**	84.3
Borrowings	3.1(e)	**5,881.7**	6,757.7
Total liabilities		**6,397.1**	7,358.5
Net assets		**1,319.8**	360.2
Equity			
Contributed equity	4.1(a)	**1,990.3**	1,110.0
Reserves		**(686.2)**	(676.0)
Retained earnings/(losses)		**15.7**	(73.8)
Capital and reserves attributable to owners of Latitude Group Holdings Limited		**1,319.8**	360.2
Total equity		**1,319.8**	360.2

**As restated, refer to note 1.1(c)*

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

For the half-year ended 30 June 2021

Consolidated Statement of Changes in Equity

	Attributable to owners of Latitude Group Holdings Limited			
	Contributed equity $'m	Reserves $'m	Retained earnings/ (losses) $'m	Total equity $'m
At 1 January 2020*	1,110.0	(674.5)	(117.4)	**318.1**
Loss for the period from continuing operations	-	-	(19.0)	**(19.0)**
Loss for the period from discontinued operations	-	-	(2.1)	**(2.1)**
Amounts transferred to profit or loss from continuing operations	-	6.3	-	**6.3**
Other comprehensive loss from continuing operations	-	(16.9)	-	**(16.9)**
Total comprehensive loss for the period	-	(10.6)	(21.1)	**(31.7)**
Transactions with owners in their capacity as owners:				
Share-based compensation payments	-	0.1	-	**0.1**
Transfers to common control reserve from restructure	-	4.3	-	**4.3**
At 30 June 2020*	**1,110.0**	**(680.7)**	**(138.5)**	**290.8**
At 1 January 2021*	1,110.0	(676.0)	(73.8)	**360.2**
Profit for the period from continuing operations	-	-	89.5	**89.5**
Amounts transferred to profit or loss from continuing operations	-	3.9	-	**3.9**
Other comprehensive income from continuing operations	-	6.9	-	**6.9**
Total comprehensive income for the period	-	10.8	89.5	**100.3**
Transactions with owners in their capacity as owners:				
Share-based compensation payments	-	3.4	-	**3.4**
Transfers to common control reserve from restructure	-	(24.4)	-	**(24.4)**
Issue of ordinary share capital	880.3	-	-	**880.3**
At 30 June 2021	**1,990.3**	**(686.2)**	**15.7**	**1,319.8**

**As restated, refer to note 1.1(c)*

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

For the half-year ended 30 June 2021

Consolidated Statement of Cash Flows

	Notes	30 June 2021 $'m	*30 June 2020 $'m
Cash flows from operating activities			
Interest received		**470.3**	557.8
Interest paid		**(79.2)**	(135.9)
Other operating income received		**9.7**	12.6
Net insurance income:			
Premiums received		**6.4**	14.7
Claims paid		**(8.5)**	(11.2)
Investment income		**0.3**	1.3
Operating expenses paid		**(182.1)**	(182.2)
Distributions paid		**(3.0)**	(0.5)
Income taxes (paid)/refunded		**(12.3)**	5.3
Cash flow from operating activities before changes in operating assets and liabilities		**201.6**	261.9
Changes in operating assets and liabilities arising from cash flow movements			
Net decrease/(increase) in loans and other receivables		**(63.2)**	535.0
Net increase/(decrease) in trade and other liabilities		**(13.4)**	47.4
Net decrease in gross insurance policy liabilities		**(0.1)**	(0.7)
Net decrease in other assets		**-**	0.2
Changes in operating assets and liabilities arising from cash flow movements		**(76.7)**	581.9
Net cash provided by operating activities		**124.9**	843.8
Cash flows from investing activities			
Net purchases of intangible assets, property, plant & equipment		**(33.9)**	(33.6)
Investment in debt instruments and term deposits		**(69.8)**	(105.1)
Net cash used in investing activities		**(103.7)**	(138.7)
Cash flows from financing activities			
Proceeds from borrowing issuances and drawdowns		**1,050.5**	1,295.0
Repayment of borrowings		**(1,035.2)**	(1,932.8)
Net movement from restructuring		**(47.0)**	21.7
Net outflow from share-based payment plan		**(0.1)**	(1.3)
Payment of lease liabilities		**(6.3)**	(5.2)
Payments of transaction costs from financing activities		**(1.7)**	(1.5)
Net cash used in financing activities		**(39.8)**	(624.1)
Net increase/(decrease) in cash and cash equivalents		**(18.6)**	81.0
Cash and cash equivalents at beginning of financial period		**463.0**	324.4
Effects of exchange rate changes on cash and cash equivalents		**1.3**	(1.9)
Cash and cash equivalents at end of financial period	**3.1(b)**	**445.7**	403.5

**As restated, refer to note 1.1(c)*

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

For the half-year ended 30 June 2021

Section 1 | Basis of Preparation

1.1 Basis of preparation

(a) Reporting entity

The Interim 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 interim financial statements were authorised for issue by the Director's on 23 August 2021.

(b) Statement of compliance

The consolidated interim financial statements have been prepared on a consolidated basis, in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001* and IAS 34 *Interim Financial Reporting*. The consolidated interim financial statements comply with International Financial Reporting Standards (IFRS) adopted by the International Financial Reporting Standards Board (IASB).

The consolidated interim financial report does not include all of the information required for a complete set of annual financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual consolidated financial statements as at and for the last year ended 31 December 2020.

Refer to Note 6.4 Discontinued operations 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 at 30 June 2021. This approval was obtained on 21 July 2021 and the restructure steps were completed on 1 August 2021.

The transactions occurred between entities under common control and all assets and liabilities were transferred at their book values in the accounts of the transferor, as allowable under the common control requirements contained in AASB 3 *Business Combinations*.

For the half-year ended 30 June 2021

1.1 Basis of preparation (continued)

The results and cashflows for the half-year ended 30 June 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, as allowable by the Australian Accounting Standards Board (AASB). 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 interim 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 fair value less cost of disposal.

(e) Functional and presentation currency

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

(f) Rounding of amounts

Amounts in the consolidated interim financial statements have been rounded off to the nearest hundred thousand dollars, unless otherwise stated.

(g) Significant estimates and judgements

The preparation of consolidated interim 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.

The significant estimates and judgements made by Management in preparing these consolidated interim financial statements were the same as those applied to the consolidated financial statements for the year ended 31 December 2020.

For the half-year ended 30 June 2021

1.2 Other significant accounting policies

The consolidated interim financial statements have been prepared on the basis of accounting policies adopted in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2020, except as noted below, as a result of the adoption of AASB 133 *Earnings per Share:*

(a) 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.

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.

To date the Group has not been impacted by any interest rate benchmark (IBOR) changes. The main IBOR exposures arise from the Group's AUD and NZD securitisation note and interest rate swap hedging instruments with lesser potential exposure via the Groups multi-currency (AUD/NZD/USD) corporate credit facility. Work is ongoing to understand the impacts and accommodate the implementation of potential IBOR 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 are not mandatory for 30 June 2021 reporting periods and have not been early adopted by the Group. The Group expects to adopt this standard on its effective date.

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 objective of AASB 17 is to ensure that an entity provides relevant information that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows. The Group is currently assessing the impact of the new requirements on the Group's Insurance business.

For the half-year ended 30 June 2021

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;
- **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), other statutory adjustments not directly attributable to segments for management decision making purposes and unallocated operating expenses.

The Group's business segments operate principally in Australia and New Zealand. The Hallmark Insurance business also operates business in New Zealand.

A segment overview is presented below. During the period, $389.4 million of external revenue was generated within the country of Australia (30 June 2020: $456.4 million) and $117.3 million of external revenue was generated within the country of New Zealand (30 June 2020: $131.5 million). At 30 June 2021 there were $3,189.9 million non-current assets in the country of Australia (31 December 2020: $3,182.1 million) and $758.2 million non-current assets in the country of New Zealand (31 December 2020: $799.3 million).

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.

