Interim Financial Report

30 June 2022

The Interim Financial Report is to be read in conjunction with the Annual Financial Report.

Latitude Group Holdings Limited

ABN 83 604 747 391

2022 Consolidated Interim Financial Report
Latitude Group Holdings Limited

For the half-year ended 30 June 2022

Contents

2022 Consolidated Interim Financial Report
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For the half-year ended 30 June 2022

Directors' Report

The Directors present their Interim Financial Report on the consolidated entity consisting of Latitude Group Holdings Limited ('the Company') and the entities it controlled ('the Group') at the end of, or during, the 6 months ended 30 June 2022 ('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
Managing Director and CEO

Alison Ledger
Independent Non-Executive Director

Mark Joiner
Independent Non-Executive Director

Scott Bookmyer
Non-Executive Director

James Corcoran
Non-Executive Director

Beaux Pontak
Non-Executive Director

Andrew Hoshino
Non-Executive Director

Company Secretaries

Adrian Wong
General Counsel and Company Secretary

Paul Burke (resigned 1 July 2022)
General Manager Government Affairs and Company Secretary

Vicki Letcher (appointed 1 July 2022)

Company Secretary

Principal activities

The Group offers customers the following products:

- **Pay:** the Group provides payment and finance solutions to merchants and their customers wanting to purchase goods or services. Customers are provided choice and flexibility, ranging from weekly instalment plans (buy now pay later) for small purchases to monthly or flexible payment plans for bigger purchases and travel credit cards. Offered in Australia, New Zealand and Asia.

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

In June 2022, the Group internally announced a strategic review of the ownership of the Insurance business (Latitude Insurance Holdings Pty Ltd and its subsidiaries) involving selling the Insurance business. The Insurance operations have been re-classified as discontinuing operations in accordance with applicable accounting standards.

Summary of Group Performance

Statutory profit after tax attributable to shareholders from continuing operations for 1H22 is $45.9 million, reduced by $33.6 million from $79.5 million in 1H21.

Cash NPAT[1] from continuing operations reduced by $11.7 million to $93.0 million from $104.7 million in 1H21.

Summary financial results

($m)	30-June-22 1H22	31-Dec-21* 2H21	30-Jun-21* 1H21	Change % HoH[(4)]	Change % YoY[(4)]
Net interest income	352.7	371.2	401.2	(5%)	(12%)
Other income	17.7	16.0	7.9	11%	124%
Total Operating Income	**370.4**	**387.2**	**409.1**	**(4%)**	(9%)
Net Charge Offs	(74.2)	(67.6)	(81.9)	10%	(9%)
Risk Adjusted Income	**296.2**	**319.6**	**327.2**	**(7%)**	**(9%)**
Cash operating expenses[(2)]	(174.3)	(191.9)	(173.5)	(9%)	0%
Cash PBT	**121.9**	**127.7**	**153.7**	**(5%)**	**(21%)**
Movement in provision for impairment	35.3	21.3	12.3	66%	187%
Depreciation & Amortisation (excl leases)	(22.1)	(18.4)	(16.9)	20%	31%
Profit before Tax & Notable Items	**135.1**	**130.6**	**149.1**	**3%**	**(9%)**
Income tax expense	(42.1)	(35.3)	(44.4)	19%	(5%)
Cash NPAT from continuing operations	**93.0**	**95.3**	**104.7**	**(2%)**	**(11%)**
Notable items after tax[(3)]					
Amortisation of acquisition intangibles	(17.0)	(17.1)	(17.0)	(1%)	0%
Amortisation of legacy transaction costs	(1.7)	(2.7)	(4.0)	(37%)	(58%)
Other notable items	(28.4)	(11.5)	(4.2)	147%	576%
	(47.1)	**(31.3)**	**(25.2)**	50%	87%
Statutory profit after tax from continuing operations	**45.9**	**64.0**	**79.5**	**(28%)**	**(42%)**
Discontinued operations	(15.7)	6.3	10.0	(349%)	(257%)
Outside equity interest	0.4	0.6	-	(33%)	100%
Statutory profit after non-controlling interest	**30.6**	**70.9**	**89.5**	**(57%)**	**(66%)**

** Comparative information has been restated for discontinued operations (refer to note 6.5), change in reportable segments and revised definition of Cash NPAT.*

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

(2) Cash operating expenses excludes notable items as defined below. Refer to Cash NPAT reconciliation items on page 6.

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

(4) 'HoH' refers to the half-on-half movement which is sequential, whereas 'YoY' refers to the year-on-year movement which is the prior corresponding period.

For the half-year ended 30 June 2022

Financial Overview

Volumes for 1H22 were up 2% vs 1H21 despite continued challenging trading conditions. The increase was led by the Money segment, up 9% year on year including strong performance of Australia Personal Loans which was up 30% year on year. Some of this growth was offset by product re-pricing through the period, in response to rising funding costs. The 28 Degrees travel card also saw a recovery in volumes, up 29% year on year, as international travel resumed. Pay volumes remained subdued with very low interest rates and excess liquidity driving a preference for cash and other payment channels. In addition, foot traffic and consequently in-store sales have not fully returned to their pre-COVID levels. New Zealand was impacted in the half due to the implementation of the Credit Contracts & Consumer Finance Act (CCCFA, effective 1 December 2021), which has impacted the origination process. This has initially impacted the number of applications and led to lower approvals and longer fulfillment times.

Repayment rates excluding credit cards remained elevated compared to historical averages at ~100% which was flat to 1H21, and up vs 1H19 of 89%. Elevated repayments continued to constrain growth in Average Gross Receivables which reduced 3% year on year and was down 0.2% vs 2H21.

Cash NPAT from continuing operations of $93.0 million decreased by 11%, with the key drivers as follows:

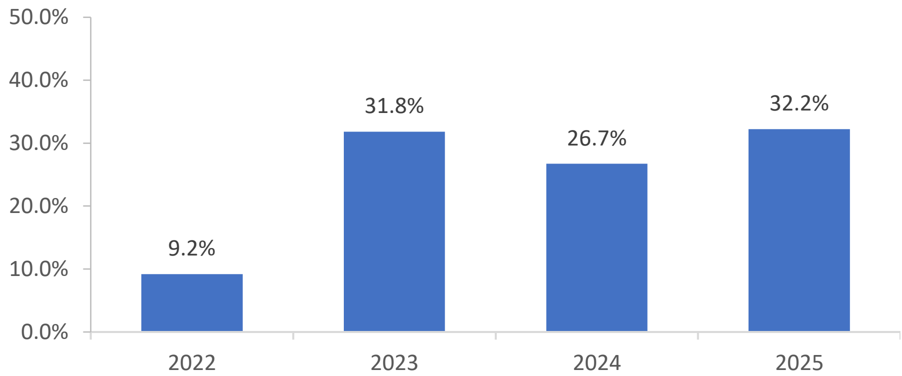
- **Total Operating Income** reduced by $38.7 million (9%) to $370.4 million. The reduction was driven by lower Average Gross Receivables ($11m of the variance) noted above, coupled with a contraction in Operating Income Margin of 87bps. The margin compression was principally driven by the full impact of price reductions implemented in FY20/21 with interest income yield down 91bps and the emergence of higher funding costs of 26bps above 1H21. Higher cash rates and a steepening yield curve (3-yr swap) during the half, in both Australia (+75bps/ +217bps) and New Zealand (+125bps/ +174bps), have seen funding and fixed rate loan hedging costs move ahead of product yields. In response, Go/GEM and PL/ Auto interest rates were increased through the 1H22 period and will begin to deliver their full impact in 2H22.
- **Net Charge offs** continued to perform strongly, decreasing $7.7 million (9%) to $74.2 million year on year. The Net Charge off rate improved by 17bps from 2.54% in 1H21 to 2.37% in 1H22 reflecting the continuation of the improvement in the credit quality of the portfolio driven by tightening of underwriting standards in prior periods, improved portfolio credit mix at origination, and the continued elevated repayment rates, above historical averages during this period.
- **Cash Operating expenses** remained flat at $174.3 million compared to $173.5 million in 1H21 as a result of disciplined cost management exercised in an environment of subdued balance sheet growth. Employee costs within Cash Operating expenses have reduced 12% compared to 1H21 as a result of a simplified operating structure along with benefits from continued investment in technology and automation.
- **Provision movements** of $35.3 million (excluding discontinued operations) compared to $12.3 million in 1H21. Provisioning moved in line with the change in receivables coupled with a reduction in the underlying coverage rate of 54bps from 2H21. The principal driver of the rate movement was the release of COVID related provisions as both the forward looking economic model and management overlays were updated to reflect current economic conditions.
- **Notable items after tax** increased 87% compared to 1H21 due to the Symple acquisition (lending platform replacement and integration), asset impairments recognised in the period relating to the Symple acquisition and other reviews conducted of associated platforms and work associated with the terminated Humm transaction.

