

## Results for announcement to the Market

### Appendix 4E

Name of entity	Latitude Group Holdings Limited
ACN	604 747 391
Reporting period	1 January to 31 December 2023
Previous corresponding period	1 January to 31 December 2022

Extracts from the income statements (\$ millions)	Change on previous period		
	31 December 2023	Up/down	%
Revenue from ordinary activities <sup>(1)</sup>	1,002.3	up	8.0%
(Loss) from ordinary activities after tax attributable to members	(158.5)	down	520.4%
Net (loss) for the period attributable to members	(158.5)	down	520.4%

<sup>(1)</sup>Information is presented on a continuing operations basis, unless otherwise stated.

#### Details relating to dividends

	Amounts per share (cents)	Franked amount per share (cents)	Tax rate for franking credits
<b>2023</b>			
Final dividend	-	-	-
Interim dividend	-	-	-
<b>2022</b>			
Final dividend: paid on 24 April 2023	4.00	1.71	30%
Interim dividend: paid on 26 October 2022	7.85	3.36	30%

#### Dividend Reinvestment Plan Details

Not applicable.

#### Net intangible assets per security

	31 December 2023	31 December 2022
Net tangible assets (\$'m)	401.8	525.2
Ordinary shares	1,039.7	1,039.2
Net Tangible Assets / (Liabilities) per security (\$)	\$0.39	\$0.51

#### Details of subsidiaries

Details of entities over which control has been gained or lost during the financial year can be found in Notes 6.2(a) and 6.8 of the following consolidated financial statements.

#### Additional information

Information supporting the Appendix 4E disclosure requirements can be found in the following consolidated financial statements extracted from the Consolidated Financial Report for the year ended 31 December 2023.

This report is based on the Consolidated Financial Report of the Group which has been audited by KPMG.

## Results for announcement to the Market

### Summary of Group Performance

**Statutory profit/(loss) after tax from continuing operations** decreased from \$57.9 million profit in 2022 to \$137.9 million loss in 2023, a reduction of \$195.8 million.

**Cash Net Profit After Tax (Cash NPAT)<sup>(1)</sup> from continuing operations** decreased from \$153.5 million in 2022 to \$18.4 million in 2023, a reduction of \$135.1 million. The movements in Cash NPAT are discussed in detail below.

### Summary of financial results

\$'m	2023	2022	Change %
Net interest income	615.4	675.8	(9%)
Other income	42.2	36.4	16%
<b>Total Operating Income</b>	<b>657.6</b>	<b>712.2</b>	<b>(8%)</b>
Net charge offs	(215.8)	(147.6)	46%
<b>Risk Adjusted Income<sup>(1)</sup></b>	<b>441.8</b>	<b>564.6</b>	<b>(22%)</b>
Cash operating expenses <sup>(2)</sup>	(351.9)	(331.8)	6%
<b>Cash PBT<sup>(1)</sup></b>	<b>89.9</b>	<b>232.8</b>	<b>(61%)</b>
Movement in provision for impairment	(21.6)	28.1	(177%)
Depreciation & Amortisation (excl leases)	(42.2)	(45.3)	(7%)
<b>Profit before Tax &amp; Notable items</b>	<b>26.1</b>	<b>215.6</b>	<b>(88%)</b>
Income tax expense	(7.7)	(62.1)	(88%)
<b>Cash NPAT<sup>(1)</sup> from continuing operations</b>	<b>18.4</b>	<b>153.5</b>	<b>(88%)</b>
<i>Notable items after tax<sup>(1)(2)</sup></i>			
Amortisation of acquisition intangibles	(28.4)	(33.6)	(15%)
Amortisation of legacy transaction costs	(0.2)	(2.8)	(93%)
Other notable items	(127.7)	(59.2)	116%
<b>Statutory profit/(loss) after tax from continuing operations</b>	<b>(137.9)</b>	<b>57.9</b>	<b>(338%)</b>
Discontinued operations	(21.2)	(21.6)	(2%)
<b>Statutory profit/(loss) after tax</b>	<b>(159.1)</b>	<b>36.3</b>	<b>(538%)</b>
Profit/(loss) is attributable to:			
Owners of Latitude Group Holdings Limited	(158.5)	37.7	(520%)
Non-controlling interest	(0.6)	(1.4)	(57%)
<b>Statutory profit/(loss) after non-controlling interest</b>	<b>(159.1)</b>	<b>36.3</b>	<b>(538%)</b>

<sup>(1)</sup>Cash NPAT, Risk Adjusted Income and Notable items are non-IFRS metrics used for management reporting and reflects what the Group considers to be the underlying performance of the business. Cash NPAT is not audited.

<sup>(2)</sup>Cash operating expenses excludes notable items. 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.

## Results for announcement to the Market

### Note on Statutory Profit and Cash NPAT

Statutory profit is prepared in accordance with the *Corporations Act 2001* and the Australian Accounting Standards, which comply with International Financial Reporting Standards (IFRS). Figures disclosed in the Summary of Group Performance are on a cash NPAT basis unless stated as being on a statutory profit after tax basis. Cash NPAT is not audited. Cash NPAT exclusions relate to:

- Amortisation of acquisition intangibles – reflects the amortisation of customer lists and distribution agreements recognised as part of the acquisition accounting,
- Amortisation of legacy transaction costs – reflects the amortisation of capitalised costs for the original establishment of the warehouse funding program,
- Corporate development – reflects the costs associated with acquisitions and integrations,
- Restructuring costs – reflects the transition costs to a simplified operating structure,
- Cyber incident costs – reflects the costs relating to business disruption associated with the cyber incident, including customer remediation, regulatory and enforcement activities and legal costs net of interim insurance recoveries received,
- Asset impairment – primarily reflects the decommissioning of platforms and impairment of goodwill, and
- Decommissioned facilities – reflects the costs relating to facilities that are decommissioned and are not intended to be utilised going forward.

### Reconciliation of Cash NPAT from continuing operations to Statutory profit/(loss) after tax from continuing operations

\$'m	FY23	FY22	Change %
<b>Cash NPAT from continuing operations</b>	<b>18.4</b>	<b>153.5</b>	<b>(88%)</b>
Amortisation of acquisition intangibles	(28.4)	(33.6)	(15%)
Amortisation of legacy transaction costs / IRS de-designation	(0.2)	(2.8)	(93%)
Corporate development	(24.6)	(30.4)	(19%)
Restructuring costs	(10.5)	(10.7)	(2%)
Cyber incident	(47.8)	-	100%
Asset impairment	(40.6)	(15.7)	159%
Decommissioned facilities	(4.2)	(2.4)	75%
<b>Statutory profit/(loss) after tax from continuing operations</b>	<b>(137.9)</b>	<b>57.9</b>	<b>(338%)</b>

## Results for announcement to the Market

### Reconciliation of notable items

	Cash NPAT FY23	Amortisation of acquisition intangibles	Amortisation of IRS de-designation	Corporate development	Restructuring costs	Cyber incident	Asset impairment	Decommissioned facilities	Statutory profit/ (loss) after tax FY23
<b>\$'m</b>									
Net interest income	615.4	-	(0.3)	-	-	-	-	(0.2)	614.9
Other income	42.2	-	-	-	-	-	-	0.4	42.6
<b>Total operating Income</b>	<b>657.6</b>	-	<b>(0.3)</b>	-	-	-	-	<b>0.2</b>	<b>657.5</b>
Net charge offs	(215.8)	-	-	-	-	-	-	-	(215.8)
<b>Risk adjusted income</b>	<b>441.8</b>	-	<b>(0.3)</b>	-	-	-	-	<b>0.2</b>	<b>441.7</b>
Cash operating expenses	(351.9)	-	-	(34.1)	(14.5)	(68.3)	(48.0)	(3.0)	(519.8)
<b>Cash PBT</b>	<b>89.9</b>	-	<b>(0.3)</b>	<b>(34.1)</b>	<b>(14.5)</b>	<b>(68.3)</b>	<b>(48.0)</b>	<b>(2.8)</b>	<b>(78.1)</b>
Movement in provision for impairment	(21.6)	-	-	-	-	-	-	-	(21.6)
Depreciation & Amortisation (excluding leases)	(42.2)	(40.5)	-	-	-	-	-	(3.0)	(85.7)
<b>Profit before tax</b>	<b>26.1</b>	<b>(40.5)</b>	<b>(0.3)</b>	<b>(34.1)</b>	<b>(14.5)</b>	<b>(68.3)</b>	<b>(48.0)</b>	<b>(5.8)</b>	<b>(185.4)</b>
Income tax (expense)/benefit	(7.7)	12.1	0.1	9.5	4.0	20.5	7.4	1.6	47.5
<b>Profit after tax from continuing operations</b>	<b>18.4</b>	<b>(28.4)</b>	<b>(0.2)</b>	<b>(24.6)</b>	<b>(10.5)</b>	<b>(47.8)</b>	<b>(40.6)</b>	<b>(4.2)</b>	<b>(137.9)</b>

### Review of Operations

The start of the year saw strong volumes with momentum from 2022 continuing into January and February. Across the opening two months of the year our volumes were up 12.5% YoY with growth across both Pay and Money. Customer receivables reached a peak of \$6.502 billion in February 2023 via strong volumes and repayments rates slowly trending back to pre-Covid levels. In addition, pricing actions were implemented to manage margin and delinquencies remained in line with expectations of a slow increase due to higher interest rates and inflation.

Unfortunately, on 12 March 2023, Latitude was subject to a malicious cyber-incident whereby the threat actor accessed Latitude's systems using stolen credentials. Latitude took immediate action to contain the incident, IT platforms were taken offline, and external security experts and relevant regulators were engaged and worked alongside our own teams. No suspicious activity inside Latitude's systems has been observed since 16 March 2023.

Latitude established a dedicated support service via a comprehensive Customer Care Program to support its customers impacted by the event. The Group has incurred \$18.7 million of cyber-incident costs net of insurance recoveries during the year ended 31 December 2023. In addition, a \$49.6 million provision has been raised for customer remediation costs, regulatory enforcement activities and future legal costs. It does not include the potential for class actions, customer compensation determinations, future system enhancements or an assumption of further insurance proceeds.

Business operations were disrupted by the cyber-incident for approximately 6 weeks. During this time Latitude was unable to originate new customer accounts, implement a number of pricing initiatives to counteract the continued rise of funding costs and 30+ delinquencies rose during the March to June period due to collections systems being offline.

## Results for announcement to the Market

Pleasingly as operations resumed volumes rebounded with all of our major retail partners remaining with Latitude through 2023. Volumes continued to build momentum through to December 2023 despite both a challenging retail sales environment and the resumption of pricing actions. The recommencement of collections activities delivered a rapid reduction in delinquencies into 2H23. Over the year the non-core operations of Insurance and the Canadian business were disposed of, which repatriated ~\$117m in cash. The positive momentum noted above along with our continued discipline on operating expense management and the benefits arising from the business re-organisation activities ensures that Latitude is in a strong position to deliver on its Path to Full potential strategy.

### Summary of financial analysis

Group volumes decreased 3.9% during 2023 to \$7,646 million. Customer repayment rates, reduced by 312bps compared to 2022 as a result of higher interest rates, reductions in household savings and broader macroeconomic conditions and cost of living pressures. The underlying trend in repayments rates continue to trend towards the long term pre-COVID annual average of 92%. The declining repayment rate helped to partially mitigate the impact of lower volumes and as a result, gross receivables decreased by 3.5% to close the year at \$6,245 million.