For the half-year ended 30 June 2021

2.1 Segment information (continued)

(b) Segment overview

Half-year ended 30 June 2021	Australia $'m	New Zealand $'m	Other/ Unallocated $'m	Total $'m
Segment income statement information				
Interest income	370.1	111.0	-	481.1
Interest expense	(57.9)	(18.5)	(9.4)	(85.8)
Net interest income	**312.2**	**92.5**	**(9.4)**	**395.3**
Other operating income	9.7	0.8	1.4	11.9
Net insurance income	-	-	13.7	13.7
Total other operating income	**9.7**	**0.8**	**15.1**	**25.6**
Total operating income before inter segment operating Income	**321.9**	**93.3**	**5.7**	**420.9**
Inter-segment operating income	(2.1)	(1.2)	3.3	-
Total operating income reported consolidated group	**319.8**	**92.1**	**9.0**	**420.9**
Total operating expenses	-	-	(221.9)	(221.9)
Operating profit/(loss)	**319.8**	**92.1**	**(212.9)**	**199.0**
Net charge offs	(62.4)	(19.0)	(0.5)	(81.9)
Pre-provision profit/(loss) before tax	**257.4**	**73.1**	**(213.4)**	**117.1**
Movement in loss provisions	0.1	12.2	-	12.3
Management profit/(loss) before tax	**257.5**	**85.3**	**(213.4)**	**129.4**
Distribution to trust beneficiaries	-	-	(3.2)	(3.2)
Profit/(loss) before tax	**257.5**	**85.3**	**(216.6)**	**126.2**
Income tax expense	-	-	(36.7)	(36.7)
Profit/(loss) from continuing operations	**257.5**	**85.3**	**(253.3)**	**89.5**
Segment balance sheet information				
Total segment assets at 30 June 2021	5,196.0	1,424.6	1,255.9	7,876.5
Inter-segment assets eliminated on consolidation	(0.7)	(1.0)	(157.9)	(159.6)
Total assets reported by the Consolidated Group	**5,195.3**	**1,423.6**	**1,098.0**	**7,716.9**
Total segment liabilities at 30 June 2021	4,760.9	1,673.3	122.5	6,556.7
Inter-segment liabilities eliminated on consolidation	(0.6)	(157.3)	(1.7)	(159.6)
Total liabilities reported by the Consolidated Group	**4,760.3**	**1,516.0**	**120.8**	**6,397.1**

For the half-year ended 30 June 2021

2.1 Segment information (continued)

Half-year ended 30 June 2020*	Australia $'m	New Zealand $'m	Other/ Unallocated $'m	Total $'m
Segment income statement information				
Interest income	441.4	128.3	-	569.7
Interest expense	(72.1)	(22.2)	(56.5)	(150.8)
Net interest income	**369.3**	**106.1**	**(56.5)**	**418.9**
Other operating income	16.1	2.0	0.4	18.5
Net insurance income	-	-	(1.8)	(1.8)
Total other operating income	**16.1**	**2.0**	**(1.4)**	**16.7**
Total operating income before inter segment operating Income	**385.4**	**108.1**	**(57.9)**	**435.6**
Inter-segment operating income	(4.5)	(1.6)	6.1	-
Total operating income reported consolidated group	**380.9**	**106.5**	**(51.8)**	**435.6**
Total operating expenses	-	-	(255.4)	(255.4)
Operating profit/(loss)	**380.9**	**106.5**	**(307.2)**	**180.2**
Net charge offs	(116.8)	(23.6)	-	(140.4)
Pre-provision profit/(loss) before tax	**264.1**	**82.9**	**(307.2)**	**39.8**
Movement in loss provisions	(52.2)	(5.7)	-	(57.9)
Management profit/(loss) before tax	**211.9**	**77.2**	**(307.2)**	**(18.1)**
Distribution to trust beneficiaries	-	-	(1.5)	(1.5)
Profit/(loss) before tax	**211.9**	**77.2**	**(308.7)**	**(19.6)**
Income tax benefit	-	-	0.6	0.6
Profit/(loss) from continuing operations	**211.9**	**77.2**	**(308.1)**	**(19.0)**
Profit/(loss) from discontinued operations	(1.6)	(0.5)	-	(2.1)
Segment balance sheet information				
Total segment assets at 31 December 2020	5,141.8	1,362.0	1,226.9	7,730.7
Inter-segment assets eliminated on consolidation	(0.7)	(10.6)	(0.7)	(12.0)
Total assets reported by the Consolidated Group	**5,141.1**	**1,351.4**	**1,226.2**	**7,718.7**
Total segment liabilities at 31 December 2020	4,479.4	1,446.7	1,444.4	7,370.5
Inter-segment liabilities eliminated on consolidation	(0.8)	-	(11.2)	(12.0)
Total liabilities reported by the Consolidated Group	**4,478.6**	**1,446.7**	**1,433.2**	**7,358.5**

**As restated, refer to note 1.1(c)*

For the half-year ended 30 June 2021

2.2 Revenue and expenses

(a) Net interest income

	30 June 2021 $'m	30 June 2020 $'m
Interest income	**481.1**	569.7
Total interest income	**481.1**	569.7
Finance costs on borrowings	**(78.7)**	(95.5)
Finance costs on borrowings – related parties	**-**	(38.9)
Amortisation of legacy transaction costs	**(5.6)**	(14.2)
Lease interest expense	**(1.5)**	(2.2)
Total interest expense	**(85.8)**	(150.8)
Net interest income	**395.3**	418.9

(b) Other operating income

	30 June 2021 $'m	30 June 2020 $'m
Net interchange and operating fees	**7.4**	11.0
Other	**1.2**	1.4
Total other operating income	**8.6**	12.4

(c) Net insurance income

	30 June 2021 $'m	30 June 2020 $'m
Insurance premium revenue	**19.0**	27.0
Insurance claims and expenses	**(2.3)**	(24.0)
Investment income	**0.3**	1.3
Total net insurance income	**17.0**	4.3

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

	30 June 2021 $'m	*30 June 2020 $'m
Net profit/(loss) after income tax	**89.5**	(21.1)
Increase in interest receivable	**(10.5)**	(13.3)
Increase in interest payable	**6.6**	15.0
Depreciation and amortisation	**45.7**	45.0
Loan impairment expense	**92.8**	239.8
Other (income)/expenses and write downs	**(22.5)**	(3.4)
(Increase)/decrease in loans and other receivables	**(63.2)**	535.0
Net increase/(decrease) in trade and other liabilities	**(13.4)**	47.3
Decrease in gross insurance policy liabilities	**(0.1)**	(0.7)
Decrease in other assets	**-**	0.2
Net cash provided by operating activities	**124.9**	843.8

**As restated, refer to note 1.1(c)*

For the half-year ended 30 June 2021

2.3 Income tax expense and deferred tax

(a) Income tax expense

	30 June 2021 $'m	*30 June 2020 $'m
Current tax on profits for the period	**29.1**	22.2
Deferred tax expenses	**7.6**	(23.9)
(Over)/under provision in prior period	**-**	0.2
Income tax expense/(benefit)	**36.7**	(1.5)
Income tax expense/(benefit) is attributable to:		
Profit/(loss) from continuing operations	**36.7**	(0.6)
Profit/(loss) from discontinued operations	**-**	(0.9)
	36.7	(1.5)

**As restated, refer to note 1.1(c)*

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

	30 June 2021 $'m	*30 June 2020 $'m
Profit/(loss) from continuing operations before income tax expense	**126.2**	(19.6)
Loss from discontinued operations before income tax expense	**-**	(3.0)
	126.2	(22.6)
Tax at the Australian tax rate of 30%	**37.8**	(6.8)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Permanent differences (^)	**(0.5)**	5.3
Effect of differences in tax rates in foreign jurisdictions	**(0.9)**	(0.2)
Other	**0.3**	0.2
Income tax expense/(benefit)	**36.7**	(1.5)

**As restated, refer to note 1.1(c)*

(^) Includes debt waiver, income from Historic Management Equity Plan trusts, amortisation of interest rate swap break-costs and other items.

For the half-year ended 30 June 2021

2.4 Shareholder returns

(a) Dividends

Since the end of the half-year the Company has declared an ordinary dividend of 7.85 cents per share equating to $78.5 million which will be unfranked (30 June 2020: $nil). The amount of franking credits available to shareholders at 30 June 2021 for subsequent financial years is $1.4 million (30 June 2020: $nil). The franking credits balance of the Group at the time of listing on the ASX automatically converted to become exempting credits. They are held only for the benefit of those non-resident shareholders that held shares in the Group immediately prior to listing and continue to effectively hold the same shares in the Group at the time a dividend is paid.

2.5 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:

	30 June 2021 $'m	*30 June 2020 $'m
Earnings/(loss) per share - Continuing operations		
Profit/(loss) for the period attributable to Owners of the Company	**89.5**	(19.0)
Earnings/(loss) used in the calculation of basic and diluted EPS	**89.5**	(19.0)
Earnings/(loss) per share - Discontinued operations		
Loss for the period attributable to Owners of the Company	**-**	(2.1)
Earnings/(loss) used in the calculation of basic and diluted EPS	**-**	(2.1)
Weighted average number of ordinary shares	**shares (million)**	**shares (million)**
Weighted number of ordinary shares - basic	**789.4**	650.2
Weighted number of ordinary shares - diluted	**789.4**	650.2

**As restated, refer to note 1.1(c)*

For the half-year ended 30 June 2021

Section 3 | Financial Instruments and Risk Management

3.1 Financial assets and liabilities

(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
30 June 2021						
Cash and cash equivalents	3.1(b)	**-**	**48.7**	**-**	**397.0**	**445.7**
Investments		**-**	**101.5**	**-**	-	**101.5**
Assets held for sale		**-**	**-**	**0.1**	**-**	**0.1**
Derivative financial instruments		**-**	**-**	**2.7**	**-**	**2.7**
Loans and other receivables	3.1(c)	**-**	**1.1**	**-**	**6,064.1**	**6,065.2**
Other financial assets		**1.6**	**-**	**-**	**-**	**1.6**
Total financial assets		**1.6**	**151.3**	**2.8**	**6,461.1**	**6,616.8**
31 December 2020*						
Cash and cash equivalents	3.1(b)	-	133.4	-	329.6	463.0
Investments		-	31.7	-	-	31.7
Assets held for sale		-	-	0.1	-	0.1
Derivative financial instruments		-	-	0.2	-	0.2
Loans and other receivables	3.1(c)	-	1.4	-	6,089.6	6,091.0
Other financial assets		1.6	-	-	-	1.6
Total financial assets		1.6	166.5	0.3	6,419.2	6,587.6