For the half-year ended 30 June 2022

Funding

During the period, the Group maintained a robust funding position and has remained active in the funding markets. The Group systematically manages its maturity profile within the target range of no more than 50% of funding maturities in any given year and no more than 40% of funding maturities within the next 12 months.

The following graph sets out the Group's debt maturity profile as at 30 June 2022.



Across both the Warehouse and ABS facilities, the Group has drawn borrowings of $5.8 billion with available head room of $2.1 billion to support future growth. During the period, the Group completed four refinancing or extension transactions across Australia and New Zealand credit cards and Australian personal loans. These transactions reduced the funding margin in each of the warehouses and helps ensure the Group's headroom and maturity profile noted above allowing it to manage its funding risks through volatile periods.

Balance Sheet and Returns

Robust balance sheet metrics persist with the provision coverage rate prudent at 3.74%, 90 days past due at 0.8% and the tangible equity ratio increasing 53bps to 9.2% in part due to the issuance of $150 million of Capital Notes in late 2021.

The return on Average Gross Receivables has remained stable at 3.0% with lower leverage constraining ROE down 103bps to 12.1% in the half.

An interim dividend of 7.85 cents per share, fully franked was declared.

For the half-year ended 30 June 2022

Cash NPAT reconciling items

Jun-22 ($m)	Cash NPAT	Amortisation of acquisition intangibles	Amortisation of legacy transaction costs	Symple Integration	Restructuring Costs & International Investment	Acquisition Related Expenditure	Fixed Assets Impairment	Discont'd Facilities	Stat NPAT
Net interest income	352.7		(2.4)					(0.2)	350.2
Other income	17.7							0.6	18.3
Total operating income	**370.4**	**-**	**(2.4)**	**-**	**-**	**-**	**-**	**0.4**	**368.5**
Net charge offs	(74.2)								(74.2)
Risk adjusted income	**296.2**	**-**	**(2.4)**	**-**	**-**	**-**	**-**	**0.4**	**294.3**
Cash operating expenses	(174.3)			(8.9)	(7.2)	(6.9)	(15.3)	(1.5)	(214.2)
Cash PBT	**121.9**	**-**	**(2.4)**	**(8.9)**	**(7.2)**	**(6.9)**	**(15.3)**	**(1.2)**	**80.1**
Movement in provision for impairment	35.3								35.3
Depreciation & Amortisation (excl leases)	(22.1)	(24.1)						(0.5)	(46.8)
Profit before tax	**135.1**	**(24.1)**	**(2.4)**	**(8.9)**	**(7.2)**	**(6.9)**	**(15.3)**	**(1.6)**	**68.6**
Income tax expense	(42.1)	7.1	0.7	2.6	2.0	2.0	4.5	0.5	(22.7)
Profit after tax from continuing operations	**93.0**	**(17.0)**	**(1.7)**	**(6.3)**	**(5.2)**	**(4.9)**	**(10.8)**	**(1.2)**	**45.9**

Dividends and Distributions

Information relating to dividends and distributions for the current and prior period, including dividends determined by the Board since the end of the reporting period, are disclosed in note 2.4 of the interim financial report.

Significant changes in the state of affairs

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

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

Latitude Group Holdings Limited announced to the ASX on 8 August 2022 that it had entered into an agreement to sell Latitude Insurance Holdings Pty Ltd and its subsidiaries. Further details are included in the Events occurring after reporting data section of the Directors Report and note 6.5.

For the half-year ended 30 June 2022

Events occurring after the reporting date

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

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

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 10 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
Melbourne
19 August 2022

For the half-year ended 30 June 2022

Directors' Declaration

The Directors of Latitude Group Holdings Limited declare that:

1. the consolidated financial statements and notes set out on pages 11 to 45 are in accordance with the *Corporations Act 2001*, including:

    (a) giving a true and fair view of the Group's financial position as at 30 June 2022 and of its performance for the six month period ended on that date and

    (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001 and

2. 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
Melbourne
19 August 2022

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 2022 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

Chris Wooden

Partner

Melbourne

19 August 2022

For the half-year ended 30 June 2022

Consolidated Income Statement

	Notes	30 June 2022 $'m	30 June 2021* $'m
Continuing operations			
Interest income		**439.4**	481.1
Interest expense		**(89.2)**	(85.8)
Net interest income	2.2(a)	**350.2**	395.3
Other operating income	2.2(b)	**18.3**	8.7
Total operating income		**368.5**	404.0
Loan impairment expense		**(38.9)**	(69.6)
Operating expenses			
Employee benefit expense		**(84.5)**	(82.8)
Depreciation and amortisation expense		**(52.3)**	(45.7)
IT and data processing expenses		**(30.2)**	(26.2)
Marketing expenses		**(15.5)**	(17.0)
Administrative and professional expenses		**(41.2)**	(14.0)
Occupancy and operating expenses		**(9.1)**	(11.0)
Other expenses		**(28.2)**	(21.2)
Total operating expenses		**(261.0)**	(217.9)
Distribution to trust beneficiaries		**-**	(3.2)
Profit before income tax		**68.6**	113.3
Income tax expense	2.3(a)	**(22.7)**	(33.8)
Profit from continuing operations		**45.9**	79.5
Net profit/(loss) after tax for the period from discontinued operations	6.5(b)	**(15.7)**	10.0
Net profit for the period		**30.2**	89.5
Profit/(loss) is attributable to:			
Owners of Latitude Group Holdings Limited		**30.6**	89.5
Non-controlling interests		**(0.4)**	-
Profit for the period		**30.2**	89.5

**Comparative information has been restated to reflect the prior period adjustments detailed in Note 6.5*

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

For the half-year ended 30 June 2022

Consolidated Statement of Comprehensive Income

	Notes	30 June 2022 $'m	30 June 2021 $'m
Net profit for the period		**30.2**	89.5
Other comprehensive income			
Items that may be reclassified to income statement			
Net cash flow hedge - fair value gain		**34.5**	5.5
Currency translation differences arising during the period		**(8.7)**	1.4
Other comprehensive income for the period, net of tax		**25.8**	6.9
Total comprehensive income for the period		**56.0**	96.4
Total comprehensive income/(loss) for the period is attributable to:			
Owners of Latitude Group Holdings Limited		**56.4**	96.4
Non-controlling interests		**(0.4)**	-
Total comprehensive income		**56.0**	96.4
Earnings per share for profit attributable to the ordinary equity holders of the Company		**Cents**	**Cents**
Basic earnings per share		**2.9**	11.3
Diluted earnings per share		**2.7**	11.3
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the Company		**Cents**	**Cents**
Basic earnings per share	2.5	**4.5**	10.1
Diluted earnings per share	2.5	**4.1**	10.1