Cash NPAT of \$18.4 million decreased by 88.0% compared to 2022 with the key drivers as follows:

- **Total Operating Income** decreased by \$54 million/8% to \$657.6 million. Whilst disciplined pricing actions delivered an increase in interest income of \$69.5 million/8% to \$959.7 million it was offset by the \$129.9 million/61% increase in interest expense driven by the unprecedented rise in cash rates. Interest Income yield increased 113bps to 15.28% and Other Income yield increased 9bps to 0.67% whilst Interest Expense yield increase by 219bps to 5.89%. As a result, Operating Income yield reduced 85bps to 10.47% with the cyber-incident delaying some planned pricing initiatives in 2023. Momentum in pricing can be seen with 2H23 interest revenue yield up 56bps vs 1H23, matching the 56bps increase in Interest Expense yield for the same period
- **Net Charge Offs** increased by \$68.2 million/46% to \$215.8 million. This increase reflects both the Cyber disrupted collections activities over the 6 weeks, as well as the expected normalisation of loss outcomes due to macro environment conditions, cost of living pressures and seasonality impacts. Net charge offs of 3.43% is up 108bps across the year, with the peak in the third quarter due to Cyber impacts which delivered a Net charge off rate of 3.94% before returning to 3.20% in the 4<sup>th</sup> quarter, noting Latitudes longer term pre-COVID average of ~3.30%.
- **Cash operating expenses** increased by \$20 million/6% with the resumption of an accrual for short-term incentives (STIs), along with investment in technology platforms to drive growth, one-off consultancy costs for operating model changes, general cost inflation and the normalisation of occupancy costs offset by lower FTE's (22% reduction).
- **Provision movement** expense was \$21.6 million for FY23 (up 48bps to 4.23%), up \$49.7 million from FY22 which included a release of \$28.1 (down 52bps to 3.74%). The FY23 increase reflects both the macroeconomic environmental pressures and the residual impacts of the adverse outcome of cyber disrupted collections. At 4.23%, the provision is at 1.3x current NCOs is back in line with the pre-COVID average.

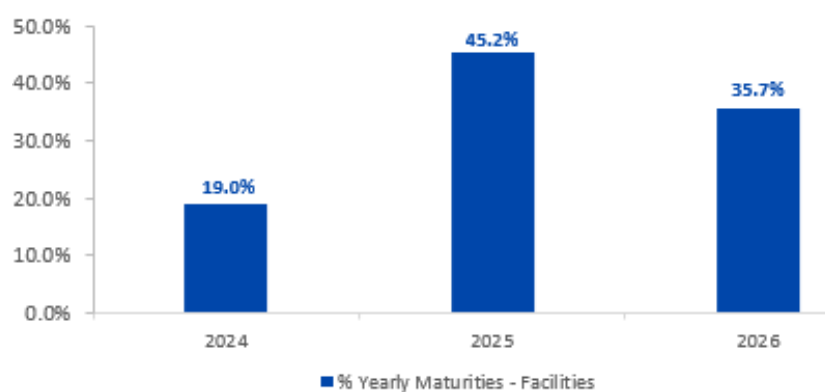
## Results for announcement to the Market

### Balance sheet management and dividends

During 2023, the Group maintained a robust funding position remaining active in funding markets despite delays due to Cyber. Six transactions were executed across 2023 to refinance and manage funding exposures to maintain and enhance our cost effective and diverse funding program. The Group systematically manages its maturity profile within the target range of no more than 50% of funding maturities in any given year and no more than 40% of funding maturities within the next 12 months.

The following graph sets out the Group's debt maturity profile as at 31 December 2023.

#### Securitised Debt Maturity Profile



The above includes current balance of all securitised debt at the first contractual maturity.

AU 2021-1 ABS included at 10% call option.

Across both our Warehouse and ABS facilities Latitude has drawn borrowings of \$5.6 billion with available headroom of \$1.3 billion to support future growth.

The Group's Return on Equity of 1.4% for 2023 is a 876bps reduction, which like other key operating metrics has been adversely impacted by increased cost of funding, the flow on impacts from the prevailing macroeconomic conditions and operational impacts arising from the cyber incident (including impacts to both Net Charge Offs and Coverage Rates). The tangible equity to net receivables (TER) has reduced 174bps to 6.8%, which is still at the upper end of our target range of 6-7%.

The Directors have not declared a dividend in 2023, when considering the residual outstanding cyber incident related items such as potential class actions, regulatory fine, IT enhancement investment and insurance recoveries. In addition, the present economic uncertain environment and potential growth opportunities that may emerge from this environment, a sufficiently capitalised balance sheet is prudent and appropriate.



# **LATITUDE GROUP HOLDINGS LIMITED**

ABN 83 604 747 391

Consolidated Financial Statements extract from  
the Consolidated Financial Report  
For the year ended 31 December 2023

2023 Consolidated Financial Report Extract  
 Latitude Group Holdings Limited  
 For the year ended 31 December 2023

## Consolidated Income Statement

	Notes	2023 \$'m	2022 \$'m
<b>Continuing operations</b>			
Interest income		959.7	890.2
Interest expense		(344.8)	(218.7)
<b>Net interest income</b>	2.2(a)	<b>614.9</b>	<b>671.5</b>
Other operating income	2.2(b)	42.6	37.6
<b>Total operating income</b>		<b>657.5</b>	<b>709.1</b>
Loan impairment expense	3.2(g)	(237.4)	(119.5)
<b>Operating expenses</b>			
Employee benefit expense		(161.7)	(168.1)
Depreciation and amortisation expense		(89.4)	(105.3)
IT and data processing expenses		(78.3)	(65.7)
Marketing expenses		(28.6)	(27.5)
Administrative and professional expenses		(101.2)	(81.4)
Occupancy and operating expenses		(21.7)	(15.5)
Other expenses	2.2(c)	(124.6)	(44.1)
<b>Total operating expenses</b>		<b>(605.5)</b>	<b>(507.6)</b>
<b>Profit/(loss) before income tax</b>		<b>(185.4)</b>	<b>82.0</b>
Income tax (expense)/benefit	2.3(a)	47.5	(24.1)
<b>Profit/(loss) from continuing operations</b>		<b>(137.9)</b>	<b>57.9</b>
<b>Discontinued operations</b>			
Net loss after tax from discontinued operations	6.8(b)	(21.2)	(21.6)
<b>Profit/(loss) for the year</b>		<b>(159.1)</b>	<b>36.3</b>
Profit/(loss) is attributable to:			
Owners of Latitude Group Holdings Limited		(158.5)	37.7
Non-controlling interests		(0.6)	(1.4)
<b>Profit/(loss) for the year</b>		<b>(159.1)</b>	<b>36.3</b>

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



2023 Consolidated Financial Report Extract  
 Latitude Group Holdings Limited  
 For the year ended 31 December 2023

## Consolidated Statement of Comprehensive Income

	Notes	2023 \$'m	2022 \$'m
<b>Profit/(loss) for the year</b>		<b>(159.1)</b>	36.3
<b>Other comprehensive income</b>			
<b>Items that may be reclassified to income statement</b>			
Cash flow hedges - fair value gain/(loss)	4.1(b)	<b>(39.8)</b>	50.3
Cash flow hedges - related taxes	4.1(b)	<b>11.6</b>	(15.8)
Currency translation differences arising during the year	4.1(b)	<b>(1.0)</b>	0.2
<b>Other comprehensive income/(loss) for the year, net of income tax</b>		<b>(29.2)</b>	34.7
<b>Total comprehensive income/(loss) for the year</b>		<b>(188.3)</b>	71.0
Total comprehensive income/(loss) for the year is attributable to:			
Owners of Latitude Group Holdings Limited		<b>(187.7)</b>	72.4
Non-controlling interests		<b>(0.6)</b>	(1.4)
<b>Total comprehensive income/(loss) for the year</b>		<b>(188.3)</b>	71.0
<b>Earnings/(loss) per share for profit/(loss) attributable to the ordinary equity holders of the Company</b>			
		<b>Cents</b>	Cents
Earnings/(loss) per share	2.5	<b>(15.2)</b>	3.6
Diluted earnings/(loss) per share	2.5	<b>(15.2)</b>	3.3
<b>Earnings/(loss) per share for profit/(loss) from continuing operations attributable to the ordinary equity holders of the Company</b>			
		<b>Cents</b>	Cents
Earnings/(loss) per share	2.5	<b>(13.2)</b>	5.7
Diluted earnings/(loss) per share	2.5	<b>(13.2)</b>	5.2

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

2023 Consolidated Financial Report Extract  
 Latitude Group Holdings Limited  
 For the year ended 31 December 2023

## Consolidated Balance Sheet

	Notes	2023 \$'m	2022 \$'m
<b>Assets</b>			
Cash and cash equivalents	3.1(b)	250.7	364.0
Derivative financial instruments	3.1(d)	24.5	64.2
Loans and other receivables	3.1(c)	5,937.1	6,163.2
Other assets		11.5	10.8
Deferred tax assets	2.3(d)	185.2	155.9
Current tax assets		65.2	28.6
Other financial assets		14.2	1.6
Property, plant and equipment		25.5	33.6
Assets classified as held for sale		0.1	149.5
Intangible assets	5.1(a)	832.8	949.3
<b>Total assets</b>		<b>7,346.8</b>	<b>7,920.7</b>
<b>Liabilities</b>			
Trade and other liabilities	3.1(e)	215.1	226.5
Derivative financial instruments	3.1(d)	4.2	-
Provisions	5.1(d)	107.8	48.3
Deferred tax liabilities	2.3(d)	40.0	66.3
Liabilities held for sale		-	19.2
Borrowings	3.1(f)	5,745.1	6,085.9
<b>Total liabilities</b>		<b>6,112.2</b>	<b>6,446.2</b>
<b>Net assets</b>		<b>1,234.6</b>	<b>1,474.5</b>
<b>Equity</b>			
Contributed equity	4.1(a)	2,222.5	2,222.0
Reserves	4.1(b)	(652.9)	(627.2)
Retained losses	4.1(c)	(335.0)	(123.4)
<b>Capital and reserves attributable to owners of Latitude Group Holdings Limited</b>			
		<b>1,234.6</b>	<b>1,471.4</b>
Non-controlling interests		-	3.1
<b>Total equity</b>		<b>1,234.6</b>	<b>1,474.5</b>