Financial liabilities	Notes	Liabilities at fair value $'m	Liabilities at amortised cost $'m	Total $'m
30 June 2021				
Trade and other liabilities	3.1(d)	**-**	**317.6**	**317.6**
Derivative financial instruments		**6.1**	**-**	**6.1**
Borrowings	3.1(e)	**-**	**5,881.7**	**5,881.7**
Total financial liabilities		**6.1**	**6,199.3**	**6,205.4**
31 December 2020*				
Trade and other liabilities	3.1(d)	-	378.2	378.2
Derivative financial instruments		13.8	-	13.8
Borrowings	3.1(e)	-	6,757.7	6,757.7
Total financial liabilities		13.8	7,135.9	7,149.7

**As restated, refer to note 1.1(c)*

For the half-year ended 30 June 2021

3.1 Financial assets and liabilities (continued)

(b) Cash and cash equivalents

	30 June 2021 $'m	*31 December 2020 $'m
Current assets		
Cash and cash equivalents	**428.8**	331.3
Hallmark short term deposits	**11.9**	124.7
Restricted cash [(1)]	**5.0**	7.0
Cash and cash equivalents	**445.7**	463.0

[(1)] Being cash deposited as security
**As restated, refer to note 1.1(c)*

(c) Loans and other receivables

	30 June 2021 $'m	*31 December 2020 $'m
Loans and advances		
Loans and advances	**6,474.4**	6,521.6
Unearned income	**(124.7)**	(135.4)
Provision for impairment losses	**(288.7)**	(301.3)
Total loans and advances	**6,061.0**	6,084.9
Other receivables		
Trade receivables	**2.1**	0.7
Other receivables	**2.1**	3.6
Total other receivables	**4.2**	4.3
Related party receivables		
Receivables from related parties - unsecured	**-**	1.8
Total loans to related parties	**-**	1.8
Total loans and other receivables	**6,065.2**	6,091.0
Current	**3,151.9**	3,170.5
Non-current	**2,913.3**	2,920.5
Total loans and other receivables	**6,065.2**	6,091.0

**As restated, refer to note 1.1(c)*

Due to the short-term nature of the current receivables, their fair value is assumed to be the same as their carrying value. For the majority of the non-current receivables, the fair values are also not significantly different to 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.

For the half-year ended 30 June 2021

3.1 Financial assets and liabilities (continued)

(d) Trade and other liabilities

	30 June 2021 $'m	*31 December 2020 $'m
Current		
Trade and other payables	**50.8**	63.8
Accrued expenses	**34.7**	50.7
Payables to related parties	**29.5**	21.9
Customer credit balances	**50.9**	50.0
Outstanding Insurance claims liability	**10.7**	14.9
Lease liability	**11.5**	11.6
Current trade and other liabilities	**188.1**	212.9
Non-Current		
Trade and other payables	**4.3**	5.2
Payables to related parties	**57.4**	84.5
Outstanding Insurance claims liability	**5.5**	7.5
Lease liability	**62.3**	68.1
Non-current trade and other liabilities	**129.5**	165.3
Total trade and other liabilities	**317.6**	378.2

**As restated, refer to note 1.1(c)*

The carrying amounts of trade and other liabilities approximates fair value.

(e) Borrowings

	30 June 2021			31 December 2020		
	Current $'m	Non-current $'m	Total $'m	Current $'m	Non-current $'m	Total $'m
Secured						
Securitisation liabilities	**390.1**	**5,491.6**	**5,881.7**	450.2	5,422.0	5,872.2
Unsecured						
Shareholder loan	**-**	**-**	**-**	1.4	884.1	885.5
Total borrowings	**390.1**	**5,491.6**	**5,881.7**	451.6	6,306.1	6,757.7

Borrowings are shown net of capitalised transaction costs, where unamortised transaction costs of $7.2 million are set off against borrowings at 30 June 2021 (31 December 2020: $10.3 million). During the period $1.6 million (Half-year to 30 June 2020: $1.5 million) of borrowing costs were capitalised.

3.1 Financial assets and liabilities (continued)

Balance sheet funding was strengthened during 2021 with the refinancing of the Australian Personal Loans Trust 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 creating $118 million of additional headroom.

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.

The Group entered into a new Syndicated Facility Agreement effective 21 April 2021 for the following:
- Facility A: AUD $160 million multicurrency bullet revolving credit facility;
- Facility B: USD $41 million bullet revolving credit facility.

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.

(f) Recognised fair value measurements

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

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

Level 2**:** This includes instruments that do not have quoted market prices, where observable market data is used to determine fair value. Forward exchange contracts are valued using forward pricing valuation techniques. The fair value is determined using quoted forward exchange rates at the reporting date and present value calculations based on high credit quality yield curves in the respective currencies. Interest rate swaps are valued using swap models. The fair value is calculated as the present value of the estimated future cash flows. Estimates of future floating-rate cash flows are based on quoted swap rates, future prices and interbank borrowing rates. Estimated cash flows are discounted using a yield curve constructed from similar sources and which reflects the relevant benchmark interbank rate used by market participants for this purpose when pricing interest rate swaps. The fair value estimate is subject to a credit risk adjustment that reflects the credit risk of the Group and of the counterparty; this is calculated based on credit spreads derived from current credit default swap or bond prices.

Level 3: This category level has no observable market data inputs. Equity investments that have no active market are included in this category of which the Group has one investment, where fair value has been deemed to be cost, given that the investment was purchased within the prior year.

For the half-year ended 30 June 2021

3.1 Financial assets and liabilities (continued)

(g) Recurring fair values

At 30 June 2021	Level 1 $'m	Level 2 $'m	Level 3 $'m	Total $'m
Financial assets				
Terms deposits and debt investments relating to Insurance business	-	**151.3**	-	**151.3**
Assets held for sale	-	**0.1**	-	**0.1**
Derivative financial assets				
Derivatives used for hedging - interest rate swaps	-	**2.6**	-	**2.6**
Derivatives used for hedging - foreign exchange contracts	-	**0.1**	-	**0.1**
Other financial assets	-	-	**1.6**	**1.6**
Total financial assets	-	**154.1**	**1.6**	**155.7**
Financial Liabilities				
Derivative financial liabilities				
Derivatives used for hedging - interest rate swaps	-	**6.1**	-	**6.1**
Total financial liabilities	-	**6.1**	-	**6.1**

At 31 December 2020	Level 1 $'m	Level 2 $'m	Level 3 $'m	Total $'m
Financial assets				
Terms deposits relating to Insurance business		166.5		166.5
Assets 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	-	166.8	1.6	168.4
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 interim reporting period.

For the half-year ended 30 June 2021

3.2 Financial risk management

Credit risk

Exposure

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

	12-month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired, not POCI^	Lifetime ECL credit impaired, POCI^	Total
	$'m	$'m	$'m	$'m	$'m
Very low risk	**8,104.5**	**-**	**-**	**2.6**	**8,107.1**
Low risk	**556.2**	**-**	**-**	**0.7**	**556.9**
Medium risk	**175.7**	**-**	**-**	**0.3**	**176.0**
Moderate risk	**25.3**	**-**	**-**	**0.1**	**25.4**
High risk	**3.0**	**-**	**-**	**-**	**3.0**
At 30 June 2021	**8,864.7**	**-**	**-**	**3.7**	**8,868.4**
	$'m	**$'m**	**$'m**	**$'m**	**$'m**
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
At 31 December 2020	9,257.6	-	-	4.0	9,261.6

^POCI: Purchased or Originated Credit Impaired

For the half-year ended 30 June 2021

3.2 Financial risk management (continued)

Credit risk rating

(b) Loans and advances by credit risk rating grades

	12-month ECL $'m	Lifetime ECL not credit impaired $'m	Lifetime ECL credit impaired, not POCI^ $'m	Lifetime ECL credit impaired, POCI^ $'m	Total $'m
Very low risk	**2,388.9**	**3.4**	**-**	**1.8**	**2,394.1**
Low risk	**1,788.4**	**10.6**		**2.7**	**1,801.7**
Medium risk	**1,158.7**	**19.8**	**-**	**3.2**	**1,181.7**
Moderate risk	**335.4**	**20.7**	**-**	**1.4**	**357.5**
High risk	**290.1**	**180.0**	**249.8**	**7.4**	**727.3**
Unrated	**12.1**	**-**	**-**	**-**	**12.1**
At 30 June 2021	**5,973.6**	**234.5**	**249.8**	**16.5**	**6,474.4**

^POCI: Purchased or Originated Credit Impaired

	12-month ECL $'m	Lifetime ECL not credit impaired $'m	Lifetime ECL credit impaired, not POCI^ $'m	Lifetime ECL credit impaired, POCI^ $'m	Total $'m
Very low risk	2,311.2	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
At 31 December 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.