**Comparative information has been restated to reflect the prior period adjustments detailed in Note 6.5*

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

For the half-year ended 30 June 2022

Consolidated Balance Sheet

As at 30 June 2022

	Notes	30 June 2022 $'m	31 December 2021 $'m
Assets			
Cash and cash equivalents	3.1(b)	**380.2**	605.7
Current tax assets		**10.5**	-
Investments		**-**	83.6
Derivative financial instruments		**67.0**	12.3
Loans and other receivables	3.1(c)	**5,943.3**	6,008.1
Other assets		**16.2**	8.2
Deferred tax assets		**150.9**	178.3
Other financial assets		**1.6**	1.6
Property, plant and equipment		**60.5**	69.2
Intangible assets	5.1(a)	**993.5**	1,047.9
Assets held for sale	6.5(c)	**143.7**	0.2
Total assets		**7,767.4**	8,015.1
Liabilities			
Trade and other liabilities	3.1(d)	**283.2**	380.7
Current tax liabilities		**-**	36.8
Derivative financial instruments		**1.9**	1.0
Provisions	5.1(b)	**46.5**	74.5
Gross insurance policy liabilities		**-**	19.2
Deferred tax liabilities		**79.6**	72.2
Borrowings	3.1(e)	**5,789.6**	5,865.2
Liabilities held for sale	6.5(c)	**26.8**	-
Total liabilities		**6,227.6**	6,449.6
Net assets		**1,539.8**	1,565.5
Equity			
Contributed equity	4.1(a)	**2,221.0**	2,221.0
Reserves		**(639.3)**	(667.2)
Retained earnings/(losses)		**(46.0)**	7.2
Capital and reserves attributable to owners of Latitude Group Holdings Limited		**1,535.7**	1,561.0
Non-controlling interests		**4.1**	4.5
Total equity		**1,539.8**	1,565.5

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

For the half-year ended 30 June 2022

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	Non-controlling interests $'m	Total equity $'m
At 1 January 2021	1,110.0	(676.0)	(73.8)	360.2	-	**360.2**
Profit for the period from continuing operations	-	-	79.5	79.5	-	**79.5**
Other comprehensive loss from continuing operations	-	6.9	-	6.9	-	**6.9**
Profit from discontinued operations	-	-	10.0	10.0	-	**10.0**
Total comprehensive income for the period	-	6.9	89.5	96.4	-	**96.4**
Amounts transferred to profit or loss from continuing operations	-	3.9	-	3.9	-	**3.9**
Transactions with owners in their capacity as owners:						
Share-based compensation payments	-	3.4	-	3.4	-	**3.4**
Transfers to common control reserve from restructure	-	(24.4)	-	(24.4)	-	**(24.4)**
Issue of ordinary share capital	880.3	-	-	880.3	-	**880.3**
At 30 June 2021	**1,990.3**	**(686.2)**	**15.7**	**1,319.8**	**-**	**1,319.8**
At 1 January 2022	2,221.0	(667.2)	7.2	1,561.0	4.5	**1,565.5**
Profit/(loss) from continuing operations	-	-	46.3	46.3	(0.4)	**45.9**
Loss from discontinued operations	-	-	(15.7)	(15.7)	-	**(15.7)**
Other comprehensive income from continuing operations	-	25.8	-	25.8	-	**25.8**
Total comprehensive income/(loss) for the period	-	25.8	30.6	56.4	(0.4)	**56.0**
Amounts transferred to profit or loss from continuing operations	-	1.4	-	1.4	-	**1.4**
Amounts transferred from reserves, net of tax from continuing operations						
Transactions with owners in their capacity as owners:						
Dividends paid	-	-	(81.5)	(81.5)	-	**(81.5)**
Capital note distribution paid/payable	-	-	(2.3)	(2.3)	-	**(2.3)**
Share-based compensation payments	-	0.7	-	0.7	-	**0.7**
At 30 June 2022	**2,221.0**	**(639.3)**	**(46.0)**	**1,535.7**	**4.1**	**1,539.8**

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

For the half-year ended 30 June 2022

Consolidated Statement of Cash Flows

	Notes	*30 June 2022 $'m	30 June 2021 $'m
Cash flows from operating activities			
Interest received		**422.7**	470.3
Interest paid		**(105.4)**	(79.2)
Other operating income received		**18.9**	9.7
Net insurance income:			
Premiums received		**6.5**	6.4
Claims paid		**(5.5)**	(8.5)
Investment income		**0.5**	0.3
Operating expenses paid		**(199.1)**	(182.1)
Income taxes paid		**(50.3)**	(12.3)
Cash flows from operating activities before changes in operating assets and liabilities		**88.3**	204.6
Changes in operating assets and liabilities arising from cash flow movements			
Net increase in loans and other receivables		**(49.3)**	(63.2)
Net decrease in trade and other liabilities		**(27.7)**	(13.4)
Net decrease in gross insurance policy liabilities		**(0.3)**	(0.1)
Changes in operating assets and liabilities arising from cash flow movements		**(77.3)**	(76.7)
Net cash provided by operating activities		**11.0**	127.9
Cash flows from investing activities			
Net purchases of intangible assets, property, plant & equipment		**(25.6)**	(33.9)
Investment in debt instruments and term deposits		**(1.5)**	(69.8)
Net cash used in investing activities		**(27.1)**	(103.7)
Cash flows from financing activities			
Proceeds from borrowing issuances and drawdowns		**723.6**	1,050.5
Repayment of borrowings		**(782.9)**	(1,035.2)
Net movement from restructuring		**-**	(47.0)
Repayment of amounts due to related parties		**(27.1)**	-
Proceeds from related parties		**29.1**	
Dividends paid		**(81.5)**	-
Capital note distributions paid		**(2.9)**	-
Net outflow from share-based payment plan		**(1.3)**	(0.1)
Payment of lease liabilities		**(6.0)**	(6.3)
Payments of transaction costs from financing activities		**(0.9)**	(1.7)
Distributions paid - Pre- IPO listing		**-**	(3.0)
Net cash used in financing activities		**(149.9)**	(42.8)
Net decrease in cash and cash equivalents		**(166.0)**	(18.6)
Cash and cash equivalents at beginning of financial period		**605.7**	463.0
Cash and cash equivalents reclassified to assets held for sale		**(45.1)**	-
Effects of exchange rate changes on cash and cash equivalents		**(14.4)**	1.3
Cash and cash equivalents at end of financial period	3.1(b)	**380.2**	445.7

** Includes both continuing and discontinued operations. Amounts related to discontinued operations are disclosed in Note 6.5(d)*

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

For the half-year ended 30 June 2022

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.

These consolidated interim financial statements were authorised for issue by the Directors on 19 August 2022.

(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*. 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 2021.

(c) 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 the lower of carrying amount and fair value less costs of disposal.

(d) 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.

(e) Rounding of amounts

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

For the half-year ended 30 June 2022

1.1 Basis of Preparation (continued)

(f) 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 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 2021, except as detailed below:

(a) Hedge accounting

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

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

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

(b) Discontinued operation

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

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

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

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

For the half-year ended 30 June 2022

1.2 Other significant accounting policies (continued)

(c) Assets held for sale

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

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

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

1.3 New and amended standards

(a) New and amended standards adopted

Other amended standards

Other amended standards that became effective for the reporting period 30 June 2022 did not have a material impact on the Group.

(b) New standards and interpretations not yet adopted

The following standard has been published that is not mandatory for 30 June 2022 reporting periods and has 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. There will be no impact on the Group's continuing operations as a result of the pending sale of the Insurance Business.

Other Standards

Other Standards and interpretations that have been published that are not mandatory for 30 June 2022 reporting periods have not been early adopted by the Group. The Group expects to adopt these on their effective dates, but none are expected to have a material impact on the Group.