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

2023 Consolidated Financial Report Extract  
Latitude Group Holdings Limited  
For the year ended 31 December 2023

## Consolidated Statement of Changes in Equity

	Attributable to owners of Latitude Group Holdings Limited					
	Contributed equity	Reserves	Retained earnings/ (losses)	Total Equity	Non-controlling interests	Total equity
	\$'m	\$'m	\$'m	\$'m	\$'m	\$'m
<b>At 1 January 2023</b>	<b>2,222.0</b>	<b>(627.2)</b>	<b>(123.4)</b>	<b>1,471.4</b>	<b>3.1</b>	<b>1,474.5</b>
<b>Total comprehensive loss for the year</b>						
Loss for the year	-	-	(158.5)	(158.5)	(0.6)	<b>(159.1)</b>
Other comprehensive loss for the year	-	(29.2)	-	(29.2)	-	<b>(29.2)</b>
<b>Total comprehensive loss for the year</b>	<b>-</b>	<b>(29.2)</b>	<b>(158.5)</b>	<b>(187.7)</b>	<b>(0.6)</b>	<b>(188.3)</b>
Amounts transferred from reserves, net of tax	-	0.1	-	0.1	-	<b>0.1</b>
<b>Transactions with owners in their capacity as owners:</b>						
Issue of ordinary shares - dividend reinvestment plan	0.5	-	-	0.5	-	<b>0.5</b>
Dividends	-	-	(41.6)	(41.6)	-	<b>(41.6)</b>
Capital note distributions paid/payable	-	-	(9.0)	(9.0)	-	<b>(9.0)</b>
Share-based compensation payments	-	(2.2)	-	(2.2)	-	<b>(2.2)</b>
<b>Total transactions with owners</b>	<b>0.5</b>	<b>(2.2)</b>	<b>(50.6)</b>	<b>(52.3)</b>	<b>-</b>	<b>(52.3)</b>
Non-controlling interest acquisition	-	5.6	(2.5)	3.1	(2.5)	<b>0.6</b>
<b>At 31 December 2023</b>	<b>2,222.5</b>	<b>(652.9)</b>	<b>(335.0)</b>	<b>1,234.6</b>	<b>-</b>	<b>1,234.6</b>
<b>At 1 January 2022</b>	<b>2,221.0</b>	<b>(667.2)</b>	<b>7.2</b>	<b>1,561.0</b>	<b>4.5</b>	<b>1,565.5</b>
Profit/(loss) for the year	-	-	37.7	37.7	(1.4)	<b>36.3</b>
Other comprehensive income for the year	-	34.7	-	34.7	-	<b>34.7</b>
<b>Total comprehensive income/(loss) for the year</b>	<b>-</b>	<b>34.7</b>	<b>37.7</b>	<b>72.4</b>	<b>(1.4)</b>	<b>71.0</b>
Amounts transferred from reserves, net of tax	-	1.5	0.9	2.4	-	<b>2.4</b>
<b>Transactions with owners in their capacity as owners:</b>						
Issue of ordinary shares - dividend reinvestment plan	1.0	-	-	1.0	-	<b>1.0</b>
Dividends	-	-	(163.0)	(163.0)	-	<b>(163.0)</b>
Capital note distributions paid/payable	-	-	(6.2)	(6.2)	-	<b>(6.2)</b>
Share-based compensation payments	-	3.8	-	3.8	-	<b>3.8</b>
<b>At 31 December 2022</b>	<b>2,222.0</b>	<b>(627.2)</b>	<b>(123.4)</b>	<b>1,471.4</b>	<b>3.1</b>	<b>1,474.5</b>

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

2023 Consolidated Financial Report Extract  
 Latitude Group Holdings Limited  
 For the year ended 31 December 2023

## Consolidated Statement of Cash Flows

	Notes	2023 \$'m	2022 \$'m
<b>Cash flows from operating activities</b>			
Interest received		950.2	872.2
Interest paid		(323.6)	(219.5)
Other operating income received		35.4	35.0
Net insurance income:		-	-
Premiums received		6.8	11.9
Claims paid		(2.6)	(10.4)
Investment income		1.2	2.1
Operating expenses paid		(339.1)	(401.6)
Net income taxes paid		(33.6)	(83.5)
<b>Cash flow from operating activities before changes in operating assets and liabilities</b>		<b>294.7</b>	<b>206.2</b>
<b>Changes in operating assets and liabilities arising from cash flow movements</b>			
Net decrease/(increase) in loans and other receivables		56.6	(334.2)
Net decrease in trade and other liabilities		(38.7)	(45.0)
Net increase/(decrease) in gross insurance policy liabilities		(5.4)	(0.2)
<b>Changes in operating assets and liabilities arising from cash flow movements</b>		<b>12.5</b>	<b>(379.4)</b>
<b>Net cash provided by/(used in) operating activities</b>		<b>307.2</b>	<b>(173.2)</b>
<b>Cash flows from investing activities</b>			
Net purchases of intangible assets, property, plant & equipment		(17.0)	(24.9)
Proceeds from debt investments		-	64.3
Net proceeds from sale of discontinued operations		27.9	-
<b>Net cash provided by investing activities</b>		<b>10.9</b>	<b>39.4</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowing issuances and drawdowns		1,447.8	1,709.3
Repayment of borrowings		(1,738.9)	(1,632.8)
Payments of transaction costs from financing activities		(1.9)	(1.8)
Proceeds from facility agreements		18.7	5.4
Repayment of facility agreements		(110.0)	110.0
Dividends paid		(41.0)	(162.1)
Capital note distributions paid		(8.8)	(6.2)
Outflow from share-based payment plan		(0.3)	-
Payment of lease liabilities		(7.1)	(11.4)
Proceeds from related parties		44.0	29.4
Deferred consideration paid		(11.9)	(39.4)
<b>Net cash provided by/(used in) financing activities</b>		<b>(409.4)</b>	<b>0.4</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(91.3)</b>	<b>(133.4)</b>
Cash and cash equivalents at beginning of financial year		364.0	605.7
Cash and cash equivalents reclassified to assets held for sale		-	(116.7)
Effects of exchange rate changes on cash and cash equivalents		(22.0)	8.4
<b>Cash and cash equivalents at end of financial year</b>	<b>3.1(b)</b>	<b>250.7</b>	<b>364.0</b>

*The Consolidated Statement of Cash Flows includes discontinued operations. Refer to note 6.8(d) for cash flows associated with discontinued operations.*

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

# 2023 Consolidated Financial Report Extract

## Notes to the Financial Statements

### For the year ended 31 December 2023

## Section 1 | Basis of Preparation

### 1.1 Basis of preparation

#### (a) Reporting entity

The financial report is for Latitude Group Holdings Limited (the 'Company') and its controlled entities (the 'Group'). Latitude Group Holdings Limited is a for-profit public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is Level 18, 130 Lonsdale Street, Melbourne, Victoria, 3000.

These consolidated financial statements were authorised for issue by the Directors on 23 February 2024.

#### (b) Statement of compliance

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

#### (c) Basis of measurement

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

- Derivative financial instruments;
- Financial assets and financial liabilities designated at fair value through profit or loss (FVTPL);
- Financial assets designated at fair value through other comprehensive income (FVOCI); 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 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.

#### (f) Significant estimates and judgements

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

# 2023 Consolidated Financial Report Extract

## Notes to the Financial Statements

### For the year ended 31 December 2023

#### 1.1 Basis of preparation (continued)

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

- Section 2.3: Deferred tax assets and liabilities
- Section 3.1: Determination of fair value
- Section 3.2: Recoverability of loans and other receivables
- Section 5.1: Recoverability of goodwill and other intangible assets and estimated useful life (other than goodwill)
- Section 5.1: Provisions including customer remediation
- Section 6.5: Contingent liabilities and contingent assets

#### *Measurement of expected credit losses*

The methodologies and assumption setting process applied in the Expected Credit Loss (ECL) calculations remain consistent with those applied in the financial statements for the year ended 31 December 2022. The Group continues to incorporate estimates, assumptions, and judgements specific to the impact of current and future economic conditions into the measurement calculations as described in section 3.2. The application of model risk overlays is used to offset inherent model risks, including a new cyber adjustment overlay, as agreed to by Management in line with the Group's provision policy and governance process.

#### **(g) Going concern basis of accounting**

The consolidated financial statements have been prepared on a going concern basis, which assumes the Group will have sufficient operations, profits and access to funding to support the operations.

The Group has recognised a net loss of \$159.1 million for the year ended 31 December 2023 and has retained losses of \$335.0 million. This loss is primarily due to the operational impacts experienced from the cyber-incident and the challenging macroeconomic conditions across 2023 impacting core operational performance. In addition the Group was impacted by a number of one off costs relating to corporate development and restructuring activities, the cyber incident related costs and asset impairments recognised in year.

Management believes that the Group has adequate funding available to support future cash flows. Refer to note 3.2(s) for the undrawn funding available to the Group.

# 2023 Consolidated Financial Report Extract

## Notes to the Financial Statements

### For the year ended 31 December 2023

## 1.2 Other material accounting policies

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

### (a) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency').

#### *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement. Non-monetary items that are measured based on historical cost in a foreign currency are translated using the spot exchange rate at the date of the transaction. Foreign exchange gains and losses are presented in the consolidated income statement on a net basis within other operating income.

#### *Group companies*

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

- Assets and liabilities for each consolidated balance sheet presented are translated at the closing rate at the date of that balance sheet;
- Income and expenses for each consolidated income statement and consolidated statement of other comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- All resulting exchange differences are recognised in other comprehensive income and accumulated in the translation reserve.

### (b) Principles of consolidation

#### *Subsidiaries*

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated.

# 2023 Consolidated Financial Report Extract

## Notes to the Financial Statements

### For the year ended 31 December 2023

#### 1.3 New and amended standards

##### (a) New and amended standards adopted

###### ***Disclosure of Accounting Policies – Amendments to AASB 101 and IFRS Practice Statement 2.***

The Group has adopted Disclosure of Accounting Policies (Amendments to AASB 101 and IFRS Practice Statement 2) from 1 January 2023. Although the amendments did not result in any changes to the accounting policies themselves, they impacted the accounting policy information disclosed in the financial statements.

The amendments require the disclosure of 'material' rather than 'significant', accounting policies. Management reviewed the accounting policies and made updates to the information disclosed in Note 1.2 Other material accounting policies (2022: Other significant accounting policies) in certain instances in line with the amendments.

###### ***Definition of Accounting Estimates – Amendments to AASB 108***

The Group has assessed the impact of the new requirements and determined that, pursuant to AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*, the effect of these changes are not material to the Group.

###### ***Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to AASB 112***

The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences, for example leases and decommissioning liabilities.

The amendments to AASB 1 and AASB 112 do not impact the Group for the year ended 31 December 2023 and no exemption has been applied for.

###### ***International Tax Reform – Pillar Two Model Rules***

The amendments to AASB 112 will require entities to disclose separately their current tax expense (income) related to Pillar Two income taxes.

The amendments to AASB 112 do not impact the Group for the year ended 31 December 2023 and no exceptions have been applied for.

###### ***Other amended standards***

Other amended Standards that became effective for the year ended 31 December 2023 did not have a material impact on the Group.

##### (b) New standards and interpretations not yet adopted

The following standards, amendments to standards and interpretations have been published but are not mandatory for 31 December 2023 reporting year and have not been early adopted by the Group.

###### ***Classification of Liabilities as Current or Non-Current and Non-Current liabilities with Covenants (Amendments to AASB 101)***

The amendments to AASB 101 are effective from 1 January 2024 with early adoption permitted. The amendments aim to clarify the requirements for determining whether a liability is current or non-current and require new disclosures for non-current liabilities that are subject to future covenants.



## 2023 Consolidated Financial Report Extract

### Notes to the Financial Statements

### For the year ended 31 December 2023

#### 1.3 New and amended standards (continued)

The Group will undertake an impact assessment of the new standard.

##### ***Other Standards***

Other Standards and interpretations that have been published that are not mandatory for the year ended 31 December 2023 year and have not been early adopted by the Group are;

- *Lease Liability in a Sale and Leaseback – (Amendments to IFRS 16)* effective 1 January 2024
- *Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)* effective 1 January 2024

The Group expects to adopt these on their effective dates, but none are expected to have a material impact on the Group.