For the half-year ended 30 June 2021

3.2 Financial risk management (continued)

Credit quality

(c) Loans and advances by credit quality

Gross loans and advances	30 June 2021 $'m	31 December 2020 $'m
Neither past due or impaired (not POCI^)	**5,568.6**	5,592.9
Past due but not impaired (not POCI^)	**639.5**	596.1
Impaired (not POCI^)	**249.8**	312.7
POCI^	**16.5**	19.9
Total	**6,474.4**	6,521.6

^POCI: Purchased or Originated Credit Impaired

(d) Loans and advances past due

Gross loans and advances	30 June 2021 $'m	31 December 2020 $'m
Current	**5,738.4**	5,831.6
Past due 1-29 days	**556.4**	538.0
Past due 30-89 days	**126.0**	108.4
Past due > 90 days	**53.6**	43.6
Total	**6,474.4**	6,521.6

For the half-year ended 30 June 2021

3.2 Financial risk management (continued)

Provision for impairment losses

(e) 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	**206.9**	**18.8**	**73.7**	**1.9**	**301.3**
Effects of exchange rate on translation	(0.2)	-	(0.1)	-	(0.3)
Changes in the loss allowance contributed to by changes in the gross carrying amount of financial instruments, due to:					
i) financial instruments originated during the reporting period	27.9	0.6	0.9	-	29.4
ii) derecognition of financial instruments during the reporting period	(13.6)	(2.3)	(11.2)	(0.1)	(27.2)
iii) change in balance during reporting period	(9.2)	(0.2)	(2.1)	(0.2)	(11.7)
iv) transfers between stages	(0.3)	(0.7)	3.3	-	2.3
ECL calculation impact	(44.9)	(3.1)	(2.9)	(0.1)	(51.0)
Other	22.9	2.1	20.5	0.4	45.9
At 30 June 2021	**189.5**	**15.2**	**82.1**	**1.9**	**288.7**
At 1 January 2020	**216.8**	**17.5**	**84.0**	**4.1**	**322.4**
Effects of exchange rate on translation	(1.0)	(0.1)	(0.3)	-	(1.4)
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	29.8	4.5	4.8	-	39.1
ii) derecognition of financial instruments during the reporting period	(17.1)	(18.8)	(20.3)	(0.5)	(56.7)
iii) change in balance during reporting period	(23.0)	(4.2)	(2.4)	(0.5)	(30.1)
iv) transfers between stages	(14.6)	18.6	63.3	0.2	67.5
ECL calculation impact	18.9	1.0	(16.3)	(0.4)	3.2
Other	18.5	1.9	13.5	-	33.9
At 30 June 2020	**228.3**	**20.4**	**126.3**	**2.9**	**377.9**

^POCI: Purchased or Originated Credit Impaired

For the half-year ended 30 June 2021

3.2 Financial risk management (continued)

The Group's total provision for impairment losses decreased $12.6 million between 31 December 2020 and 30 June 2021 and the coverage ratio decreased by 16bps. The application of model risk overlays is used to offset the atypical delinquency and loss trends driving the lower core model coverage ratios; anticipating delinquency and loss levels normalising.

Three key model risk overlays are held by the Group:

- A Model imprecision overlay adopted in 2018, adjusted to reflect recent model changes made in December 2020;
- A Seasonality overlay to adjust for ordinary course movements in the stage distribution of receivables due to seasonal delinquency trends; and
- A 'COVID normalisation' model risk overlay, to account for the atypical delinquency and loss trends impacting the core provision model. At 30 June 2021, the 'COVID normalisation' model risk overlay was $98 million or 152bps, up from $33 million or 50bps at 31 December 2020. The approach for calculating this model risk overlay has remained consistent with December 2020, assessing the year-on-year change in the core model coverage as an estimate of the impact COVID 19 has had on the Latitude Portfolios.

For the half-year ended 30 June 2021

Section 4 | Capital Management

4.1 Capital management

The Group's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

(a) Contributed equity

	30 June 2021 Shares million	31 December 2020 Shares million	30 June 2021 $'m	31 December 2020 $'m
Ordinary Shares - fully paid	**1,000.0**	650.2	**2,003.5**	1,123.2
Equity raising transaction costs	**-**	-	**(13.2)**	(13.2)
	1,000.0	650.2	**1,990.3**	1,110.0

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

	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	349.8	880.3
Balance at 30 June 2021	1,000.0	1,990.3

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.

For the half-year ended 30 June 2021

Section 5 | Other Assets and Liabilities

5.1 Other Assets and Liabilities

(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 30 June 2021						
Cost	5.0	10.3	92.4	0.8	1.1	109.6
Accumulated amortisation	(3.0)	(3.7)	(27.7)	(0.4)	(1.0)	(35.8)
Net book amount	**2.0**	**6.6**	**64.7**	**0.4**	**0.1**	**73.8**
At 31 December 2020						
Cost	6.2	10.2	92.6	0.8	1.1	110.9
Accumulated amortisation	(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	Distribution agreements $'m	Customer contracts $'m	Software $'m	Capital works in progress $'m	Trade-mark $'m	Total $'m
At 30 June 2021							
Cost	520.4	161.4	266.1	157.5	56.6	0.5	1,162.5
Accumulated amortisation	-	(102.9)	(169.7)	(64.7)	-	(0.2)	(337.5)
Net book amount	**520.4**	**58.5**	**96.4**	**92.8**	**56.6**	**0.3**	**825.0**
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 note 1.1(c)*

Distribution agreements and customer contracts recognised as part of a business combination in 2015 have remaining amortisation periods of 3.5 years in Australia and 1.5 years in New Zealand at 30 June 2021 (31 December 2020: 4 years in Australia and 2 years in New Zealand).

For the half-year ended 30 June 2021

5.1 Other Assets and Liabilities (continued)

(c) Provisions

	30 June 2021			31 December 2020		
	Current $'m	Non-Current $'m	Total $'m	Current $'m	Non-current $'m	Total $'m
Leave obligations	**19.3**	**1.7**	**21.0**	18.5	1.7	20.2
Other employee benefit obligations	**14.3**	**-**	**14.3**	24.6	0.0	24.6
Total employee benefit obligations	**33.6**	**1.7**	**35.3**	43.1	1.7	44.8
Customer remediation and other provisions	**30.8**	**1.6**	**32.4**	35.0	1.6	36.6
Total provisions	**64.4**	**3.3**	**67.7**	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.

Section 6 | Other Disclosures

6.1 Interests in other entities

(a) Controlled entities

Name of entity	Ownership: Group		Ownership: NCI		Principal activities
	30 June 2021 %	31 December 2020 %	30 June 2021 %	31 December 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	-	-	Buy now pay later 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 [(2)] [(3)]	**100**	100	-	-	Holding company
KVCF Pty Ltd [(2)] [(3)]	**100**	100	-	-	Intellectual property
KVD Treasury Pty Ltd [(2)] [(3)]	**100**	100	-	-	Non-trading financier
KVD Australia Insurance Holdco Pty Ltd [(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 Trust No.2 [(3)]	**100**	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
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 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
Country of incorporation - New Zealand:					
Latitude Financial Services Limited	**100**	100	-	-	Operating/lending company
New Zealand Sales Finance and Credit Cards Trust [(3)]	**100**	100	-	-	Securitisation of receivables
New Zealand Personal Loans Trust [(3)]	**100**	100	-	-	Securitisation of receivables
Latitude New Zealand Credit Card Master Trust [(3)]	**100**	100	-	-	Securitisation of receivables
Latitude Innovation Holdings Limited [(3)]	**100**	100	-	-	Payment platform

[(1)] These subsidiaries have been granted relief from the necessity to prepare financial reports in accordance with Instrument 2016/785 issued by the Australian Securities and Investments Commission. Latitude Group Holdings Limited, the holding entity and these subsidiaries, are party to a closed group within a deed of cross guarantee.
[(2)] The legal ownership of these entities remained subject to FIRB approval at 30 June 2021. In accordance with the control principle under AASB 10 Consolidation they are 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 Note 1.1(c)).

For the half-year ended 30 June 2021

6.2 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 30 June 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 early February 2021 that they will revert with further enquires over the next few months consistent with their top 1000 company review timetable. 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 considers that the residual risk stemming from the items raised in the ATO Top 1000 Assurance report is not likely to materially affect its financial position, either individually or in aggregate.

For the half-year ended 30 June 2021

6.3 Events occurring after the reporting date

On 21 July 2021 Latitude Group Holdings Limited received a no objection decision from the Foreign Investment Review Board in relation to the proposed restructure of the Group. The relevant restructure steps were finalised on 1 August 2021.

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 and Latitude Financial Singapore Pte. Ltd were incorporated in Singapore on 5 August 2021 and 6 August 2021 respectively. Latitude Group Holdings Limited holds 100% of the ordinary share capital of Latitude Financial International Pte. Ltd and Latitude Financial International Pte. Ltd holds 100% of the ordinary share capital of Latitude Financial Singapore Pte Ltd.