Section 2 | Results

2.1 Segment information

(a) Description of segments

The Group's Managing Director and Chief Executive Officer (CEO) and Executive Committee (EC) are responsible for the overall performance of the Group and take accountability for monitoring the Group's business, affairs and setting its strategic direction, establishing policies and overseeing the Group's financial position. The CEO and the EC assess the business on a Cash NPAT basis where the Cash NPAT is total revenue, being interest income and other operating income, net of interest expense, net charge offs, and cash operating expenses.

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

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

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

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

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

	External Revenue from continuing operations		*Non-current assets	
	30 June 2022 $'m	30 June 2021 $'m	31 December 2022 $'m	31 December 2021 $'m
Geographical information				
Australia	356.4	379.1	873.5	924.1
New Zealand	101.1	110.6	157.1	132.7
Other	0.2	-	23.4	-
Total	**457.7**	**489.7**	**1,054.0**	**1,056.8**

**consists of goodwill and other intangibles and property, plant and equipment*

For the half-year ended 30 June 2022

2.1 Segment information (continued)

(b) Segment overview

Half-year ended 30 June 2022	A&NZ Pay $'m	A&NZ Money $'m	Other/ Unallocated $'m	Total $'m
Segment income statement information				
Net interest income	233.2	122.8	(3.3)	352.7
Other income	16.3	2.0	(0.6)	17.7
Total operating income	**249.5**	**124.8**	**(3.9)**	**370.4**
Net charge offs	(46.3)	(26.8)	(1.1)	(74.2)
Risk adjusted income	**203.2**	**98.0**	**(5.0)**	**296.2**
Cash operating expenses	(101.1)	(61.3)	(11.9)	(174.3)
Cash PBT	**102.1**	**36.7**	**(16.9)**	**121.9**
Movement in provision for impairment	18.5	16.9	(0.1)	35.3
Depreciation & Amortisation (excl leases)	-	-	(22.1)	(22.1)
Profit before tax & notable items	**120.6**	**53.6**	**(39.1)**	**135.1**
Income tax expense	-	-	(42.1)	(42.1)
Cash NPAT	**120.6**	**53.6**	**(81.2)**	**93.0**
Amortisation of acquisition intangibles	-	-	(24.1)	(24.1)
Amortisation of legacy transaction costs	-	-	(2.4)	(2.4)
Notable items				
Symple integration	-	-	(8.9)	(8.9)
Restructuring costs & international investments	-	-	(7.2)	(7.2)
Acquisition related expenditure	-	-	(6.9)	(6.9)
Fixed Asset impairment	-	-	(15.3)	(15.3)
Discontinued facilities	-	-	(1.6)	(1.6)
Tax effect of adjustments	-	-	19.3	19.3
Statutory Profit/(Loss) after tax from continuing operations	**120.6**	**53.6**	**(128.3)**	**45.9**
Discontinued operations				(15.7)
Statutory Profit after tax				**30.2**
Segment balance sheet information				
Total assets reported by the Consolidated Group	3,515.6	3,371.3	880.5	7,767.4
Total liabilities reported by the Consolidated Group	(2,615.8)	(3,063.8)	(548.1)	(6,227.6)

For the half-year ended 30 June 2022

2.1 Segment information (continued)

Half-year ended 30 June 2021*	A&NZ Pay $'m	A&NZ Money $'m	Other/ Unallocated $'m	Total $'m
Segment income statement information				
Net interest income	285.7	119.4	(3.9)	401.2
Other income	6.4	0.9	0.6	7.9
Total operating income	**292.1**	**120.3**	**(3.3)**	**409.1**
Net charge offs	(54.5)	(26.9)	(0.5)	(81.9)
Risk adjusted income	**237.6**	**93.4**	**(3.8)**	**327.2**
Cash operating expenses	(99.2)	(51.4)	(22.9)	(173.5)
Cash PBT	**138.4**	**42.0**	**(26.7)**	**153.7**
Movement in provision for impairment	2.7	9.6	-	12.3
Depreciation & Amortisation (excl leases)	-	-	(16.9)	(16.9)
Profit before tax & notable items	**141.1**	**51.6**	**(43.6)**	**149.1**
Income tax expense	-	-	(44.4)	(44.4)
Cash NPAT	**141.1**	**51.6**	**(88.0)**	**104.7**
Amortisation of acquisition intangibles	-	-	(24.1)	(24.1)
Amortisation of legacy transaction costs	-	-	(5.6)	(5.6)
Notable Items				
International	-	-	(1.3)	(1.3)
Restructuring	-	-	(0.9)	(0.9)
Asset/work in progress impairment	-	-	(1.7)	(1.7)
Discontinued facilities (net of sub-lease revenue)	-	-	(2.2)	(2.2)
Tax effect of adjustments	-	-	10.6	10.6
Statutory Profit/(Loss) after tax from continuing operations	**141.1**	**51.6**	**(113.2)**	**79.5**
Discontinued operations				10.0
Statutory Profit after tax				**89.5**
Segment balance sheet information				
Total assets reported by the Consolidated Group	5,280.2	1,562.1	1,172.8	8,015.1
Total liabilities reported by the Consolidated Group	4,577.3	1,482.5	389.8	6,449.6

**Comparative information has been restated for discontinued operations (refer to note 6.5), change in reportable segments and revised definition of Cash NPAT.*

For the half-year ended 30 June 2022

2.2 Revenue and expenses

(a) Net interest income

	30 June 2022 $'m	30 June 2021 $'m
Interest income	**439.4**	481.1
Total interest income	**439.4**	481.1
Finance costs on borrowings	**(87.9)**	(84.3)
Lease interest expense	**(1.3)**	(1.5)
Total interest expense	**(89.2)**	(85.8)
Net interest income	**350.2**	395.3

(b) Other operating income

	30 June 2022 $'m	30 June 2021 $'m
Net interchange and operating fees	**17.7**	7.5
Other	**0.6**	1.2
Total other operating income	**18.3**	8.7

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

	30 June 2022 $'m	30 June 2021 $'m
Net profit after income tax	**30.2**	89.5
Increase in interest receivable	**(16.7)**	(10.5)
Increase/(decrease) in interest payable	**(16.1)**	6.6
Depreciation and amortisation	**52.5**	45.7
Non-cash charge offs	**67.1**	92.8
Other income including asset impairment	**(28.7)**	(19.5)
Increase in loans and other receivables	**(49.3)**	(63.2)
Decrease in trade and other liabilities	**(27.7)**	(13.4)
Decrease in gross insurance policy liabilities	**(0.3)**	(0.1)
Net cash provided by operating activities	**11.0**	127.9

For the half-year ended 30 June 2022

2.3 Income tax expense and deferred tax

(a) Income tax expense

	30 June 2022 $'m	30 June 2021 $'m
Current tax expense		
Current tax on profits for the period	**3.0**	29.1
Adjustments recognised in the period for current tax of prior period	**(1.0)**	-
	2.0	29.1
Deferred tax expense		
Origination and reversal of temporary differences	**20.8**	7.6
	20.8	7.6
Income tax expense	**22.8**	36.7
Income tax expense is attributable to:		
Profit/(loss) from continuing operations	**22.7**	33.8
Profit/(loss) from discontinued operations	**0.1**	2.9
	22.8	36.7

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

	30 June 2022 $'m	30 June 2021 $'m
Profit from continuing operations before income tax expense	**68.6**	113.3
Profit/(loss) from discontinued operations before income tax expense	**(15.6)**	12.9
	53.0	126.2
Tax at the Australian tax rate of 30%	**15.9**	37.8
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Permanent differences (^)	**6.9**	(0.5)
Effect of differences in tax rates in foreign jurisdictions	**0.2**	(0.9)
Other	**0.8**	0.3
Adjustments of prior periods	**(1.0)**	-
Income tax expense	**22.8**	36.7

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

For the half-year ended 30 June 2022

2.4 Shareholder returns

(a) Dividends

The following dividends were paid by the Company in the period.