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## 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 net profit after tax (Cash NPAT) basis where the Cash NPAT is calculated by adding back the after-tax impact of amortisation of acquisition intangibles, amortisation of legacy transaction costs and notable items to Statutory Profit/(Loss) after tax from continuing operations.

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

- **Australia and New Zealand Pay (A&NZ Pay):** sales finance and credit cards.
- **Australia and New Zealand Money (A&NZ Money):** personal loans and motor loans.
- **Other:** other business activities and corporate costs.

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 <sup>(1)</sup>	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022
	\$'m	\$'m	\$'m	\$'m
<b>Geographical information</b>				
Australia	784.3	722.2	3,096.7	3,225.3
New Zealand	217.1	205.5	678.6	751.4
International	0.9	0.1	0.8	23.5
<b>Total</b>	<b>1,002.3</b>	<b>927.8</b>	<b>3,776.1</b>	<b>4,000.2</b>

<sup>(1)</sup>Non-current assets exclude financial instruments and deferred tax assets.

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2.1 Segment information (continued)

(b) Operating segment overview

Year ended 31 December 2023	A&NZ Pay \$'m	A&NZ Money \$'m	Other \$'m	Total \$'m
<b>Segment income statement information</b>				
Net interest income	381.7	246.4	(12.7)	615.4
Other income	37.3	5.3	(0.4)	42.2
<b>Total operating income</b>	<b>419.0</b>	<b>251.7</b>	<b>(13.1)</b>	<b>657.6</b>
Net charge offs	(104.5)	(110.0)	(1.3)	(215.8)
<b>Risk adjusted income</b>	<b>314.5</b>	<b>141.7</b>	<b>(14.4)</b>	<b>441.8</b>
Cash operating expenses	(214.2)	(132.2)	(5.5)	(351.9)
<b>Cash PBT</b>	<b>100.3</b>	<b>9.5</b>	<b>(19.9)</b>	<b>89.9</b>
Movement in provision	17.0	(38.1)	(0.5)	(21.6)
Depreciation & amortisation (excluding leases)	-	-	(42.2)	(42.2)
<b>Profit/(loss) before tax &amp; notable items</b>	<b>117.3</b>	<b>(28.6)</b>	<b>(62.6)</b>	<b>26.1</b>
Income tax expense	-	-	(7.7)	(7.7)
<b>Cash NPAT</b>	<b>117.3</b>	<b>(28.6)</b>	<b>(70.3)</b>	<b>18.4</b>
Notable items				
Amortisation of acquisition intangibles	-	-	(40.5)	(40.5)
Amortisation of legacy transaction costs	-	-	(0.3)	(0.3)
Cyber incident	-	-	(68.3)	(68.3)
Corporate development	-	-	(34.1)	(34.1)
Restructuring costs	-	-	(14.5)	(14.5)
Asset impairment	-	-	(48.0)	(48.0)
Decommissioned facilities	-	-	(5.8)	(5.8)
Tax effect of adjustments	-	-	55.2	55.2
<b>Statutory profit/(loss) after tax from continuing operations</b>	<b>117.3</b>	<b>(28.6)</b>	<b>(226.6)</b>	<b>(137.9)</b>
Discontinued operations				(21.2)
<b>Statutory loss after tax</b>				<b>(159.1)</b>
<b>Segment balance sheet information</b>				
Total assets reported by the Consolidated Group	3,586.1	3,302.5	458.2	7,346.8
Total liabilities reported by the Consolidated Group	(2,621.6)	(2,078.9)	(1,411.7)	(6,112.2)

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2.1 Segment information (continued)

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

# 2023 Consolidated Financial Report Extract

## Notes to the Financial Statements

### For the year ended 31 December 2023

## 2.2 Revenue and expenses

### Accounting Policy

#### **Revenue Recognition**

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

#### **Net interest income**

The Group recognises interest on loans and receivables as interest income. Interest income is recognised based on the effective interest rate method. The effective interest rate method allocates interest income over the life of the financial asset based on the amortised carrying value. The expected life of the financial instrument (portfolio average expected life; sales finance 13 months; personal loans 18 months and motor loans 19 months), or when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

The Group recognises fees and costs, which are integral to the financial assets (for example loan origination fees and costs), using the effective interest rate method. When applying the effective interest method, fees and costs are amortised over the expected life of the financial asset or a shorter period if this is the period to which the fees and costs relate.

#### **Other operating income**

Interchange and operating fee income from contracts with customers is measured based on the consideration specified in a contract with the customer. The Group recognises revenue over the service period when it transfers control over a service to a customer.

Other fees include service and incremental fees charged per transaction and revenue is recognised at the point in time when the related services are performed.

#### **Other expenses**

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

#### **Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case, it is recognised as part of the cost of acquisition of the asset or as part of the expense. Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the consolidated balance sheet. Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

2023 Consolidated Financial Report Extract  
Notes to the Financial Statements  
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## 2.2 Revenue and expenses (continued)

### (a) Net interest income

	2023 \$'m	2022 \$'m
Interest income calculated using the effective interest method	959.7	890.2
<b>Total interest income</b>	<b>959.7</b>	<b>890.2</b>
Finance costs on borrowings	(343.7)	(216.3)
Lease interest expense	(1.1)	(2.4)
<b>Total interest expense</b>	<b>(344.8)</b>	<b>(218.7)</b>
<b>Net interest income</b>	<b>614.9</b>	<b>671.5</b>

### (b) Other operating income

	2023 \$'m	2022 \$'m
Interchange and operating fees	29.8	32.9
Other	12.8	4.7
<b>Total other operating income</b>	<b>42.6</b>	<b>37.6</b>

### (c) Other operating expenses

	2023 \$'m	2022 \$'m
Cyber remediation	(45.4)	-
Asset impairment	(50.0)	(22.9)
Other expenses	(29.2)	(21.3)
<b>Total other operating expenses</b>	<b>(124.6)</b>	<b>(44.1)</b>

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

	2023 \$'m	2022 \$'m
Net profit/(loss) after income tax	(159.1)	36.3
Increase in interest receivable	(23.7)	(19.5)
Increase/(decrease) in interest payable	21.2	(2.5)
Depreciation and amortisation	89.4	105.6
Non-cash charge offs	318.9	177.8
Other (income)/expenses including income tax	48.0	(91.5)
(Increase)/decrease in loans and other receivables	56.6	(334.2)
Net decrease in trade and other liabilities	(38.7)	(45.0)
Net decrease in gross insurance policy liabilities	(5.4)	(0.2)
<b>Net cash provided by/(used in) operating activities</b>	<b>307.2</b>	<b>(173.2)</b>

Reconciliation of profit/(loss) after income tax to net cash inflow from operating activities includes discontinued operations.

2023 Consolidated Financial Report Extract  
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## 2.3 Income tax expense and deferred tax

### Accounting Policy

#### **Taxation**

##### **Income tax**

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

##### **Deferred tax**

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

##### **Tax consolidation legislation (Australian Parent and Group only)**

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

2023 Consolidated Financial Report Extract  
Notes to the Financial Statements  
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### 2.3 Income tax expense and deferred tax (continued)

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

#### (a) Income tax expense

	Note	2023 \$'m	2022 \$'m
<b>Current tax expense/(benefit)</b>			
Current tax on profits/(losses) for the year		(8.9)	20.6
Adjustments recognised in the year for current tax of prior years		(1.1)	(2.5)
Foreign exchange differences arising on translation		-	0.1
		<b>(10.0)</b>	<b>18.2</b>
<b>Deferred tax expense/(benefit)</b>			
Origination and reversal of temporary differences	2.3(c)	(36.4)	3.2
		<b>(36.4)</b>	<b>3.2</b>
<b>Income tax expense/(benefit)</b>		<b>(46.4)</b>	<b>21.4</b>
Income tax expense/(benefit) is attributable to:			
Profit/(loss) from continuing operations		(47.5)	24.1
Profit/(loss) from discontinued operations		1.1	(2.7)
<b>Income tax expense/(benefit)</b>		<b>(46.4)</b>	<b>21.4</b>

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

	2023 \$'m	2022 \$'m
Profit/(loss) from continuing operations before income tax expense	(185.4)	82.0
Loss from discontinued operations before income tax expense	(20.1)	(24.3)
	<b>(205.5)</b>	<b>57.7</b>
Tax at the Australian tax rate of 30% (2022: 30%)	(61.7)	17.3
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Permanent differences <sup>(1)</sup>	10.5	4.6
Effect of differences in tax rates in foreign jurisdictions	5.8	0.9
Other	-	1.1
Adjustments of prior years	(1.0)	(2.5)
<b>Income tax expense/(benefit)</b>	<b>(46.4)</b>	<b>21.4</b>

<sup>(1)</sup> Includes non-deductible loss on sale, impairment of goodwill and tax losses not recognised.



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## 2.3 Income tax expense and deferred tax (continued)

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

	2023 \$'m	2022 \$'m
Provisions and other liabilities	(25.2)	19.1
Deferred income	6.9	4.2
Acquisition transaction costs	0.7	0.4
Intangible assets - software	(16.1)	(9.1)
Property, plant and equipment	0.3	-
Intangible assets - other	(0.3)	(14.5)
Deferred expenses and prepayments	(0.6)	1.5
Trust net income	(1.0)	(1.2)
Other	(1.1)	2.8
<b>Deferred tax expense</b>	<b>(36.4)</b>	<b>3.2</b>

The Group has \$11.9 million (2022: \$3.6 million) of unused tax losses and \$2.6 million (2022: \$2.3 million) deductible temporary differences for which no deferred tax asset is recognised in the balance sheet (2022: \$nil). These relate to the Symple Loans and OctiFi business acquisitions. The losses may be carried forward indefinitely subject to shareholding test requirements.

### (d) Deferred tax assets and liabilities

	2023 \$'m	2022 \$'m
<b>Deferred tax assets</b>		
Provisions and other liabilities	113.3	88.5
Tax losses	13.9	-
Deferred income	24.7	31.6
Acquisition transaction costs	2.7	0.7
Lease liability	7.1	8.8
Intangible assets - software	18.3	19.1
Property, plant and equipment	2.4	2.9
Other	2.8	4.3
<b>Deferred tax assets</b>	<b>185.2</b>	<b>155.9</b>
<b>Deferred tax liabilities</b>		
Intangible assets - other	11.9	24.3
Deferred expenses & prepayments	12.3	13.0
Right-of-use assets	5.6	9.6
Interest rate swaps	6.0	15.5
Trust net income	3.7	3.4
Other	0.5	0.5
<b>Deferred tax liabilities</b>	<b>40.0</b>	<b>66.3</b>
<b>Net deferred tax assets</b>	<b>145.2</b>	<b>89.6</b>
Amounts expected to be settled within 12 months	90.2	55.3
Amounts expected to be settled after more than 12 months	55.0	34.3
<b>Net deferred tax assets</b>	<b>145.2</b>	<b>89.6</b>

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## 2.3 Income tax expense and deferred tax (continued)

### (e) Other tax recognised

	2023 \$'m	2022 \$'m
<b>Income tax recognised in other comprehensive income:</b>		
Cash flow hedge reserve	(11.6)	15.8

## 2.4 Dividends and distributions

### Dividends on ordinary shares

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the Group, on or before the end of the reporting period but not distributed at the end of the reporting period.