On 9 August 2021, Latitude Group Holdings Limited agreed to acquire Symple Financial Group Limited (Symple Loans) for $200 million, subject to regulatory approval and the execution by Symple of internal restructuring steps. The transaction is intended to be funded by the issue or delivery of 38.46 million Latitude Group Holdings Limited shares valued at $2.60 per share and $100 million in cash. The purchase of Symple is expected to accelerate growth in Latitude's loan portfolio and reduce costs. The transaction is subject to regulatory approval, execution by Symple of internal restructuring steps, and completion adjustments for cash and cash like balances.

There has not arisen in the interval between the end of the interim 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.

For the half-year ended 30 June 2021

6.4 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 period ended 30 June 2020 in relation to assets sold within the discontinued operation. There are no discontinued operations in the half-year ended 30 June 2021.

(b) Financial performance

	Notes	30 June 2021 $'m	*30 June 2020 $'m
Revenue		-	1.5
Expenses		-	1.1
Asset impairment recognised		-	(5.6)
Income tax benefit		-	0.9
Loss after income tax of discontinued operations		-	(2.1)
Net (loss) after tax for the period from discontinued operations attributable to owners of the Group		-	(2.1)
Loss after income tax of discontinued operation		-	(2.1)

(c) Assets and liabilities of disposal group classified as held for sale

	Notes	30 June 2021 $'m	31 December 2020 $'m
Trade and other liabilities		1.7	2.2
Total liabilities of disposal group held for sale		**1.7**	2.2

(d) Cashflow statement

	Notes	30 June 2021 $'m	30 June 2020 $'m
Net cash provided by operating expenses		-	4.6
Net increase in cash and cash equivalents		-	4.6

(e) Earnings per share for discontinued operations

	Notes	30 June 2021	*30 June 2020
Earnings/(loss) per share for loss attributable to the ordinary equity holders of the Company - Discontinued operations		**Cents**	**Cents**
Earnings/(loss) per share	2.5	-	(0.3)
Diluted earnings/(loss) per share	2.5	-	(0.3)

**As restated, refer to note (1.1c)*

Section C | Supplementary Information

Section C | Supplementary Information

This section includes supplemental information that Latitude believes is useful for investors and readers of this results document.

C.1 Restructure of the Latitude Group and impact on the Statutory financial statements in the prior comparative period

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 at 30 June 2021. This approval was obtained on 21 July 2021 and the restructure steps were completed on 1 August 2021.

The transactions occurred between entities under common control and all assets and liabilities were transferred at their book values in the accounts of the transferor, as allowable under the common control requirements contained in AASB 3 *Business Combinations*.

The results and cashflows for the half-year ended 30 June 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, as allowable by the Australian Accounting Standards Board (AASB). 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 summarised in Note 1.1 Basis of Preparation of the Consolidated Interim Financial Report and include:

- 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 existing investors.

Whilst the Consolidated Interim Financial Report has been prepared under the common control requirements contained in AASB 3 *Business Combinations* there are certain transactions and arrangements with the original shareholders that exist within the statutory results of 1H20 that have ceased to exist following the restructure, eg Shareholder Loan facilities and their associated interest expense.

In addition to the restructure steps, the Pro forma NPAT excludes the impact of the IPO / Listed company adjustments (eg Discontinued Operations, new Listed company LTI costs, historical Management Equity Plan related expenses, and new listed company costs) included in the determination of the Pro forma information included in Section 4 of the IPO Prospectus.

C.2 Information about Cash NPAT and other Non-IFRS Metrics

Cash NPAT

Cash NPAT is calculated by adding back the after-tax impact of Amortisation of acquisition intangibles, Amortisation of legacy transaction costs and Significant items to NPAT.

Cash NPAT is measured by Latitude to evaluate the operating performance of the business without the impact of expenditure associated with the non-cash expense associated with the Amortisation of acquisition intangibles, Amortisation of legacy transaction costs and Significant items.

Latitude uses Cash NPAT for its internal management reporting as Latitude believes it reflects what it considers to be the underlying performance of Latitude.

Some of the limitations of Cash NPAT include:

- It excludes Amortisation of acquisition intangibles, Amortisation of legacy transaction costs and Significant items which by their nature create a different profile to statutory profit;
- It is not representative of the free cash flow of Latitude's business (refer to Section B Consolidated Statement of Cash Flows for this information); and
- Other companies in Latitude's industry may calculate this measure differently from Latitude (including using a different calculation of Significant items and Amortisation of acquisition intangibles and Amortisation of legacy transaction costs), thus limiting its usefulness as a comparative measure.

Operating profit

Operating profit is calculated as total operating income less operating expenses excluding Significant items.

Operating profit is considered useful by Latitude as it measures the results of the business from an "operating margin" perspective, i.e. before loan impairment expense (Net charge offs and movement in loss provisions) and Significant items.

Some of the limitations of Operating profit include that this measure does not reflect:

- The Net charge offs or the movements in provisions for future losses on Latitude's receivables;
- The approach of other companies in Latitude's industry which may calculate this measure differently from Latitude, thus limiting its usefulness as a comparative measure; and
- The Significant items, Amortisation of acquisition intangibles and Amortisation of legacy transaction costs or tax expense.

Pre-provision PBT

Pre-provision PBT (Profit before tax) is calculated as Total operating income less Net Charge offs and operating expenses. For the avoidance of doubt this excludes IFRS 9 provision movements, Significant items and Amortisation of acquisition intangibles and Amortisation of legacy transaction costs.

Latitude believes that Pre-provision PBT is useful to investors as it helps explain the underlying risk-adjusted profitability of the business before movements in coverage ratio (IFRS 9 provisions) and Significant items.

Some of the limitations of Pre-provision PBT include that this measure does not reflect:

- The movements in IFRS 9 provisions for future losses on Latitude's receivables;
- The approach of other companies in Latitude's industry which may calculate this measure differently from Latitude, thus limiting its usefulness as a comparative measure; and
- The Significant items, Amortisation of acquisition intangibles and Amortisation of legacy transaction costs or tax expense.

C.3 Additional information on seasonality

Seasonality

Latitude experiences a seasonal effect in its financial performance between 1H and 2H of each financial year.

For example, demand for Latitude's sales finance and revolving credit products is typically higher during the 2H period in comparison to the 1H period as a result of increased consumer spending across the Black Friday/ Cyber Monday sales events, in addition to the lead up to the Christmas holiday period and the post-Christmas sales period. This causes an increase in volumes and receivables at the end of the 2H period. An increase in income from the higher 2H receivables balance is typically observed in 1H in the next Financial Year. Conversely the Latitude portfolio exhibits a counter seasonal impact with delinquencies rising in 1H with over indebtedness following the December holiday periods as well as higher Net charge offs in 1H, followed by increased repayment rates and improving delinquencies and charge offs in 2H as borrowers typically reduce indebtedness following the end of tax year in June upon the receipt of tax refunds.

C.4 Additional Operating and Financial metrics including associated commentary

Table C.1: Risk adjusted income ($) and Risk adjusted income yield (%)

($m)	1H21	Pro forma 2H20	Pro forma 1H20	Change % 1H21 vs 2H20	Change % 1H21 vs 1H20
Group	**344.1**	**346.4**	**360.3**	**(0.6)%**	**(4.5)%**
Australia	**257.4**	**254.7**	**264.0**	**1.1%**	**(2.5)%**
- Instalments	163.0	151.1	162.8	7.9%	0.1%
- Lending	94.4	103.6	101.2	(8.9)%	(6.7)%
New Zealand	**73.2**	**78.7**	**82.9**	**(7.0)%**	**(11.8)%**
- Instalments	46.9	49.6	49.6	(5.4)%	(5.4)%
- Lending	26.3	29.1	33.4	(9.7)%	(21.2)%
Other	13.6	13.0	13.3	4.5%	1.8%
(%)					
Group	**10.7%**	**10.6%**	**9.8%**	**13bps**	**86bps**
Australia	**10.2%**	**9.9%**	**9.2%**	**30bps**	**104bps**
- Instalments	11.6%	10.5%	9.8%	113bps	182bps
- Lending	8.4%	9.1%	8.3%	(73)bps	14bps
New Zealand	**10.5%**	**11.1%**	**10.6%**	**(59)bps**	**(7)bps**
- Instalments	10.8%	11.5%	10.6%	(75)bps	14bps
- Lending	10.1%	10.5%	10.5%	(36)bps	(42)bps

Note – Table above excludes the Amortisation of Legacy Transaction costs (Refer Table C.5) which is included in Interest Expense and sub-lease revenue from discontinued facilities (Refer Table C.8) which is included in Other Operating Income for Statutory reporting purposes.

RAI at the group level decreased by $16.1 million or 4.5% with RAI yield increasing by 86 bps in 1H21 compared to 1H20, comprising:

- A decrease in the Australian RAI of $6.6 million or 2.5% with the RAI yield increasing by 104bps. The Australian RAI decrease was a result of the reduction in Operating income (as referenced Section A Table 4 commentary) partially offset by a significant decline in Net charge offs as delinquency levels improved post the onset of COVID-19. A 158bps reduction in the Net charge off rate contributed to the improving RAI yield.
- A decrease in the New Zealand RAI of $9.7 million or 11.8% with the RAI yield decreasing by 7bps. The New Zealand RAI decrease was a result of lower AGR (as referenced Section A Table 3 commentary) partially offset by a 29bps decline in Net charge offs as delinquency levels improved post the onset of COVID-19 which contributed to the improving RAI yield.
- An increase in the Other segment of $0.2 million or 1.8% primarily as a result of higher Net Insurance income (as referenced Section A Table 4 commentary).