	30 June 2022 $'m	30 June 2021 $'m
Final dividends paid 22 April 2022 (100% franked)	**81.5**	-

On 19 August 2022, the directors declared a 7.85 cents per share 100% franked interim dividend to the holders of qualifying ordinary shares in respect of the half-year ended 30 June 2022, to be paid to shareholders on 26 October 2022.

(b) Distributions paid and payable on other equity instruments

	30 June 2022 $'m	30 June 2021 $'m
Distributions paid	**2.9**	-
Distributions payable	**1.0**	-

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

For the half-year ended 30 June 2022

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:

	Basic		Diluted	
	30 June 2022	30 June 2021	30 June 2022	30 June 2021
Earnings ($'m)				
Profit for the period attributable to owners of the Company	**30.6**	89.5	**30.6**	89.5
Profit/(loss) from discontinued operations attributable to owners of the Company	**(15.7)**	10.0	**(15.7)**	10.0
Adjusted earnings from continuing operations	**46.2**	79.5	**46.2**	79.5
Weighted average number of ordinary shares (millions)				
Weighted average number of ordinary shares	**1,038.5**	789.4	**1,038.5**	789.4
Potential dilutive weighted average number of ordinary shares:				
Conversion of capital notes	-	-	97.1	-
Total weighted average number of ordinary shares	**1,038.5**	789.4	**1,135.6**	789.4
Earnings per share (cents) attributable to owners of the Company				
Earnings per share (cents)	**2.9**	11.3	**2.7**	11.3
Earnings per share (cents) from continuing operations	**4.5**	10.1	**4.1**	10.1

For the half-year ended 30 June 2022

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 2022						
Cash and cash equivalents	3.1(b)	-	-	-	**380.2**	**380.2**
Derivative financial instruments		-	-	**67.0**	-	**67.0**
Loans and other receivables	3.1(c)	-	-	-	**5,943.3**	**5,943.3**
Other financial assets		**1.6**	-	-	-	**1.6**
Total financial assets		**1.6**	-	**67.0**	**6,323.5**	**6,392.1**
31 December 2021						
Cash and cash equivalents	3.1(b)	-	-	-	605.7	605.7
Investments		-	83.6	-	-	83.6
Derivative financial instruments		-	-	12.3	-	12.3
Loans and other receivables	3.1(c)	-	1.2	-	6,006.9	6,008.1
Other financial assets		1.6	-	-	-	1.6
Total financial assets		**1.6**	**84.8**	**12.3**	**6,612.6**	**6,711.3**

Financial liabilities	Notes	Liabilities at fair value $'m	Liabilities at amortised cost $'m	Total $'m
30 June 2022				
Trade and other liabilities	3.1(d)	-	**283.2**	**283.2**
Derivative financial instruments		**1.9**	-	**1.9**
Borrowings	3.1(e)	-	**5,789.6**	**5,789.6**
Total financial liabilities		**1.9**	**6,072.8**	**6,074.7**
31 December 2021				
Trade and other liabilities	3.1(d)	-	380.7	380.7
Derivative financial instruments		1.0	-	1.0
Borrowings	3.1(e)	-	5,865.2	5,865.2
Total financial liabilities		**1.0**	**6,245.9**	**6,246.9**

For the half-year ended 30 June 2022

3.1 Financial assets and liabilities (continued)

(b) Cash and cash equivalents

	30 June 2022 $'m	31 December 2021 $'m
Current assets		
Cash and cash equivalents	**374.4**	580.9
Hallmark short term deposits	**-**	17.9
Restricted cash [1]	**5.8**	6.9
Cash and cash equivalents	**380.2**	605.7

[1] Being cash deposited as security

(c) Loans and other receivables

	30 June 2022 $'m	31 December 2021 $'m
Loans and advances		
Loans and advances	**6,254.1**	6,352.1
Unearned income	**(83.5)**	(100.2)
Provision for impairment losses	**(234.1)**	(271.6)
Total loans and advances	**5,936.5**	5,980.3
Other receivables		
Trade receivables	**4.6**	18.8
Other receivables	**2.2**	9.0
Total other receivables	**6.8**	27.8
Total loans and other receivables	**5,943.3**	6,008.1
Current	**3,107.1**	3,076.2
Non-current	**2,836.2**	2,931.9
Total loans and other receivables	**5,943.3**	6,008.1

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

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

For the half-year ended 30 June 2022

3.1 Financial assets and liabilities (continued)

(d) Trade and other liabilities

	30 June 2022 $'m	31 December 2021 $'m
Current		
Trade and other payables	**47.4**	79.9
Accrued expenses	**31.5**	55.9
Payables to related parties	**12.3**	39.4
Customer credit balances	**59.6**	55.0
Promissory note	**24.0**	24.0
Outstanding Insurance claims liability	**-**	7.5
Lease liability	**11.4**	10.5
Capital note distributions	**1.0**	1.4
Current trade and other liabilities	**187.2**	273.6
Non-Current		
Payables to related parties	**45.1**	45.1
Outstanding Insurance claims liability	**-**	4.4
Lease liability	**50.9**	57.6
Non-current trade and other liabilities	**96.0**	107.1
Total trade and other liabilities	**283.2**	380.7

The carrying amounts of trade and other liabilities approximates fair value. When measuring lease liabilities, the Group discounts lease payments using its incremental borrowing rate. The weighted-average discount rate applied is 3.78% as at 30 June 2022 (31 December 2021: 3.79%).

(e) Borrowings

	30 June 2022			31 December 2021		
	Current $'m	Non-current $'m	Total $'m	Current $'m	Non-current $'m	Total $'m
Secured						
Securitisation liabilities	**1,264.4**	**4,495.8**	**5,760.2**	949.1	4,916.1	5,865.2
Unsecured						
Facility agreement	**29.4**	**-**	**29.4**	-	-	-
Total borrowings	**1,293.8**	**4,495.8**	**5,789.6**	949.1	4,916.1	5,865.2

Borrowings are shown net of capitalised transaction costs, where unamortised transaction costs of $6.6 million are set off against borrowings at 30 June 2022 (31 December 2021: $8.5 million). During the period $0.9 million (Half-year to 30 June 2021: $1.6 million) of borrowing costs were capitalised.

The New Zealand Sales Finance and Credit Card Warehouse was refinanced in December 2021. On 24 January 2022 the warehouse was extended to 24 January 2025, maintaining current commitments of NZ$864 million.

3.1 Financial assets and liabilities (continued)

The Australian Sales Finance and Credit Card Warehouse was refinanced on 22 March 2022. The total commitment level of the facility was reduced by $129 million to $801 million, and the scheduled amortisation date was extended from 22 December 2022 to 24 March 2025.

In March 2022, the Australian Personal Loans Series 2017-1 was redeemed on the payment date following a call date trigger in February. All noteholders were repaid in full, with the remaining balance of loans sold to the Australian Personal Loans Warehouse.

The Symple Warehouse Trust 2019-1 was extended on 31 March 2022 with a new termination date of 31 March 2024. Further changes to this facility are ongoing.

In May 2022 the Australian Personal Loans Warehouse was refinanced. The scheduled amortisation date was extended from the payment date in January 2024 to 19 May 2025.

The Group entered into a new 12-month Facility Agreement with Shinsei effective 18 March 2022 for a USD $20 million single draw bullet term credit facility.

Under the terms of the major borrowing facilities, the Group is required to comply with financial covenants. The Group has complied with these covenants during the 2022 interim reporting period.