### (a) Dividends

No dividends have been declared by the Directors for the year ended 31 December 2023.

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

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

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

### Dividend reinvestment plan

In the event Latitude Group Holdings Limited declares a dividend shareholders can elect to reinvest their entitlement in Latitude ordinary shares under the Company's Dividend Reinvestment Plan (DRP). Shares issued under the DRP are provided through the issue of new shares and rank equally in all respects with existing fully paid Latitude ordinary shares.

### Franking credits

The amount of Australian franking credits available to shareholders at 31 December 2023 for subsequent financial years is \$0.5 million (2022: nil).

### (b) Distributions

Distributions paid on other equity instruments relate to capital notes issued as described in note 4.1(a). The following distributions were paid during the current and comparative year.

	2023 \$'m	2022 \$'m
Distributions paid on capital notes	8.8	6.2

*Distributions payable is within trade and other payables Note 3.1(e).*

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## 2.5 Earnings/(loss) per ordinary share

### Earnings/(loss) per ordinary share

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

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

#### (a) Earnings/(loss) 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	
	2023	2022	2023	2022
<b>Earnings (\$'m)</b>				
Profit/(loss) for the year attributable to owners of the Company	<b>(158.5)</b>	37.7	<b>(158.5)</b>	37.7
Net loss from discontinued operations attributable to owners of the Company	<b>(21.2)</b>	(21.6)	<b>(21.2)</b>	(21.6)
Adjusted earnings from continuing operations attributable to owners of the Company	<b>(137.3)</b>	59.3	<b>(137.3)</b>	59.3
<b>Weighted average number of ordinary shares (millions)</b>				
Weighted average number of ordinary shares	<b>1,039.5</b>	1,038.6	<b>1,039.5</b>	1,038.6
Potential dilutive weighted average number of ordinary shares:				
Conversion of capital notes <sup>(1)</sup>	-	-	-	112.2
<b>Total weighted average number of ordinary shares</b>	<b>1,039.5</b>	1,038.6	<b>1,039.5</b>	1,150.8

<sup>(1)</sup> The conversion of capital notes are excluded from the calculation of the weighted average number of ordinary shares outstanding used for the calculation of diluted earnings/(loss) per share due to their anti-dilutive effect.

#### Earnings per share (cents) attributable to owners of the Company

Earnings/(loss) per share (cents)	<b>(15.2)</b>	3.6	<b>(15.2)</b>	3.3
Earnings/(loss) per share (cents) from continuing operations	<b>(13.2)</b>	5.7	<b>(13.2)</b>	5.2

## Section 3 | Financial Instruments and Risk Management

### 3.1 Financial assets and liabilities

#### Accounting Policy

##### **Classification - Financial assets and liabilities**

##### **Amortised cost**

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

- (a) the instrument is held to collect contractual cash flows, rather than being sold prior to contractual maturity to realise fair value changes; and
- (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

##### **Recognition and derecognition**

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

##### **Cash and cash equivalents**

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

##### **Loans and other receivables**

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

##### **Trade and other liabilities**

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

##### **Borrowings**

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

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## Notes to the Financial Statements

### For the year ended 31 December 2023

#### 3.1 Financial assets and liabilities (continued)

##### Fair value through profit or loss (FVPL)

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

##### Fair value through other comprehensive income (FVOCI)

###### Other financial assets

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

##### Loss provisioning

###### Provision for losses on loans and advances

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

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

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

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

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

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

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

The estimation of expected credit losses and assessment of credit risk, leverages various information

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### For the year ended 31 December 2023

#### 3.1 Financial assets and liabilities (continued)

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

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

##### **Derivative Financial Instruments**

Derivatives are classified as FVPL unless they are designated hedging instruments. They are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates derivatives as hedges of a particular risk associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges). The Group documents at the inception of the hedging transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. It also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values of cash flows on hedged items.

##### *Cash flow hedge*

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in reserves in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss within other operating income. When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately reclassified to profit or loss.

##### *Derivatives that do not qualify for hedge accounting*

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

##### **Offsetting**

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

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### 3.1 Financial assets and liabilities (continued)

#### (a) Financial assets and financial liabilities

Financial assets		Assets designated FVOCI	Assets designated FVPL	Assets at amortised cost	Total
	Notes	\$'m	\$'m	\$'m	\$'m
<b>2023</b>					
Cash and cash equivalents	3.1(b)	-	-	250.7	250.7
Derivative financial instruments		-	24.5	-	24.5
Loans and other receivables	3.1(c)	-	-	5,937.1	5,937.1
Other financial assets		1.6	-	12.6	14.2
<b>Total financial assets</b>		<b>1.6</b>	<b>24.5</b>	<b>6,200.4</b>	<b>6,226.5</b>
<b>2022</b>					
Cash and cash equivalents	3.2(b)	-	-	364.0	364.0
Derivative financial instruments		-	64.2	-	64.2
Loans and other receivables	3.1(c)	-	-	6,163.2	6,163.2
Other financial assets		1.6	-	-	1.6
<b>Total financial assets</b>		<b>1.6</b>	<b>64.2</b>	<b>6,527.2</b>	<b>6,593.0</b>
Financial liabilities		Liabilities designated FVOCI	Liabilities designated FVPL	Liabilities at amortised cost	Total
	Notes	\$'m	\$'m	\$'m	\$'m
<b>2023</b>					
Trade and other liabilities	3.1(e)	-	-	215.1	215.1
Derivative financial instruments		-	4.2	-	4.2
Borrowings	3.1(f)	-	-	5,745.1	5,745.1
<b>Total financial liabilities</b>		<b>-</b>	<b>4.2</b>	<b>5,960.2</b>	<b>5,964.4</b>
<b>2022</b>					
Trade and other liabilities	3.1(e)	-	-	226.5	226.5
Borrowings	3.1(f)	-	-	6,085.9	6,085.9
<b>Total financial liabilities</b>		<b>-</b>	<b>-</b>	<b>6,312.4</b>	<b>6,312.4</b>

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### 3.1 Financial assets and liabilities (continued)

#### (b) Cash and cash equivalents

	2023 \$'m	2022 \$'m
<b>Current assets</b>		
Cash and cash equivalents	245.8	358.3
Restricted cash <sup>(1)</sup>	4.9	5.7
<b>Cash and cash equivalents</b>	<b>250.7</b>	<b>364.0</b>

<sup>(1)</sup> Being cash deposited as security

#### (c) Loans and other receivables

	Notes	2023 \$'m	2022 \$'m
<b>Loans and advances</b>			
Loans and advances		6,244.8	6,474.2
Unearned income		(57.0)	(80.6)
Provision for impairment losses	3.2(f)	(264.1)	(242.7)
<b>Total loans and advances</b>		<b>5,923.7</b>	<b>6,150.9</b>
<b>Other receivables</b>			
Trade receivables		3.7	9.6
Other receivables		9.7	2.7
<b>Total other receivables</b>		<b>13.4</b>	<b>12.3</b>
<b>Total loans and other receivables</b>		<b>5,937.1</b>	<b>6,163.2</b>
Current		3,019.2	3,145.9
Non-current		2,917.9	3,017.3
<b>Total loans and other receivables</b>		<b>5,937.1</b>	<b>6,163.2</b>

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.



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### 3.1 Financial assets and liabilities (continued)

#### (d) Derivatives

	2023 \$'m	2022 \$'m
<b>Current derivative assets</b>		
Interest rate swap contracts - cash flow hedges	3.0	2.9
Forward foreign exchange contracts	-	3.2
<b>Total current derivative financial instrument assets</b>	<b>3.0</b>	<b>6.1</b>
<b>Non-current derivative assets</b>		
Interest rate swap contracts - cash flow hedges	21.5	58.1
<b>Total non-current derivative financial instruments</b>	<b>21.5</b>	<b>58.1</b>
<b>Total derivative assets</b>	<b>24.5</b>	<b>64.2</b>
<b>Current derivative liabilities</b>		
Forward foreign exchange contracts	0.5	-
<b>Total current derivative financial instrument liabilities</b>	<b>0.5</b>	<b>-</b>
<b>Non-current derivative liabilities</b>		
Interest rate swap contracts - cash flow hedges	3.7	-
<b>Total non-current derivative financial instrument liabilities</b>	<b>3.7</b>	<b>-</b>
<b>Total derivative liabilities</b>	<b>4.2</b>	<b>-</b>

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

#### (e) Trade and other liabilities

	Notes	2023 \$'m	2022 \$'m
<b>Current</b>			
Trade and other payables		50.0	52.2
Accrued expenses		48.1	37.4
Payables to related parties	6.4(c)	16.6	11.9
Customer credit balances		57.3	59.4
Lease liability		6.2	6.2
Capital note distributions		1.7	1.5
<b>Current trade and other liabilities</b>		<b>179.9</b>	<b>168.6</b>
<b>Non-Current</b>			
Payables to related parties	6.4(c)	16.6	33.2
Lease liability		18.6	24.7
<b>Non-current trade and other liabilities</b>		<b>35.2</b>	<b>57.9</b>
<b>Total trade and other liabilities</b>		<b>215.1</b>	<b>226.5</b>

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#### For the year ended 31 December 2023

### 3.1 Financial assets and liabilities (continued)

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 3.96% as at 31 December 2023 (31 December 2022: 3.92%).

#### (f) Borrowings

	2023		2022	2022		2022
	Current	Non-current		Current	Non-current	
	\$'m	\$'m	Total	\$'m	\$'m	Total
			\$'m			\$'m
<b>Secured</b>						
Securitisation liabilities	1,131.3	4,513.5	5,644.8	743.2	5,196.2	5,939.4
Total secured borrowings	1,131.3	4,513.5	5,644.8	743.2	5,196.2	5,939.4
<b>Unsecured</b>						
Facility agreements	56.3	44.0	100.3	36.5	110.0	146.5
Total unsecured borrowings	56.3	44.0	100.3	36.5	110.0	146.5
<b>Total borrowings</b>	<b>1,187.6</b>	<b>4,557.5</b>	<b>5,745.1</b>	<b>779.7</b>	<b>5,306.2</b>	<b>6,085.9</b>

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

The contractual maturities attached to the securitisation liabilities range between 0-7 years. Actual securitisation liability repayments occur when the trust reaches contractual amortisation periods (commencing in 0-3 years) based on assumed repayment patterns in the underlying receivables. Refer to section 3.2(t) for further details relating to liquidity management. The funding platform provides additional committed facilities as described in section 3.2(s).

Significant changes in funding during the year ended 31 December 2023 include:

#### Securitisation liabilities

- **January:** The New Zealand Personal Loans warehouse refinance was completed on payment date 17 January 2023, extending the scheduled amortisation date to 17 December 2025.
- **March:** Australia Credit Card Master Trust Series 2023-1 new issuance of \$400 million credit card ABS closed on 8 March 2023 with a scheduled amortisation date of March 2026.
- **March:** Australia Credit Card Master Trust Series 2018-1 was redeemed on its expected redemption date 22 March 2023. All noteholders were repaid in full, with the remaining balance of loans sold to the Australian Credit card warehouses.
- **March:** Australian Credit Card Master Trust Series 2017-VFN was resized to \$80 million and extended to 22 March 2024.
- **July:** Australian Personal Loans Series 2020-1 was redeemed on the expected call date of 17 July 2023.
- **August:** Australian Personal Loans Warehouse Trust No. 2 was refinanced on 17 August 2023, upsizing from \$200 million to \$338 million. The scheduled amortisation date is 17 August 2026.