RAI at the group level decreased by $2.3 million or 0.6% with RAI yield increasing by 13 bps in 1H21 compared to 2H20, comprising:

- An increase in the Australian RAI of $2.7 million or 1.1% with the RAI yield increasing by 30bps. The Australian RAI increase was a result of the reduction in Operating income (as referenced Section A Table 4 commentary) offset by a decline in Net charge offs as delinquency levels remain below historic levels post the onset of COVID-19. A 21bps reduction in the Net charge off rate contributed to the improving RAI yield.
- A decrease in the New Zealand RAI of $5.5 million or 7.0% with the RAI yield decreasing by 59bps. New Zealand RAI decrease was due to lower Operating income (as referenced Section A Table 4 commentary) and an increase in the Net Charge off rate as referenced in Section A Table 7.
- An increase in the Other segment RAI of $0.6 million or 4.5% primarily as a result of higher Net Insurance income (as referenced in Section A Table 4 commentary).

C.5 Additional Asset quality metrics including associated commentary

Table C.2: Loan impairment expense

The Loan impairment expense decomposition analysis below is prepared on a sequential period basis to assist the understanding of the drivers of the expense movements on a period on period basis.

A$ million	1H21	Pro forma 2H20	Pro forma 1H20	Change % 1H21 vs 2H20	Change % 1H21 vs 1H20
Net charge offs					
Prior period total Net charge offs expense	(87.2)	(140.4)	(124.7)	(37.9)%	(30.1)%
Impact of change in AGR	0.4	16.1	2.9	(97.2)%	(84.7)%
Impact of change in Net charge off rate	4.8	37.1	(18.6)	(87.0)%	(125.9)%
Total Net charge offs (A)	**(81.9)**	**(87.2)**	**(140.4)**	**(6.0)%**	**(41.7)%**
Provision movement					
Impact of change in Gross loan receivables	2.2	19.3	32.2	(88.7)%	(93.2)%
Impact of change in Coverage ratio	10.4	57.4	(88.8)	(81.9)%	(111.7)%
Total expense for movement in provisions (B)	**12.5**	**76.7**	**(56.7)**	**(83.6)%**	**(122.1)%**
FX rate impact (C)	(0.2)	(0.0)	(1.2)	1046.5%	(80.7)%
Total Loan impairment expense (A+B+C)	**(69.6)**	**(10.5)**	**(198.3)**	**562.5%**	**(64.9)%**
Selected metrics					
Gross loan receivables	6,474.4	6,521.6	6,872.0	(0.7)%	(5.8)%
AGR	6,492.9	6,526.3	7,371.9	(0.5)%	(11.9)%
Net charge offs/AGR	2.54%	2.66%	3.83%	(12)bps	(129)bps
Coverage ratio	4.46%	4.62%	5.50%	(16)bps	(104)bps

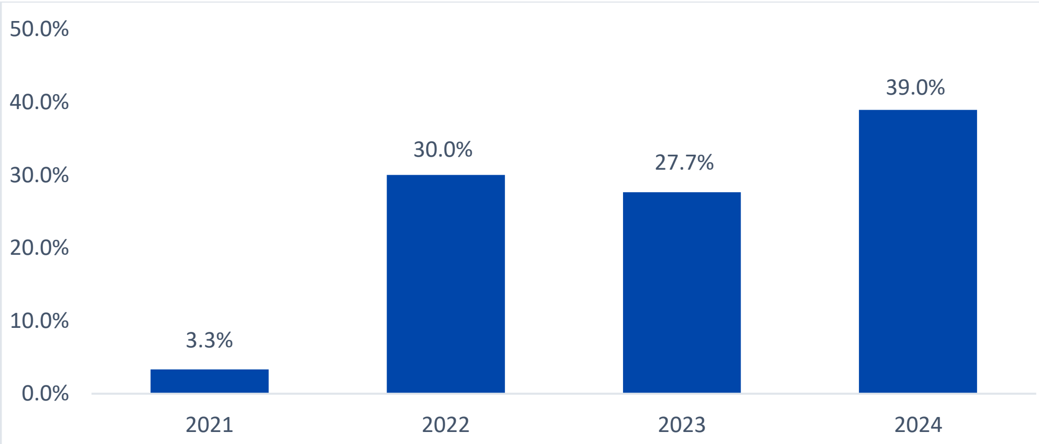
The primary factors impacting the 1H21 Loan impairment expense compared to 2H20 are summarised below:

- **Impact of change in AGR**: AGR decreased by $33.3 million or 0.5%, from $6,526.3 million in 2H20 to $6,492.9 million in 1H21, resulting in a Net charge off reduction of $0.4 million in 1H21 which is a decrease in Net charge off expense of $15.7 million relative to the sequential period excluding the change in the annualised Net charge off rate set out below);
- **Impact of change in Gross loan receivables**: Gross loan receivables decreased by $47.2 million from $6,521.6 million in 2H20 to $6,474.4 million in 1H21 and resulted in a decrease in Loan impairment expense of $2.2 million (excluding the change in Coverage ratio set out below);
- **Impact of change in Net charge off rate**: The annualised Net charge off rate decreased by 12bps from 2.66% in 2H20 compared to 2.54% in 1H21, resulting in a $4.8 million reduction in Net charge offs expense in 1H21. Commentary supporting Tables 7, 8, 9 and 10 in Section A discuss the key drivers of the improved Net charge off rates including the impacts of the lending restrictions between April and October 2020, the net result of these impacts is a reduced loan book of higher credit quality and reduced overall levels of delinquency and Net charge offs (excluding the change in AGR);
- **Impact of change in the Coverage ratio**: The Coverage ratio decreased from 4.62% in 2H20 to 4.46% in 1H21 and resulted in a decrease in loan impairment expense of $10.4 million (excluding the change in Gross loan receivables); and
- **Foreign exchange difference**: Resulted in an increase in loan impairment expense of $0.2 million.

C.6 Additional Funding and Liquidity metrics including associated commentary

Latitude systematically manages its maturity profile within its 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 Latitude's debt maturity profile as at 30 June 2021.

Latitude debt maturity profile as at 30 June 2021



The following tables show Latitude's Warehouse and ABS facilities as at 30 June 2021.

Summary of Warehouse Funding Facilities

During 1H21 Latitude settled the refinancing of its Australian Personal Loans Warehouse Facility and established a new Australia Sales Finance and Credit Cards Warehouse No.3 to replace an existing cards warehouse facility (Australia Sales Finance and Credit Cards Warehouse No.2) that had a revolving period due to end in March 2022. The following table sets out the position of each of Latitude's warehouses as at 30 June 2021.

Table C.3: Warehouse facilities as at 30 June 2021

(All amounts million)	Australia Sales Finance and Credit Cards Trust	Australia Sales Finance and Credit Cards Trust No. 3	Australia Personal Loans Trust	Australia Auto Loans Trust	New Zealand Sales Finance and Credit Cards Trust	New Zealand Personal Loans Trust
Limit[(a)]	A$930.0	A$1,055.6	A$1,037.6	A$926.3	NZ$864.1	NZ$610.0
Drawn	A$528.8	A$557.7	A$862.5	A$631.6	NZ$668.8	NZ$459.5
Headroom[(b)]	A$401.2	A$497.9	A$175.1	A$294.6	NZ$195.3	NZ$150.5
Revolving period end date	22-Dec-22	22-Apr-24	17-Jan-24	19-Sep-23	23-Sep-22	17-Sep-23

Notes:

(a) *Limit excludes the seller note (i.e. the equity position contributed by Latitude).*

(b) *Total headroom of $1.8bn includes $0.1bn Variable Funding Note ('VFN') capacity for Australia and New Zealand as outlined in the note attached to table C.4*

Section C | Supplementary Information

Summary of ABS Funding

Since 1H20 no new ABS issuances have been issued given market conditions, although Latitude intends to reenter the ABS market as an issuer in 2H21. The outstanding note balances on both the Latitude Australia Personal Loan Series 2017-1 Trust and Latitude Australia Personal Loan Series 2020-1 Trust, which are closed pools continued to paydown during the half.