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 2022

3.1 Financial assets and liabilities (continued)

(g) Recurring fair values

At 30 June 2022	Level 1 $'m	Level 2 $'m	Level 3 $'m	Total $'m
Financial assets				
Derivative financial assets				
Derivatives used for hedging - interest rate swaps	**-**	**63.6**	**-**	**63.6**
Derivatives used for hedging - foreign exchange contracts	**-**	**3.4**	**-**	**3.4**
Other financial assets	**-**	**-**	**1.6**	**1.6**
Total financial assets	**-**	**67.0**	**1.6**	**68.6**
Financial Liabilities				
Derivative financial liabilities				
Derivatives used for hedging - interest rate swaps	-	**1.9**	**-**	**1.9**
Total financial liabilities	**-**	**1.9**	**-**	**1.9**

At 31 December 2021	Level 1 $'m	Level 2 $'m	Level 3 $'m	Total $'m
Financial assets				
Hallmark insurance assets designated at fair value		84.8		84.8
Derivative financial assets				
Derivatives used for hedging - interest rate swaps	-	11.9	-	11.9
Derivatives used for hedging - foreign exchange contracts	-	0.4	-	0.4
Other financial assets	-	-	1.6	1.6
Total financial assets	-	97.1	1.6	98.7
Financial Liabilities				
Derivative financial liabilities				
Derivatives used for hedging - interest rate swaps	-	1.0	-	1.0
Total financial liabilities	**-**	1.0	-	1.0

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

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

For the half-year ended 30 June 2022

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 $'m	Lifetime ECL not credit impaired $'m	Lifetime ECL credit impaired, not POCI^ $'m	Lifetime ECL credit impaired, POCI^ $'m	Total $'m
Very low risk	**7,264.8**	**-**	**-**	**2.4**	**7,267.2**
Low risk	**457.2**	**-**	**-**	**0.5**	**457.7**
Medium risk	**150.7**	**-**	**-**	**0.2**	**150.9**
Moderate risk	**22.6**	**-**	**-**	**0.1**	**22.7**
High risk	**2.7**	**-**	**-**	**-**	**2.7**
At 30 June 2022	**7,898.0**	**-**	**-**	**3.2**	**7,901.2**

	12-month ECL $'m	Lifetime ECL not credit impaired $'m	Lifetime ECL credit impaired, not POCI^ $'m	Lifetime ECL credit impaired, POCI^ $'m	Total $'m
Very low risk	7,823.1	-	-	2.6	7,825.7
Low risk	535.1	-	-	0.6	535.7
Medium risk	174.3	-	-	0.3	174.6
Moderate risk	27.2	-	-	0.1	27.3
High risk	3.5	-	-	-	3.5
At 31 December 2021	8,563.2	-	-	3.6	8,566.8

^POCI: Purchased or Originated Credit Impaired

For the half-year ended 30 June 2022

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	**2,361.0**	**3.7**	**-**	**1.7**	**2,366.4**
Low risk	**1,639.7**	**10.5**	**-**	**2.2**	**1,652.4**
Medium risk	**1,075.0**	**17.7**	**-**	**2.0**	**1,094.7**
Moderate risk	**306.3**	**19.9**	**-**	**0.9**	**327.1**
High risk	**355.2**	**164.7**	**209.4**	**5.3**	**734.6**
Unrated	**78.0**	**2.3**	**1.1**	**-**	**81.4**
At 30 June 2022	**5,815.2**	**218.8**	**210.5**	**12.1**	**6,256.6**

^POCI: Purchased or Originated Credit Impaired

	12-month ECL $'m	Lifetime ECL not credit impaired $'m	Lifetime ECL credit impaired, not POCI^ $'m	Lifetime ECL credit impaired, POCI^ $'m	Total $'m
Very low risk	2,365.8	2.7	-	1.9	2,370.4
Low risk	1,750.8	8.1	-	2.4	1,761.3
Medium risk	1,113.8	15.5	-	2.6	1,131.9
Moderate risk	313.5	17.1	-	1.1	331.7
High risk	289.8	147.6	220.9	6.3	664.6
Unrated	89.5	1.8	0.9	-	92.2
At 31 December 2021	5,923.2	192.8	221.8	14.3	6,352.1

^POCI: Purchased or Originated Credit Impaired

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

For the half-year ended 30 June 2022

3.2 Financial risk management (continued)

Credit quality

(c) Loans and advances by credit quality

Gross loans and advances	30 June 2022 $'m	31 December 2021 $'m
Neither past due or impaired (not POCI^)	**5,419.1**	5,541.2
Past due but not impaired (not POCI^)	**614.9**	574.8
Impaired (not POCI^)	**210.5**	221.8
POCI^	**12.1**	14.3
Total	**6,256.6**	**6,352.1**

^POCI: Purchased or Originated Credit Impaired

(d) Loans and advances past due

Gross loans and advances	30 June 2022 $'m	31 December 2021 $'m
Current	**5,555.8**	5,699.3
Past due 1-29 days	**526.0**	504.5
Past due 30-89 days	**124.0**	105.2
Past due > 90 days	**50.8**	43.1
Total	**6,256.6**	**6,352.1**

For the half-year ended 30 June 2022

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 2022	**196.3**	**13.1**	**60.8**	**1.4**	**271.6**
Effects of exchange rate on translation	(1.1)	(0.1)	(0.3)	-	**(1.5)**
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	21.5	0.6	0.8	-	**22.9**
ii) derecognition of financial instruments during the reporting period	(10.7)	(1.5)	(9.5)	(0.1)	**(21.8)**
iii) change in balance during the reporting period	(7.0)	(0.2)	(1.5)	(0.1)	**(8.8)**
iv) transfers between stages	(2.6)	2.7	9.6	-	**9.7**
Net remeasurement of loss allowance	(30.4)	(2.9)	6.4	0.1	**(26.8)**
Net change in overlays and other	(14.2)	(0.6)	3.7	(0.1)	**(11.2)**
At 30 June 2022	**151.8**	**11.1**	**70.0**	**1.2**	**234.1**
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 the reporting period	(9.2)	(0.2)	(2.1)	(0.2)	(11.7)
iv) transfers between stages	(0.3)	(0.7)	3.3	-	2.3
Net remeasurement of loss allowance	(44.9)	(3.1)	(2.9)	(0.1)	(51.0)
Net change in overlays and 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**

^POCI: Purchased or Originated Credit Impaired

For the half-year ended 30 June 2022

3.2 Financial risk management (continued)

The Group's total provision for impairment losses decreased $37.5 million between 31 December 2021 and 30 June 2022 ($271.6 million to $234.1 million) and the coverage ratio decreased by 54bps (4.28% at December 2021 to 3.74% at June 2022). The application of model risk overlays is used to offset a number of inherent model risks, including the atypical delinquency and loss trends currently driving the lower core model coverage ratios; anticipating delinquency and loss levels normalising.

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

- A model imprecision overlay first adopted in 2018, set at 15% of the core model coverage rate and applied evenly across all products (excluding benchmarked products) $23.5 million; and
- A seasonality overlay to adjust for ordinary course movements in the stage distribution of receivables due to seasonal delinquency trends exhibited by the underlying portfolios $(3.2) million.

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

- The removal of the 'COVID normalisation' overlay held by the Group in 2021, which was calculated looking at the year-on-year change in the core model coverage or the prior 12-month period $(52.7) million;
- A new specific model imprecision overlay to address the known impacts to the probability of default curves due to the data limitations from portfolio performance relating to delinquency and loss during the pandemic $18.6 million; and
- An economic overlay to cater for forward looking impacts and uncertainty that are not easily modelled, comprised of two components: analysis leveraging alternative variables to calculate change in probability-of-default adjustments $21.7 million, and sensitivity on staging taking into consideration the potential impacts to hardship and delinquency from the changing economic outlook $14.2 million.

The Group applied the below scenario weightings as part of the 30 June 2022 financial period:

Scenario	Weighting
Scenario One – Upside A 100% weighting to this scenario would result in a decrease to the total ECL provision at the reporting date of $13.7 million	5%
Scenario Two – Baseline A 100% weighting to this scenario would result in a decrease to the total ECL provision at the reporting date of $4.0 million	55%
Scenario Three – Downside A 100% weighting to this scenario would result in an increase to the total ECL provision at the reporting date of $7.3 million	40%

Weightings for the three scenarios for the prior reporting period of 31 December 2021 were 10% for Scenario One – Upside; 50% for Scenario Two – Baseline; and 40% for Scenario Three – Downside.