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### Notes to the Financial Statements

### For the year ended 31 December 2023

#### 3.1 Financial assets and liabilities (continued)

- **November:** Australian Credit Card Warehouse Trust No. 3 was refinanced on 22 November 2023 at the existing commitment of \$1,056 million. The scheduled amortisation date was extended by 3 years to 22 November 2026.
- **December:** Australian Auto Loans Trust was refinanced on 19 December 2023. The scheduled amortisation date was extended 3 years to 21 December 2026, with the total commitment reducing to \$713 million.

#### Facility Agreements

- Effective 5 January 2023 the Group completed the USD \$30 million single draw bullet term credit facility drawdown with SBI Shinsei Bank, maturing 5 January 2024. The facility was subsequently extended effective 21 December 2023, maturing 6 January 2025.
- Effective 17 March 2023 the Group extended the USD \$20 million single draw bullet term credit facility with SBI Shinsei Bank, maturing 28 March 2024.
- Effective 14 November 2023 the Group extended the SGD \$30 million revolving credit facility with HSBC Bank, maturing 13 November 2024.

#### Transaction costs incurred to establish funding

Borrowings are shown net of capitalised transaction costs incurred to establish the funding programme. Unamortised transaction costs of \$2.8 million are set off against borrowings at 31 December 2023 (31 December 2022: \$4.9 million). During the year \$1.9 million (year to 31 December 2022: \$1.8 million) of borrowing costs were capitalised.

#### Covenants

Under the terms of the major borrowing facilities, the Group is required to comply with financial covenants. The Group has complied with these covenants during the year ended 31 December 2023.

#### Fair value

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

#### (g) 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 year.

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

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### 3.1 Financial assets and liabilities (continued)

Interest rate swaps are valued using swap models. The fair value is calculated as the present value of the estimated future cash flows. Estimates of future floating-rate cash flows are based on quoted swap rates, future prices and interbank borrowing rates. Estimated cash flows are discounted using a yield curve constructed from similar sources and which reflects the relevant benchmark interbank rate used by market participants for this purpose when pricing interest rate swaps. The fair value estimate is subject to a credit risk adjustment that reflects the credit risk of the Group and of the counterparty; this is calculated based on credit spreads derived from current credit default swap or bond prices.

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

The Group holds two unquoted equity investments with no active market within Level 3, of which one has previously been recognised at nil value and remains as such at the reporting date. The fair value inputs are based on entity specific financial statement information, discounted for their non-marketable nature and any other considerations such as the proximity of the transaction to the reporting date.

#### (h) Recurring fair values

2023	Level 1 \$'m	Level 2 \$'m	Level 3 \$'m	Total \$'m
<b>Financial assets</b>				
Derivative financial assets				
Derivatives used for hedging - interest rate swaps	-	24.5	-	24.5
Other financial assets	-	-	1.6	1.6
<b>Total financial assets</b>	-	24.5	1.6	26.1
<b>Financial liabilities</b>				
Derivative financial liabilities				
Derivatives used for hedging - interest rate swaps	-	3.7	-	3.7
Derivatives used for hedging - foreign exchange contracts	-	0.5	-	0.5
<b>Total financial liabilities</b>	-	4.2	-	4.2

2022	Level 1 \$'m	Level 2 \$'m	Level 3 \$'m	Total \$'m
<b>Financial assets</b>				
Derivative financial assets				
Derivatives used for hedging - interest rate swaps	-	61.0	-	61.0
Derivatives used for hedging - foreign exchange contracts	-	3.2	-	3.2
Other financial assets	-	-	1.6	1.6
<b>Total financial assets</b>	-	64.2	1.6	65.8

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 year.

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### 3.1 Financial assets and liabilities (continued)

#### (i) Level 3 fair values

Reconciliation from the opening balances to the closing balances for Level 3 fair values:

	2023 \$'m	2022 \$'m
<b>Other financial assets:</b>		
Balance 1 January	1.6	1.6
Balance 31 December	1.6	1.6

### 3.2 Financial risk management

#### Overview

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

#### Operational risk

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

In recent years there has been an increase in regulatory action and class action proceedings, many of which have resulted in significant monetary settlements. The risk of regulatory and class actions has been heightened by a number of factors, including regulatory enforcement actions an increase in the number of regulatory investigations and inquiries (including those relating to privacy given the increasing prevalence of cyber-attacks, such as that perpetrated against Latitude in March 2023), a greater willingness on the part of regulators to commence court proceedings, more intense media scrutiny and the growth of third party litigation funding. Regulatory investigations and class actions commenced against a competitor could also lead to similar proceedings against the Group.

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

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### 3.2 Financial risk management (continued)

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

#### Credit risk

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

#### Exposure

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

	12-month ECL \$'m	Lifetime ECL not credit impaired \$'m	Lifetime ECL credit impaired, not POCI <sup>(1)</sup> \$'m	Lifetime ECL credit impaired, POCI <sup>(1)</sup> \$'m	Total \$'m
Very low risk	7,029.2	-	-	2.1	7,031.3
Low risk	439.4	-	-	0.5	439.9
Medium risk	151.8	-	-	0.2	152.0
Moderate risk	24.4	-	-	-	24.4
High risk	4.2	-	-	-	4.2
<b>2023</b>	<b>7,649.0</b>	-	-	<b>2.8</b>	<b>7,651.8</b>
Very low risk	7,332.6	-	-	2.3	7,334.9
Low risk	477.8	-	-	0.5	478.3
Medium risk	161.1	-	-	0.2	161.3
Moderate risk	23.7	-	-	0.1	23.8
High risk	2.9	-	-	-	2.9
<b>2022</b>	<b>7,998.1</b>	-	-	<b>3.1</b>	<b>8,001.2</b>

<sup>(1)</sup>POCI: Purchased or Originated Credit Impaired

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### 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 <sup>(1)</sup> \$'m	Lifetime ECL credit impaired, POCI <sup>(1)</sup> \$'m	Total \$'m
Very low risk	2,331.9	24.0	-	1.8	2,357.7
Low risk	1,430.8	23.0	-	1.9	1,455.7
Medium risk	1,264.7	23.5	-	1.2	1,289.4
Moderate risk	455.0	18.7	-	0.6	474.3
High risk	256.6	199.6	195.7	3.0	654.9
Unrated	11.9	0.3	0.6	-	12.8
<b>2023</b>	<b>5,750.9</b>	<b>289.1</b>	<b>196.3</b>	<b>8.5</b>	<b>6,244.8</b>

<sup>(1)</sup>POCI: Purchased or Originated Credit Impaired

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

<sup>(1)</sup>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.

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### 3.2 Financial risk management (continued)

#### Credit quality

#### (c) Loans and advances by credit quality

	2023	2022
	\$'m	\$'m
<b>Gross loans and advances</b>		
Neither past due or impaired (not POCI <sup>(1)</sup> )	5,265.9	5,633.2
Past due but not impaired (not POCI <sup>(1)</sup> )	774.1	639.1
Impaired (not POCI <sup>(1)</sup> )	196.3	191.0
POCI <sup>(1)</sup>	8.5	10.9
<b>Total</b>	<b>6,244.8</b>	<b>6,474.2</b>

<sup>(1)</sup>POCI: Purchased or Originated Credit Impaired

#### (d) Loans and advances aging

	2023	2022
	\$'m	\$'m
<b>Gross loans and advances</b>		
Current	5,385.2	5,759.2
Past due 1-29 days	536.6	543.5
Past due 30-89 days	135.1	127.3
Past due > 90 days	187.9	44.2
<b>Total</b>	<b>6,244.8</b>	<b>6,474.2</b>

#### Counterparty risk

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

#### (e) Counterparty risk

	2023	2022
	\$'m	\$'m
<b>Cash and cash equivalents</b>		
<i>Investment grade (credit rating range A-2 to A-1+)</i>	250.7	364.0
<b>Derivative financial assets</b>		
<i>Investment grade (credit rating AA-)</i>	24.5	64.2

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



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**3.2 Financial risk management (continued)**

*Provision for impairment losses*

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

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

	Collective provision 12-month ECL	Collective provision lifetime ECL not credit impaired	Collective provision lifetime ECL credit impaired, not POCI <sup>(1)</sup>	Collective provision lifetime ECL credit impaired, POCI <sup>(1)</sup>	Collective provision Total
	\$'m	\$'m	\$'m	\$'m	\$'m
<b>At 1 January 2023</b>	<b>177.4</b>	<b>12.2</b>	<b>52.3</b>	<b>0.8</b>	<b>242.7</b>
Effects of exchange rate on translation	(0.2)	-	-	-	(0.2)
<i>Changes in the loss allowance contributed to by changes in the gross carrying amount of financial instruments, due to:</i>					
i) financial instruments originated during the year	31.6	1.8	6.5	-	39.9
ii) derecognition of financial instruments during the year	(15.3)	(2.6)	(17.2)	(0.2)	(35.3)
iii) change in balance during the year	(10.0)	(0.6)	(4.4)	(0.1)	(15.1)
iv) transfers between stages	(2.9)	3.0	16.8	0.1	17.0
Net remeasurement of loss allowance	43.7	3.8	8.3	-	55.8
Net change in overlays and other	(38.9)	(2.2)	0.4	-	(40.7)
<b>At 31 December 2023</b>	<b>185.4</b>	<b>15.4</b>	<b>62.7</b>	<b>0.6</b>	<b>264.1</b>
<b>At 1 January 2022</b>	<b>196.3</b>	<b>13.1</b>	<b>60.8</b>	<b>1.4</b>	<b>271.6</b>
Effects of exchange rate on translation	(0.2)	-	(0.1)	-	(0.3)
<i>Changes in the loss allowance contributed to by changes in the gross carrying amount of financial instruments, due to:</i>					
i) financial instruments originated during the year	43.4	1.5	3.5	-	48.4
ii) derecognition of financial instruments during the year	(22.4)	(2.6)	(13.6)	(0.1)	(38.7)
iii) change in balance during the year	(11.6)	(0.2)	(2.6)	(0.1)	(14.5)
iv) transfers between stages	(2.7)	2.2	8.6	-	8.1
Net remeasurement of loss allowance	(6.7)	0.2	6.1	0.1	(0.3)
Net change in overlays and other	(18.7)	(2.0)	(10.4)	(0.5)	(31.6)
<b>At 31 December 2022</b>	<b>177.4</b>	<b>12.2</b>	<b>52.3</b>	<b>0.8</b>	<b>242.7</b>

<sup>(1)</sup>POCI: Purchased or Originated Credit Impaired

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#### For the year ended 31 December 2023

### 3.2 Financial risk management (continued)

The Group's total provision for impairment losses increased \$21.4 million between 31 December 2022 and 31 December 2023 (\$242.7 million to \$264.1 million) and the coverage ratio increased by 48bps (3.75% at December 2022 to 4.23% at December 2023). The application of model risk overlays is used to offset a number of inherent model risks.