Table C.4: ABS issuance as at 30 June 2021

(All amounts million)	Latitude Australia Credit Card Loan Note Trust – Series 2017-2	Latitude Australia Personal Loan Series 2017-1 Trust	Latitude Australia Credit Card Loan Note Trust – Series 2018-1	Latitude New Zealand Credit Card Loan Note Trust – Series 2018-1	Latitude Australia Credit Card Loan Note Trust – Series 2019-1	Latitude Australia Personal Loan Series 2020-1 Trust
Underlying segment receivables	Sales finance & credit card receivables	Personal loans	Sales finance & credit card receivables	Sales finance & credit card receivables	Sales finance & credit card receivables	Personal loans
Notes issued	A$500	A$651	A$500	NZ$200	A$750	A$500
Issue date	7-Sep-17	29-Nov-17	27-Mar-18	13-Dec-18	13-Sep-19	26-Feb-20
Revolving period end date	22-Aug-22	17-Jan-19	22-Mar-23	22-Nov-21	22-Sep-24	n.a.
Expected call date(b)	22-Aug-22	19-Apr-22	22-Mar-23	22-Nov-21	22-Sep-24	19-Feb-24
Outstanding Notes at 30 June 2021	A$500.0	A$99.8	A$500.0	NZ$200.0	A$750.0	A$220.8

Notes:

(a) *The above table excludes Variable Funding Notes (VFN). The VFN is a revolving facility available to the trust to provide the ability to fund fluctuations in the underlying cards balances and can move from month to month. At 30 June 2021 the VFN for the Latitude Australia Credit Card Loan Note Trust – Series 2018-1 was $16.4 million ($100.0 million at 31 December 2020) and VFN for the Latitude New Zealand Credit Card Loan Note Trust – Series 2018-1 was NZ$4.7 million (NZ$20.0 million at 31 December 2020).*

(b) *Series issued by Latitude Australia Credit Card Loan Note Trust are expected to be called at the issue amount; the Latitude Australia Personal Loans Series 2017-1 and Series 2020-1 Trusts are expected to be called at their expected 10% clean-up call date*

C.7 Additional Amortisation of Intangibles metrics including associated commentary

Table C.5: Amortisation of Acquisition Intangibles & Legacy Transaction Costs

($m)	1H21	Pro forma 2H20	Pro forma 1H20	Change % 1H21 vs 2H20	Change % 1H21 vs 1H20
Amortisation of Acquisition Intangibles	24.1	24.1	24.2	0.0%	(0.3)%
Amortisation of Legacy Transaction Costs	5.6	10.6	14.2	(47.1)%	(60.5)%
Total Amortisation of Acquisition Intangibles & Legacy transaction costs	**29.7**	**34.7**	**38.4**	**(14.4)%**	**(22.6)%**

Note – Amortisation of Legacy Transaction costs is included in Interest Expense for Statutory reporting purposes.

Amortisation of acquisition intangibles is amortising in line with the straight-line amortisation schedule, with a small variance compared to 1H20 due to foreign currency movements. Acquisition intangibles recognised as part of a business combination in 2015 have remaining amortisation periods of 3.5 years in Australia and 1.5 years in New Zealand at 30 June 2021.

The Amortisation of Legacy Transaction costs has decreased by $8.6 million or 60.5% as the capitalised portion of both the costs related to the original establishment of the warehouse funding program in 2015, and the costs related to the historical hedging arrangements that were settled as part of Latitude's proposed 2019 IPO have continued to reduce. The funding establishment costs are amortised over the life of the respective funding vehicles while the amortisation of the historical hedging arrangements is in line with the original life of the historical instrument and the unwind of the historical cash flow hedge reserve. The reduction in these costs is in line with the expected amortisation profile of the balances which are expected to be materially amortised by the end of FY21, with a small residual amount during FY22.

Section C | Supplementary Information

C.8 Reconciliations of comparative financial information

Table C.6 Combined to Comparative Statutory income statement reconciliation (1H20, 2H20 and FY20)

	Combined 1H20	Combined 2H20	Combined FY20	Distributions to trust beneficiaries	Consortium fees	Tax effect of adjustments	Common control adjustment	Comparative Statutory 1H20	Comparative Statutory 2H20	Comparative Statutory FY20
Interest income	569.7	488.4	1,058.1	-	-	-	-	569.7	488.4	1,058.1
Interest expense	(150.8)	(127.8)	(278.6)	-	-	-	-	(150.8)	(127.8)	(278.6)
Net interest income	418.9	360.6	779.5	-	-	-	-	418.9	360.6	779.5
Other operating income	12.4	9.0	21.4	-	-	-	-	12.4	9.0	21.4
Net insurance income	4.3	18.2	22.5	-	-	-	-	4.3	18.2	22.5
Total other operating income	16.7	27.2	43.9	-	-	-	-	16.7	27.2	43.9
Total Operating Income	**435.6**	**387.8**	**823.4**	-	-	-	-	**435.6**	**387.8**	**823.4**
Loan impairment expense	(198.3)	(10.5)	(208.8)	-	-	-	-	(198.3)	(10.5)	(208.8)
Employee benefit expense	(96.2)	(105.8)	(202.0)	-	-	-	-	(96.2)	(105.8)	(202.0)
Other expenses	(117.4)	(117.2)	(234.6)	-	6.1	-	-	(114.2)	(114.4)	(228.5)
Depreciation and amortisation expense	(45.0)	(47.9)	(92.9)	-	-	-	-	(45.0)	(47.9)	(92.9)
Total operating expenses	(258.6)	(270.9)	(529.5)	-	6.1	-	-	(255.4)	(268.1)	(523.5)
Distribution of trust beneficiaries	(43.1)	(61.2)	(104.3)	102.1	-	-	(2.3)	(1.5)	(3.0)	(4.5)
PBT (before significant items)	**(64.4)**	**45.1**	**(19.3)**	**102.1**	**6.1**	**-**	**(2.3)**	**(19.6)**	**106.2**	**86.6**
Profit before income tax	**(64.4)**	**45.1**	**(19.3)**	**102.1**	**6.1**	**-**	(2.3)	**(19.6)**	**106.2**	**86.6**
Income tax (expense)/benefit	13.7	(23.2)	(9.5)	-	-	(30.5)	-	0.6	(40.6)	(40.0)
NPAT from continuing operation	**(50.7)**	**21.9**	**(28.8)**	**102.1**	**6.1**	(30.5)	**(2.3)**	**(19.0)**	**65.6**	**46.6**
NPAT from discontinued operation	(4.4)	0.7	(3.7)	-	-	-	2.3	(2.1)	0.7	(1.4)
NPAT	**(55.1)**	**22.6**	**(32.6)**	**102.1**	**6.1**	**(30.5)**	**-**	**(21.1)**	**66.3**	**45.2**

Section C | Supplementary Information

Table C.7 Comparative Statutory to pro forma income statement reconciliation (1H20, 2H20 and FY20)

	Comparative Statutory 1H20	Comparative Statutory 2H20	Comparative Statutory FY20	Changes in capital structure	Transaction and historical IPO costs	Employee remuneration plans	Historical Mgmt Equity Plan and related expenses	Discontinued operations (post tax)	Incremental public company costs	Tax effect of adjustments	Total pro forma adjustments	Significant items	Amortisation of acquisition intangibles and legacy transaction costs	Pro forma 1H20	Pro forma 2H20	Pro forma FY20
Interest income	569.7	488.4	1,058.1	-	-	-	-	-	-	-	-	-	-	569.7	488.4	1,058.1
Interest expense	(150.8)	(127.8)	(278.6)	75.8	-	-	-	-	-	-	75.8	-	24.8	(97.7)	(80.2)	(178.0)
Net interest income	418.9	360.6	779.5	75.8	-	-	-	-	-	-	75.8	-	24.8	471.9	408.2	880.1
Other operating income	12.4	9.0	21.4	-	-	-	-	-	-	-	-	-	-	12.5	8.9	21.4
Net insurance income	4.3	18.2	22.5	-	-	-	-	-	-	-	-	10.3	-	16.3	16.4	32.7
Total other operating income	16.7	27.2	43.9	-	-	-	-	-	-	-	-	10.3	-	28.8	25.3	54.1
Total Operating Income	**435.6**	**387.8**	**823.4**	**75.8**	**-**	**-**	**-**	**-**	**-**	**-**	**75.8**	**10.3**	**24.8**	**500.7**	**433.5**	**934.2**
Loan impairment expense	(198.3)	(10.5)	(208.8)	-	-	-	-	-	-	-	-	-	-	(198.3)	(10.5)	(208.8)
Employee benefit expense	(96.2)	(105.8)	(202.0)	-	-	(7.9)	27.4	-	(2.3)	-	17.3	-	-	(101.1)	(83.7)	(184.8)
Other expenses	(114.2)	(114.4)	(228.5)	-	10.1	-	-	-	(7.7)	-	2.5	52.4	-	(85.7)	(87.8)	(173.5)
Depreciation and amortisation expense	(45.0)	(47.9)	(92.9)	-	-	-	-	-	-	-	-	-	48.3	(20.8)	(23.8)	(44.6)
Total operating expenses	(255.4)	(268.1)	(523.5)	-	10.1	(7.9)	27.4	-	(10.1)	-	19.9	52.4	48.3	(207.5)	(195.3)	(402.9)
Distribution of trust beneficiaries	(1.5)	(3.0)	(4.5)	4.5	-	-	-	-	-	-	4.5	-	-	-	-	-
PBT (before significant items)	**(19.6)**	**106.2**	**86.6**	**80.3**	**10.1**	**(7.9)**	**27.4**	**-**	**(10.1)**	**-**	**100.2**	**62.7**	**73.1**	**94.8**	**227.7**	**322.6**
Significant items	-	-	-	-	-	-	-	-	-	-	-	(62.7)	-	(44.5)	(18.2)	(62.7)
Amortisation of acquisition intangibles and legacy transaction costs	-	-	-	-	-	-	-	-	-	-	-	-	(73.1)	(38.4)	(34.7)	(73.1)
Profit before income tax	**(19.6)**	**106.2**	**86.6**	**80.3**	**10.1**	**(7.9)**	**27.4**	**-**	**(10.1)**	**-**	**100.2**	**-**	**-**	**11.9**	**174.7**	**186.7**
Income tax (expense)/benefit	0.6	(40.6)	(40.0)							(18.6)	(18.6)	-	-	(3.7)	(55.0)	(58.6)
NPAT from continuing operation	**(19.0)**	**65.6**	**46.6**	**80.3**	**10.1**	**(7.9)**	**27.4**	**-**	**(10.1)**	**(18.6)**	**81.6**	**-**	**-**	**8.2**	**119.8**	**128.1**
NPAT from discontinued operation	(2.1)	0.7	(1.4)					1.5			1.5	-	-	-	-	-
NPAT	**(21.1)**	**66.3**	**45.2**	**80.3**	**10.1**	**(7.9)**	**27.4**	**1.5**	**(10.1)**	**(18.6)**	**83.0**	**-**	**-**	**8.2**	**119.8**	**128.1**
Amortisation of acquisition intangibles														24.2	24.1	48.3
Amortisation of legacy transaction costs														14.2	10.6	24.8
Significant items														44.5	18.2	62.7
Income tax expense attributable to significant items and intangibles														(24.4)	(15.6)	(40.1)
Cash NPAT														**66.7**	**157.2**	**223.9**