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

For the half-year ended 30 June 2022

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 2022 Shares million	31 December 2021 Shares million	30 June 2022 $'m	31 December 2021 $'m
Issued and paid-up ordinary share capital				
Ordinary Shares - fully paid	**1,038.5**	1,038.5	**2,087.2**	2,087.2
Equity raising transaction costs	**-**	-	**(13.2)**	(13.2)
Total ordinary share capital	**1,038.5**	1,038.5	**2,074.0**	2,074.0
Other contributed equity - Capital notes				
Latitude Capital Note (ASX: LFSPA)	**1.5**	1.5	**150.0**	150.0
Equity raising transaction costs			**(4.0)**	(4.0)
Deferred tax recognised directly in equity			**1.0**	1.0
Total ordinary share capital	**1.5**	1.5	**147.0**	147.0
Total contributed equity			**2,221.0**	2,221.0

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

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

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

Section 5 | Other Assets and Liabilities

5.1 Other Assets and Liabilities

(a) 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 2022							
Cost	729.3	160.9	266.3	206.5	38.8	0.5	1,402.3
Accumulated amortisation	-	(120.8)	(201.4)	(86.3)	-	(0.3)	(408.8)
Net book amount	**729.3**	**40.1**	**64.9**	**120.2**	**38.8**	**0.2**	**993.5**
At 31 December 2021							
Cost	738.1	161.5	267.3	194.0	62.3	0.5	1,423.7
Accumulated amortisation	-	(112.2)	(186.4)	(76.9)	-	(0.3)	(375.8)
Net book amount	**738.1**	**49.3**	**80.9**	**117.1**	**62.3**	**0.2**	**1,047.9**

Following the classification of the Insurance operations as available for sale, a fair value assessment of the Group was conducted resulting in the full Goodwill balance of $13.6m being written off at 30 June 2022.

Distribution agreements and customer contracts recognised as part of a business combination in 2015 have remaining amortisation periods of 2.5 years in Australia and 0.5 years in New Zealand at 30 June 2022 (31 December 2021: 3 years in Australia and 1 year in New Zealand).

(b) Provisions

	30 June 2022			31 December 2021		
	Current $'m	Non-Current $'m	Total $'m	Current $'m	Non-current $'m	Total $'m
Leave obligations	**18.7**	**1.3**	**20.0**	20.3	1.5	21.8
Other employee benefit obligations	**3.0**	**-**	**3.0**	27.0	-	27.0
Total employee benefit obligations	**21.7**	**1.3**	**23.0**	47.3	1.5	48.8
Customer remediation and other provisions	**21.2**	**2.3**	**23.5**	23.6	2.1	25.7
Total provisions	**42.9**	**3.6**	**46.5**	**70.9**	**3.6**	**74.5**

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

Section 6 | Other Disclosures

6.1 Share-based payments

(a) Description of share-based payment arrangements

At 30 June 2022, the Group had the following share-based payment arrangements.

(i) Latitude Equity Plan

As disclosed in the 31 December 2021 Financial Report, the Company established the Latitude Equity Plan (LEP) in 2021. The LEP was established to assist in the motivation, retention and reward of key management personnel and other senior leaders through the granting of short-term incentive (STI) and long-term incentive (LTI) components of remuneration. The key terms of the LEP relating to grants during the reporting period are set out in the following tables:

Feature	Key Terms of the FY2021 Restricted Shares (STI Shares) granted under the LEP
Eligibility	Managing Director & CEO and other eligible executives as approved by the Board, awarded an STI outcome for FY2021. An Executive Director may participate in the LEP. Non Executive Directors are not eligible to participate in the LEP.
Offer	The number of restricted shares **(STI Shares)** was one-third of a participant's FY2021 STI outcome, divided by the 5-day Volume Weighted Average Price (VWAP) from the second trading day following the release of the FY2021 results, being $1.998468.
Grant	FY2021 STI Shares were purchased on market and granted to participants on 30 March 2022.
Restriction period	February 2023: 50% of STI Shares are released from restriction following the FY2022 results announcement. February 2024: the remaining 50% STI Shares are released from restriction following the FY2023 results announcement.
Treatment of restricted STI Shares during restricted period	Participants who depart Latitude prior to the restriction end date, are generally treated as follows, although Board retains discretion to determine a different treatment: · Misconduct or summary dismissal for cause: lapse. · All other circumstances: remain on foot, subject to the original performance conditions and restriction period.
Restrictions on dealing	STI Shares rank equally with other Shares and participants have dividend and voting rights including while subject to the restricted period and restrictions on disposal. Participants must not sell, transfer, encumber, hedge or otherwise deal with restricted STI Shares except with prior approval of the Board or in certain circumstances by force of law. Following the restriction end date, the disposal restrictions cease and Shares are held subject to restrictions under the Share Trading Policy.

6.1 Share-based payments (continued)

Feature	Key terms of the FY2022 LTI Performance Rights granted under the LEP
Eligibility	Managing Director & CEO, eligible Executive KMP and selected Senior Leaders as approved by the Board.
Performance period	1 January 2022 to 31 December 2024.
Offer	· Rights to acquire Shares at no cost (Performance Rights), subject to the satisfaction of specific vesting conditions over the Performance Period. · The LTI opportunity offered is a percentage of Fixed Remuneration. · Performance Rights have no dividend or voting rights prior to vesting. · At vesting, the rights are exercised into shares, although in certain circumstances, participants may receive a Cash Equivalent Value of the vested element after testing.
Grants	The number of Performance Rights granted was calculated by dividing the LTI opportunity by $1.998468, being the 5-day Volume Weighted Average Price (VWAP) from the second trading day following the release of the FY2021 results (22-28 February 2022). One grant occurred in the reporting period, on 28 April 2022.
Vesting conditions	· Return on Equity (ROE): 50% of Performance Rights may vest subject to a performance condition based on the Company's average ROE performance achieved over the performance period relative to the average of the annual ROE targets set by the Board, and · Earnings per Share (EPS): 50% of Performance Rights may vest subject to a performance condition based on the Company's aggregate cash EPS achieved over the performance period, relative to the aggregate of the annual cash EPS targets set by the Board. *Cessation of employment* Participants who depart Latitude prior to the vesting date, are generally treated as follows, although Board retains discretion to determine a different treatment: · Misconduct or summary dismissal for cause: lapse. · Resignation: The Board will typically lapse the Performance Rights. All other circumstances: remain on foot, subject to the original performance conditions and vesting period. The Board may elect to pro rata the original grant based on time served during the Performance period. Rights that vest at the end of the original vesting period are automatically exercised at that date for ex-employees.

For the half-year ended 30 June 2022

6.1 Share-based payments (continued)

Testing Outcomes	Following the release of the FY2024 results in March 2025, the Performance Rights will be tested equally against each measure and the number that vest will be calculated as: **ROE / EPS performance level achieved over the period** — **% of Performance Rights subject to the ROE / EPS hurdles that will vest** At or above maximum targets — 100% Between threshold and maximum targets — Straight-line pro-rata vesting between 50% and 100% At threshold targets — 50% Below threshold targets — 0% · Performance Rights that vest are exercised into Shares. · Performance Rights that don't vest will lapse and are not re-tested. · In certain circumstances, participants may receive a Cash Equivalent Value of the vested element, after testing. The FY22 LTI outcome will be reported in the 2025 remuneration report.
Restrictions on dealing	Performance Rights are subject to restrictions and participants cannot sell, transfer, encumber, hedge or otherwise deal with unvested Performance Rights without prior approval of the Board or in certain circumstances by force of law. Following vesting, the disposal restrictions cease and Shares are held subject to restrictions under the Share Trading Policy.