A consistent approach has been applied to the following model risk overlays held by the Group for the December 2023 reporting period compared to December 2022:

- 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) \$34.3 million; and
- A seasonality overlay to adjust for ordinary course movements in the stage distribution of receivables due to seasonal delinquency trends exhibited by the underlying portfolios \$3.1 million.
- An economic overlay to cater for forward looking impacts and uncertainty that are not easily modelled, leveraging sensitivity on staging taking into consideration the potential impacts to hardship and delinquency from the changing economic outlook \$15.6 million.

The following updates have been made to the model risk overlays held by the Group for the year ended 31 December 2023:

- The removal of a component of the economic overlay to cater for forward looking impacts and uncertainty that are not easily modelled, held by the Group in December 2022. This was an adjustment to the New Zealand Money portfolio, due to a reduction in the probability-of-default rates post the application of the forward-looking economic model \$(1.2) million; and
- A Cyber Adjustment Overlay to offset the significant increase in the core model rates, due to the elevated delinquency and loss rates experienced across the Latitude portfolios in 2023 due to the Cyber Incident, driving increased in probability of default and gross charge off given default in the provision models \$(15.6) million.

The Group applied the below scenario weightings during the year ended 31 December 2023:

Scenario	Weighting 2023	Weighting 2022
<b>Scenario One – Upside</b> A 100% weighting to this scenario would result in a decrease to the total ECL provision at the reporting date of \$16.7 million	10%	5%
<b>Scenario Two – Baseline</b> A 100% weighting to this scenario would result in a decrease to the total ECL provision at the reporting date of \$4.2 million	60%	55%
<b>Scenario Three – Downside</b> A 100% weighting to this scenario would result in an increase to the total ECL provision at the reporting date of \$14.1 million	30%	40%

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

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### 3.2 Financial risk management (continued)

#### Impairment losses

#### (g) Losses recognised in relation to loans and advances

During the year, the following losses were recognised:

	2023 \$'m	2022 \$'m
<b>Recognised in profit or loss</b>		
Movement in provision on loans and advances	(23.9)	27.5
Net impairment loss on loans and advances	(213.5)	(147.0)
<b>Losses recognised in relation to loans and advances</b>	<b>(237.4)</b>	<b>(119.5)</b>

#### Enforcement activity

Loans and advances with a contractual amount of \$46.0 million (2022: \$52.0 million) written off during the year are subject to enforcement activity.

#### Collateral

#### (h) Collateral held

	2023	2022
<b>Maximum exposure (\$'m)</b>	<b>6,244.8</b>	<b>6,484.7</b>
<b>Collateral classification:</b>		
Secured (%)	17.8	19.9
Unsecured (%)	82.2	80.1

Both secured and unsecured personal loans are offered to the customer. Subject to lending criteria, allowable collateral for a secured loan includes motor vehicles and other vehicles such as caravans and camper trailers, motorcycles, motor homes and boats. There is no minimum or maximum loan value ratio applicable to a secured personal loan and a minimum value of security applies. When an Australian customer takes a motor loan for the purposes of acquiring a new or used car, motorcycle or other recreational vehicle, certain allowable vehicles are accepted as security for the loan.

#### Guarantees

Latitude Group Holdings Limited is guarantor for the Latitude Financial International Pte. Ltd. Facility Agreement of SGD \$30 million with the Hong Kong and Shanghai Banking Corporation Limited, Singapore Branch at 31 December 2023 SGD \$30 million (2022: \$nil) of which SGD \$21.8 million (AUD \$24.3 million) was utilised.

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### 3.2 Financial risk management (continued)

#### Foreign exchange risk

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

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

#### *Risk management*

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

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

#### *Exposure*

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

	2023 \$'m	2022 \$'m
Net open position - US Dollar	5.4	0.9

#### *Foreign exchange gains or losses*

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

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

	2023 \$'m	2022 \$'m
<b>Recognised in profit or loss</b>		
Net foreign exchange gain/(loss) included in other operating income	4.3	(2.9)
<b>Recognised in other comprehensive income</b>		
Translation of entities with a non-Australian denominated functional currency recognised in foreign currency translation reserve	5.1	6.1

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### 3.2 Financial risk management (continued)

#### Sensitivity

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

Index	Impact on post-tax profit		Impact on other components of equity	
	2023 \$'m	2022 \$'m	2023 \$'m	2022 \$'m
USD/AUD exchange rate - increase 10%	0.4	0.1	-	-
USD/AUD exchange rate - decrease 10%	(0.4)	(0.1)	-	-
NZD/AUD exchange rate - increase 10%	-	-	3.6	9.1
NZD/AUD exchange rate - decrease 10%	-	-	(3.6)	(9.1)
SGD/AUD exchange rate - increase 10%	-	-	4.7	3.0
SGD/AUD exchange rate - decrease 10%	-	-	(4.7)	(3.0)
CAD/AUD exchange rate - increase 10%	-	-	(0.4)	0.7
CAD/AUD exchange rate - decrease 10%	-	-	0.4	(0.7)
MYR/AUD exchange rate - increase 10%	-	-	(0.3)	(0.1)
MYR/AUD exchange rate - decrease 10%	-	-	0.3	0.1

#### Interest rate risk

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

#### Risk management

The Group's receivables consist of three types of applicable interest rate:

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

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

Interest rate risk is managed by entering into derivatives (pay fixed interest rate swaps) whereby the Group agrees to pay a fixed interest rate and in return receive a variable market interest rate to hedge the variable borrowing costs. The Group ensures the proportion of hedges to net exposure is within the range of 95 - 105%. The Group applies a hedge ratio of 1:1.

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

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### 3.2 Financial risk management (continued)

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

In these hedge relationships, the main source of ineffectiveness is change in credit risk of the hedge instrument.

#### Exposure

##### (l) Interest rate profile

At 31 December 2023 the exposure of the Group's borrowing to interest rate changes and the contractual re-pricing dates of the interest rate borrowings are as follows:

	2023 \$'m	2022 \$'m
Variable rate borrowings	5,734.0	6,080.4

##### (m) Interest rate swaps

At 31 December 2023 the Group had the following interest rate swap contracts outstanding:

		2023		2022
	Weighted average interest rate %	Balance \$'m	Weighted average interest rate %	Balance \$'m
Interest rate swaps (nominal amount)	2.80%	1,963.5	1.76%	2,309.5

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**3.2 Financial risk management (continued)**

*Hedged items and hedging instruments*

**(n) Amounts relating to items designated as hedged items**

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

	Change in value used for calculating hedge ineffectiveness \$'m	Cash flow hedge reserve \$'m	Balances remaining in the cash flow hedge reserve from hedging relationships for which hedge accounting is no longer applied \$'m
<b>2023</b>			
<b>Interest rate risk</b>			
Variable rate borrowings	(40.1)	14.7	-
Discontinued hedges <sup>(1)</sup>	-	-	-
<b>2022</b>			
<b>Interest rate risk</b>			
Variable rate borrowings	50.0	43.0	-
Discontinued hedges <sup>(1)</sup>	-	-	(0.2)

<sup>(1)</sup> Balance in Cash flow hedge reserve related to discontinued hedges - Refer to section 3.2(o)

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### 3.2 Financial risk management (continued)

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

Line item in Balance sheet / income statement	Nominal amount - maturity			Carrying amount		Changes in the value of the hedging instrument recognised in OCI	Hedge ineffectiveness recognised in profit or loss	Amount reclassified from hedging reserve to profit or loss
	1-6 months	7-12 months	More than one year	Assets	Liabilities			
	\$'m	\$'m	\$'m	\$'m	\$'m			
				Derivative financial instruments			Other income	
				\$'m	\$'m	\$'m	\$'m	\$'m
<b>2023</b>								
<b>Interest rate risk</b>								
Interest rate swaps	73.0	133.8	1,756.7	24.5	3.7	(39.8)	(0.2)	-
Discontinued hedges <sup>(1)</sup>	-	-	-	-	-	-	-	0.3
<b>2022</b>								
<b>Interest rate risk</b>								
Interest rate swaps	34.3	168.8	2,106.4	61.0	-	50.3	(0.3)	-
Discontinued hedges <sup>(1)</sup>	0	-	-	-	-	-	-	2.1

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

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

	Hedged risk	Cash flow hedge reserve		Total \$'m
		Continuing hedges \$'m	Discontinued hedges \$'m	
<b>2023</b>				
<b>Cash flow hedges</b>				
Variable rate borrowings	Interest rate	14.7	-	14.7
<b>2022</b>				
<b>Cash flow hedges</b>				
Variable rate borrowings	Interest rate	43.0	(0.2)	42.8



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### 3.2 Financial risk management (continued)

*Fair value gains or losses*

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

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

	2023 \$'m	2022 \$'m
<b>Recognised in profit or loss</b>		
Net gain/(loss) for ineffective portion of derivatives designated as cash flow hedges	(0.2)	(0.3)
<b>Recognised in other comprehensive income</b>		
Gain/(loss) recognised in other comprehensive income	(28.3)	34.5

*Sensitivity*

#### (r) Sensitivity to changes in interest rates

	Impact on pre-tax profit		Impact on other components of equity	
	2023 \$'m	2022 \$'m	2023 \$'m	2022 \$'m
Interest rates - increase by 100 basis points - Increase/(decrease) in profit	(11.6)	(14.1)	23.6	29.4
Interest rates - decrease by 100 basis points - Increase/(decrease) in profit	11.6	14.1	(24.1)	(30.2)

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

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### 3.2 Financial risk management (continued)

#### Liquidity risk

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

#### *Risk management*

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

#### **(s) Undrawn facilities**

##### *Financing arrangements – Corporate facilities*

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

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

As at 31 December 2023, \$0.8 million of the Facility A was utilised to finance bank guarantees and to support operational liquidity. \$159.2 million of Facility A remained undrawn.

Since its establishment, Facility B has been utilised to refinance existing letters of credit provided as collateral for access to Schemes. As at 31 December 2023 USD \$3.1 million of Facility B remained undrawn.

The Group has existing Bilateral Facility Agreements for the following lines of credit:

- Effective 17 March 2023, for USD \$20 million single draw bullet term credit facility. As at 31 December 2023 the facility was fully drawn.
- Effective 5 January 2023, for USD \$30 million single draw bullet term credit facility. As at 31 December 2023 the facility was fully drawn.
- Effective 14 November 2023, for SGD \$30 million revolving credit facility. As at 31 December 2023, SGD \$21.8 million was utilised and SGD \$8.2 million of facility remained undrawn.