Table C.8 Operating expenses reconciliation 1H21

	Statutory	Amortisation of Acquisition Intangibles	Significant Items	Operating expenses per Table 5
Employee benefit expense	85.9		(2.0)	83.9
Depreciation and amortisation expense	45.7	(24.1)		21.6
IT and data processing expenses	26.2			26.2
Administrative and professional expenses	14.6			14.6
Occupancy and operating expenses	11.2			11.2
Marketing expenses	17.1			17.1
Other expenses	21.2		(10.0)	11.2
Total Operating Expenses	**221.9**	**(24.1)**	**(12.0)**	**185.7**
Non statutory operating expenses			(3.2)	
Discontinued facilities (sub-lease revenue)			0.4	
Total significant items per Table 6			**(14.8)**	

C.9 Glossary of Terms

Term	Definition
90+ days past due	Total amount of receivables 90+ days past due at period end divided by period end gross loan receivables
Amortisation of acquisition intangibles	Reflects the amortisation of customer lists and distribution agreements recognised as part of the acquisition accounting. Intangible customer lists and distribution agreements are amortised on a straight-line basis over nine years in Australia and seven years in New Zealand (ending in 2024 and 2022 respectively)
Amortisation of legacy transaction costs	Reflects the amortisation of capitalised costs for the original establishment of the warehouse funding program and historical hedging arrangements settled as a direct result of Latitude's proposed 2019 IPO
Average gross receivables (AGR)	Average gross monthly receivables balance during the period (e.g. calculated based on the 13 month average across the period for a financial year. AGR is a key driver of earnings for the business
Cost to income ratio	Represents the ratio of operating expenses to operating income, excluding amortisation of transaction costs and changes in capital structure
Coverage ratio	Represents the ratio of provisions for expected losses to gross loan receivables in accordance with IFRS 9
Depreciation and amortisation expense	Depreciation and Amortisation expense within Management expenses includes depreciation of property, plant and equipment, capitalised software costs Depreciation and Amortisation expense within the statutory accounts also includes Amortisation of acquisition intangibles
EPS Statutory from continuing operations - Basic	Represents the Earnings per share calculated as Profit / (Loss) from continuing operations for the period attributed to owners of the company divided by the weighted average number of ordinary shares on issue for the period. Refer Note 2.5 for weighted average number of shares
EPS Statutory from discontinuing operations - Basic	Represents the Earnings per share calculated as Profit / (Loss) from discontinuing operations for the period attributed to owners of the company divided by the weighted average number of ordinary shares on issue for the period. Refer Note 2.5 for weighted average number of shares
Employee benefit expense	Relates to employee salary, incentives and related on-costs. Pro forma employee benefit expenses exclude costs associated with Latitude's Transformation, restructuring and simplification programmes which have been presented separately in Significant items
Gross loan receivables	Represents the total outstanding receivables balance across all products at the end of the period excluding the net fair value unwind and Discontinued operations
Instalments	Where the customer's need if to purchase goods or services and where Latitude provides a payment and finance solution for the merchant and customer to transact either with small purchases and weekly instalments (buy now, pay later ('BNPL')) or bigger purchases and monthly or flexible payments (interest free plans with/without Scheme features)

Term	Definition
Interest expense	Interest expense incurred by Latitude to finance Latitude's receivable assets inclusive of interest margin, base rate interest, commitment fees, guarantee fees, interest rate swap interest expense and amortisation expenses associated with capitalised costs incurred in the establishment of new trusts
Interest income	Interest income is based on an effective interest rate methodology and comprises interest charged on outstanding customer balances plus fees and charges that are considered an integral part of the loan, net of origination costs. Outstanding customer balances include revolving credit card balances (including interest-bearing sales finance products), personal loan products and auto loan products. Fees and charges include merchant service fees (for sales finance and BNPL) which Latitude earns from retail partners for financing interest free sales, establishment fees, annual fees, account keeping fees, late fees and third-party commission expenses
Interest income/AGR	Interest income divided by AGR for the relevant period
Lending	Where customers are directly considering their payments and financing needs for personal loans, motor loans or travel credit cards
Loan impairment expense	Represents losses from loan receivables charged off in the period and the movement in the provision for impairment losses (estimated in accordance with IFRS 9) (excluding movement in transaction fraud losses), net of recoveries of amounts previously written off
Marketing expense	Relates to marketing, advertising and sales promotion expenses
Net charge offs/AGR	Net charge offs divided by AGR for the relevant period
Net insurance income	Represents gross written premium (GWP), movement in unearned premium (UEP) and investment income, offset by claims expenses, refunds (relating to the refund of premiums to customers due to loan refinancing or cancellation), external commissions and acquisition costs
Net receivables	Represents Gross loan receivables less loan provisions for impairments, deferred income and customer acquisition costs
Operating Income	Operating Income is calculated as Net interest income plus Other operating income
Operating income yield	Operating Income divided by AGR for the relevant period
Operating profit	Operating profit is calculated as Operating income less operating expenses excluding Significant items
Other management operating expenses	Primarily relates to IT costs, outside services costs, rental expenses for offices and other general operating costs. Other expenses associated with Latitude's Transformation, restructuring and simplification programmes have been excluded and presented separately in Significant items
Other operating income	Includes interchange income, statement fees and other fees and charges. Other operating income is offset by direct costs including credit card Scheme and related fees, partner loyalty fees, customer loyalty fees. For certain fee categories where fees are a pass through of external costs due to customer channel selection, these costs are netted against the associated fees (e.g. paper statement fees, payment handling fees)

Section C | Supplementary Information

Term	Definition
Pre-Provision profit	Pre-provision profit is calculated as Total operating income less Net Charge offs and operating expenses. For the avoidance of doubt this excludes IFRS 9 provision movements, Significant items and Amortisation of acquisition intangibles and Amortisation of legacy transaction costs
Pro forma EPS Cash - Basic	Represents the Pro forma Earnings per share calculated as Cash NPAT for the period divided by the shares on issue at the end of the period which reflects the number of shares on issue as a listed company
Pro forma EPS Statutory - Basic	Represents the Pro forma Earnings per share calculated as the Pro forma NPAT for the period divided by the shares on issue at the end of the period which reflects the number of shares on issue as a listed company
Return on Equity (ROE)	RoE is calculated as Cash NPAT dividend by the average Total Equity for the 1H21 period.
Return on Tangible Equity (ROTE)	Calculated as Cash NPAT divided by the average Tangible Equity for the 1H21 period.
Risk adjusted income (RAI)	RAI is calculated as total operating income less Net charge offs and is measured by Latitude to evaluate the risk adjusted margin on receivables after funding costs and Net charge offs before the allocation of expenses associated with the movement in provisions for losses as well as operating expenses. For insurance products, RAI is calculated as net earned premium less claims, less external commissions add investment income
Risk adjusted income yield	Risk adjusted income divided by AGR for the relevant period
Significant items	Latitude believes these items are outside the ordinary course of business and temporary in nature or relate to the costs associated with entering new segments and markets where the associated revenues or benefits from that investment will not evolve during the reporting period and where the costs have not been capitalised.
Tangible Equity (TE)	Total Equity less Intangible assets
Tangible Equity/Net Receivables (TER)	Calculated as Tangible Equity divided by Net receivables
Total Equity	Contributed equity plus Common control reserve plus Other reserves plus Retained earnings
Volume	Key lead indicator monitored by the business. It represents all principal receivables lent by the business in the relevant period. It shows customer spending habits, future income levels, effectiveness of top line initiatives implemented and Latitude's lending appetite