LEP STI Shares movements:

	30 June 2022 Number
Balance at 1 January 2022	-
Granted	**632,879**
Restricted balance at 30 June 2022	**632,879**

LEP Share Rights movements:

	30 June 2022 Number
Outstanding at 1 January 2022	**2,133,626**
Granted	**2,980,328**
Forfeited	**(112,597)**
Outstanding balance at 30 June 2022	**5,001,357**

The fair value of the share rights is determined at grant date and recognised over the vesting period.

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

	Grant date 28 April 2022
Contractual life (years)	**2.5**
Risk free interest rate (%)	**2.63**
Fair value at grant date ($)	**1.49**
Share closing price at grant date ($)	**1.84**
Expected volatility of share price (%)	**34.95**

The total expense recognised in the profit or loss for the period in respect of LEP was $1.3 million.

For the half-year ended 30 June 2022

6.2 Related party transactions

There have been no material changes to the Group structure or controlled entities within the reporting period to 30 June 2022.

In March 2022, the Group entered into a facility agreement with Shinsei for USD $20 million as stated in Note 3.1(e).

The terms of arrangements for all other related parties are consistent with those disclosed in the 31 December 2021 Financial Report.

(a) Outstanding balances arising from transactions with related parties

Other transactions	30 June 2022 $'thousands	30 June 2021 $'thousands
Ordinary share dividends paid to shareholders	81,519	78,500
Capital note distributions paid/payable	3,895	1,387

Outstanding balances	30 June 2022 $'thousands	31 December 2021 $'thousands
Payable to selling shareholders	(57,372)	(84,507)
Payable to other related party	(29,372)	-

6.3 Contingent liabilities and contingent assets

The Group is subject to a number of obligations which, if not discharged or considered not to be discharged, may give rise to potential claims or other costs. Where some loss from an actual or alleged non-performance of an obligation is more likely than not and can be reliably estimated, provisions have been made. The Group considers that the outcome of any specific enquiry which is underway as at 30 June 2022, and has not been provided for, is not expected to affect its financial position in any material way, either individually or in aggregate.

Regulatory and customer exposures

In recent years there has been an increase in the number of matters on which the industry engages with its regulators. The nature, scale and breadth of regulatory investigations, surveillance and reviews, civil and criminal enforcement actions (whether by court action or otherwise), formal and informal inquiries, regulatory supervisory activities and the quantum of fines issued by regulators, particularly against financial institutions both in Australia and globally continues.

The Group has received various notices and requests for information from its regulators as part of both industry-wide and Group-specific reviews and has also made disclosures to its regulators at its own instigation. The nature of these interactions can be wide ranging and, for example, currently include a range of matters including responsible lending practices, regulated lending requirements, product suitability 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 February 2019, the ATO completed an assurance review of the Australian Tax Group and provided an assurance report which raised a number of matters that the ATO may consider further. One of these matters relates to the pre-IPO corporate structure of the Australian Tax Group and distributions made as part of that pre-IPO structure. Should the Group be subject to a future tax obligation arising from those distributions, KVD Singapore Pte Ltd has agreed a mechanism to reduce the Group's possible exposure to that issue to an immaterial amount. In March 2022, as a follow up to that review, the ATO notified the Australian Tax Group that it would be carrying out a Next Actions Risk Review and subsequently issued a request for information in May 2022. The Group continues to gather and provide this information to the ATO. Accordingly, any potential outcomes and total costs associated with any such activities remain uncertain at this time.

6.3 Contingent liabilities and contingent assets (continued)

The Australian Tax Group is also currently subject to a GST Risk Review by the ATO which commenced in November 2021 and a draft report was issued in May 2022 which raised a number of matters that the ATO required further clarification on. Discussions with the ATO have continued since that time and the matters currently remain open. As such any potential outcomes and total costs associated with any such activities remain uncertain at this time.

The Group considers that the residual risks stemming from the items raised in the ATO Top 1,000 Assurance report or the GST review are not likely to materially affect its financial position, either individually or in aggregate.

6.4 Events occurring after the reporting date

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

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

6.5 Discontinued operations

(a) Description

During the period the Group undertook a strategic review of the future ownership of the insurance operations (Latitude Insurance Holdings Pty Ltd and its subsidiaries). A transaction was announced to the ASX on 8 August 2022 and will allow Latitude to redeploy capital into its core business, simplify its business model, reduce costs, streamline technology, and further optimise shareholder returns. As part of this transaction, residual insurance goodwill of $13.6m was written down to zero. Until transaction settlement the operations have been re-classified as discontinuing operations in accordance with applicable accounting standards.

In addition, the Group has also undertaken a strategic review of the future ownership of Symple Canada Financial Group Ltd (Symple Canada), including exploring potential opportunities for the sale of Symple Canada. As such the ongoing operations of Symple Canada have been designated as available for sale and re-classified as discontinuing operations in accordance with applicable accounting standards.

For the half-year ended 30 June 2022

6.5 Discontinued operations (continued)

The Insurance business and Symple Canada were not previously classified as held-for-sale or as a discontinued operation. Revenue and expenses, gains and losses relating to the discontinuation of these activities have been removed from the results of continuing operations and are shown as a single line on the face of the consolidated income statement ("net result from discontinued operations"). The operating results of the discontinued operations and the effect of remeasurement and disposal of assets that were classified as held for sale were as follows:

(b) Financial performance

	Notes	30 June 2022 $'m	30 June 2021 $'m
Revenue		**7.9**	16.9
Expenses		**(9.9)**	(4.0)
Asset impairment recognised		**(13.6)**	-
Income tax expense		**(0.1)**	(2.9)
Profit/(loss) after income tax of discontinued operations		**(15.7)**	10.0
Net profit/(loss) after tax for the period from discontinued operations attributable to owners of the Group		**(15.7)**	10.0
Profit/(loss) after income tax of discontinued operation		**(15.7)**	10.0

(c) Assets and liabilities classified as held for sale

	Notes	30 June 2022 $'m
Assets of disposal group classified as held for sale		
Cash and cash equivalents		45.1
Loans and other receivables		11.4
Debt investments		84.9
Other assets		2.0
Total assets of disposal group held for sale		**143.4**
Other assets held for sale		0.3
Total assets held for sale		**143.7**
Liabilities associated with assets of disposal group as held for sale		
Trade and other liabilities		12.3
Gross insurance policy liabilities		12.8
Provisions		1.7
Total liabilities held for sale		**26.8**

(d) Cashflow statement

	Notes	30 June 2022 $'m
Net cash used in operating activities		**(11.7)**
Net cash provided by investing activities		**1.4**
Effects of exchange rate changes on cash and cash equivalents		**0.5**
Net cash flow for the period		**(9.8)**

For the half-year ended 30 June 2022

6.5 Discontinued operations (continued)

(e) Earnings per share for discontinued operations

	Notes	30 June 2022	30 June 2021
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	(1.5)	1.3
Diluted earnings/(loss) per share	2.5	(1.4)	1.3

Independent Auditor's Review Report

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

Report on the Interim Financial Report

Conclusion

We have reviewed the accompanying ***Interim Financial Report*** of Latitude Group Holdings Limited (the Company) 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 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 2022 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 ***Interim Financial Report*** of the Group comprises:

- Consolidated balance sheet as at 30 June 2022;
- Consolidated income statement, 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 ***Interim Period*** is the 6 months ended on 30 June 2022.

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 these requirements.

Responsibilities of the Directors for the Interim Financial Report

The Directors of the Group are responsible for:

- the preparation of the 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 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 Interim Financial Report

Our responsibility is to express a conclusion on the 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 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 2022 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.

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001.*

KPMG

Chris Wooden

Partner

Melbourne

19 August 2022