##### *Financing arrangements – Securitisation facilities*

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

Floating rate	2023 \$'m	2022 \$'m
Borrowing facilities available	<b>6,910.5</b>	7,280.7
Drawn facilities	<b>(5,636.4)</b>	(5,937.9)
Undrawn facilities	<b>1,274.1</b>	1,342.8

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### 3.2 Financial risk management (continued)

#### Maturities of financial liabilities

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

#### (t) Contractual maturities of financial liabilities

	Less than 6 months \$'m	6 - 12 months \$'m	1-2 years \$'m	2-5 years \$'m	Over 5 years \$'m	Total contractual cash flows \$'m	Carrying amount (assets)/ liabilities \$'m
<b>2023</b>							
<b>Non-derivatives</b>							
Borrowings – Securitisation liabilities	235.8	507.3	1,837.3	4,061.1	-	6,641.5	5,636.4
Borrowings – facility agreements	33.4	26.6	45.9	-	-	105.9	97.7
Trade and other liabilities	163.5	19.6	20.4	10.8	3.9	218.2	215.1
<b>Total non-derivatives</b>	<b>432.7</b>	<b>553.5</b>	<b>1,903.6</b>	<b>4,071.9</b>	<b>3.9</b>	<b>6,965.6</b>	<b>5,949.2</b>
<b>Derivatives</b>							
Derivatives - Forward foreign exchange contracts	(0.1)	0.6	-	-	-	0.5	0.5
Derivatives - interest rate swaps	(1.0)	0.6	2.5	2.1	-	4.2	3.7
<b>Total derivatives</b>	<b>(1.1)</b>	<b>1.2</b>	<b>2.5</b>	<b>2.1</b>	<b>-</b>	<b>4.7</b>	<b>4.2</b>
<b>2022</b>							
<b>Non-derivatives</b>							
Borrowings – Securitisation liabilities	384.1	491.9	1,048.7	4,916.0	-	6,840.7	5,939.4
Borrowings – facility agreements	35.6	9.8	112.4	-	-	157.8	146.5
Trade and other liabilities	154.8	15.6	23.5	29.8	7.3	231.0	226.5
<b>Total non-derivatives</b>	<b>574.5</b>	<b>517.3</b>	<b>1,184.6</b>	<b>4,945.8</b>	<b>7.3</b>	<b>7,229.5</b>	<b>6,312.4</b>
<b>Derivatives</b>							
Derivatives - Forward foreign exchange contracts	-	-	-	-	-	-	-
Derivatives - interest rate swaps	-	-	-	-	-	-	-
<b>Total derivatives</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

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## Section 4 | Capital Management

### 4.1 Capital Management

#### Accounting Policy

##### **Contributed equity**

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

The Group's capital management objectives seek to implement an efficient and diverse capital structure focused on balancing shareholder returns and financial risk, with sufficient liquidity and flexibility to support its strategy and growth.

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

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

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**

	2023 \$'m	2022 \$'m
Ordinary share capital	2,075.5	2,075.0
Capital notes	147.0	147.0
<b>Total contributed equity</b>	<b>2,222.5</b>	<b>2,222.0</b>

##### **(i) Ordinary share capital**

For the year ended 31 December 2023	Number of shares million	\$'m
<b>Ordinary share capital</b>		
Balance as at 1 January 2022	1,038.5	2,074.0
Issue of shares - dividend reinvestment plan	0.7	1.0
<b>Balance as at 31 December 2022</b>	<b>1,039.2</b>	<b>2,075.0</b>
Issue of shares - dividend reinvestment plan	0.5	0.5
<b>Balance as at 31 December 2023</b>	<b>1,039.7</b>	<b>2,075.5</b>

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**4.1 Capital Management (continued)**

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.

**(ii) Capital notes**

	2023	2022	2023	2022
	Number of securities million	Number of securities million	\$'m	\$'m
<b>Other contributed equity</b>				
<b>Capital notes</b>				
Latitude Capital Note LFSPA	1.5	1.5	150.0	150.0
Less: Equity raising transaction costs			(4.0)	(4.0)
Deferred tax recognised directly in equity			1.0	1.0
<b>Total other contributed equity</b>	<b>1.5</b>	<b>1.5</b>	<b>147.0</b>	<b>147.0</b>

The 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 dividends can be paid while accrued capital note distributions remain unpaid.

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**4.1 Capital Management (continued)**

**(b) Reserves**

	2023 \$'m	2022 \$'m
<b>Cash flow hedge reserve</b>		
At 1 January	42.8	5.8
Fair value gains/(losses)	(39.8)	50.3
Income taxes on fair value gains/(losses)	11.6	(15.8)
Amounts transferred to income statement	0.2	2.1
Income taxes on amounts transferred to income statement	(0.1)	(0.6)
At 31 December	14.7	42.8
<b>Share-based payment reserve</b>		
At 1 January	44.5	40.7
Employee share plan movement	(2.2)	3.8
At 31 December	42.3	44.5
<b>Other reserve</b>		
At 1 January	(12.7)	(12.7)
NCI acquisition	5.6	-
At 31 December	(7.1)	(12.7)
<b>Foreign currency translation reserve</b>		
At 1 January	6.1	5.9
Currency translation differences arising during the year	(1.0)	0.2
At 31 December	5.1	6.1
<b>Fair value through other comprehensive income reserve</b>		
At 1 January	(2.4)	(2.4)
Net change in fair value of equity investments at FVOCI	-	-
At 31 December	(2.4)	(2.4)
<b>Common control reserve</b>		
At 1 January	(705.5)	(705.5)
Net change in fair value of common control reserve	-	-
At 31 December	(705.5)	(705.5)
<b>Total reserves</b>	<b>(652.9)</b>	<b>(627.2)</b>

*Cash flow hedge reserve*

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

*Share-based payment reserve*

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

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**4.1 Capital Management (continued)**

*Other reserve*

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

*Foreign currency translation reserve*

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

*Fair value through other comprehensive income reserve*

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

*Common control reserve*

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

**(c) Retained earnings / (losses)**

	2023 \$'m	2022 \$'m
At 1 January	(123.4)	7.2
Net profit/(loss) for the year - attributable to owners	(158.5)	37.7
Amounts transferred from reserves	(2.5)	0.9
Ordinary share dividends	(41.5)	(163.0)
Capital note distributions	(9.1)	(6.2)
At 31 December	<b>(335.0)</b>	(123.4)

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## 4.2 Commitments

### (a) Non-cancellable leases

	2023 \$'m	2022 \$'m
Commitments for minimum lease payments in relation to non-cancellable leases are payable as follows:		
Within one year	7.3	8.1
Later than one year but not later than five years	16.4	20.1
Later than five years	4.0	7.3
<b>Commitments for minimum lease payments in relation to non-cancellable leases</b>	<b>27.7</b>	<b>35.5</b>

	2023 \$'m	2022 \$'m
Rental expense relating to leases:		
Minimum lease payments	8.2	13.7

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

### (b) Other commitments

	2023 \$'m	2022 \$'m
Commitment to extend credit	7,651.8	8,001.2
Capital commitments	0.1	1.7
<b>Other commitments</b>	<b>7,651.9</b>	<b>8,002.9</b>

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



## Section 5 | Other Assets and Liabilities

### 5.1 Other Assets and Liabilities

#### Accounting Policy

##### **Goodwill**

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

##### **Customer relationships and distribution agreements**

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

##### **Software**

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

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

##### **Development Activities**

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

##### **Impairment of assets**

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

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#### 5.1 Other Assets and Liabilities (continued)

##### **Provisions**

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

##### **Employee benefit obligations**

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

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

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

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

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5.1 Other Assets and Liabilities (continued)

(a) Intangible assets

	Good-will	Distribution agreements	Customer contracts	Software	Capital works in progress	Trade-mark	Total
	\$'m	\$'m	\$'m	\$'m	\$'m	\$'m	\$'m
<b>At 1 January 2023</b>							
Cost	728.3	162.0	264.9	199.7	17.4	0.5	1,372.8
Accumulation amortisation	-	(130.6)	(214.7)	(77.8)	-	(0.4)	(423.5)
<b>Net book amount</b>	<b>728.3</b>	<b>31.4</b>	<b>50.2</b>	<b>121.9</b>	<b>17.4</b>	<b>0.1</b>	<b>949.3</b>
Balance at 1 January 2023	<b>728.3</b>	<b>31.4</b>	<b>50.2</b>	<b>121.9</b>	<b>17.4</b>	<b>0.1</b>	<b>949.3</b>
Effects of exchange rate differences on translation of foreign operations	(0.2)	-	-	-	-	-	(0.2)
Additions	-	-	1.0	-	13.7	-	14.7
Amortisation charge	-	(16.5)	(26.2)	(41.4)	-	-	(84.1)
Impairment loss	(22.1)	-	-	(21.8)	(3.0)	-	(46.9)
Transfers	-	-	-	12.3	(12.3)	-	-
<b>Balance at 31 December 2023</b>	<b>706.0</b>	<b>14.9</b>	<b>25.0</b>	<b>71.0</b>	<b>15.8</b>	<b>0.1</b>	<b>832.8</b>
<b>At 31 December 2023</b>							
Cost	706.0	162.0	265.0	152.3	15.8	0.3	1,301.3
Accumulated amortisation	-	(147.1)	(240.0)	(81.3)	-	(0.2)	(468.5)
<b>Net book amount</b>	<b>706.0</b>	<b>14.9</b>	<b>25.0</b>	<b>71.0</b>	<b>15.8</b>	<b>0.1</b>	<b>832.8</b>
<b>At 1 January 2022</b>							
Opening net book amount	738.1	49.3	80.9	117.1	62.3	0.2	1,047.9
Effects of exchange rate differences on translation of foreign operations	(0.1)	-	-	0.1	(0.1)	-	(0.1)
Additions	3.9	0.5	1.3	2.1	24.3	-	32.1
Amortisation charge	-	(18.4)	(32.0)	(45.2)	-	(0.1)	(95.7)
Impairment loss	(13.6)	-	-	(15.5)	(5.8)	-	(34.9)
Transfers	-	-	-	63.3	(63.3)	-	-
Closing net book amount	728.3	31.4	50.2	121.9	17.4	0.1	949.3
<b>At 31 December 2022</b>							
Cost	728.3	162.0	264.9	199.7	17.4	0.5	1,372.8
Accumulated amortisation	-	(130.6)	(214.7)	(77.8)	-	(0.4)	(423.5)
<b>Net book amount</b>	<b>728.3</b>	<b>31.4</b>	<b>50.2</b>	<b>121.9</b>	<b>17.4</b>	<b>0.1</b>	<b>949.3</b>

Distribution agreements and customer contracts recognised as part of a business combination in 2015 have remaining amortisation period of 1 year at 31 December 2023 (31 December 2022: 2 years).

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**5.1 Other Assets and Liabilities (continued)**

**(b) Impairment testing for cash-generating units containing goodwill**

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

Goodwill is subject to impairment testing on an annual basis or when there is an indicator of impairment. During the year, the Cyber incident and the resulting temporary decline in business performance were considered indicators of impairment. No impairment was identified during this review.

The annual impairment testing performed at year end results in headroom within the Pay and Money CGUs and also found no impairment. The International CGUs carrying amount exceeds its recoverable amount and subsequently goodwill was impaired to nil. The estimated recoverable amount of the International CGU is impacted by a reduction in forecast revenue.

Goodwill allocated to CGU	2023	2022
Pay A&NZ	297.8	296.4
Money A&NZ	408.2	410.1
International	-	21.8

Cash flows used in the value-in-use calculations are based on the latest forecast information produced by Management. Management considers the forecast information to reflect the best estimates of revenue based on historical results, strategic initiatives, forecasts and facts and circumstances available as at 31 December 2023.

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

The following assumptions were made in determining the recoverable amount:

	Pre-tax discount rate	Terminal growth rate	Average revenue growth rate applied from years 1 - 5
	%	%	%
<b>2023</b>			
Pay A&NZ	19.2	2.0	6.0
Money A&NZ	19.2	2.0	12.3
International	18.7	-	(11.9)
<b>2022</b>			
Pay A&NZ	17.1	2.5	8.5
Money A&NZ	18.6	2.5	12.2
International	20.6	2.5	304.7

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## 5.1 Other Assets and Liabilities (continued)

### (c) Sensitivity

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

### (d) Provisions

	2023		2022			
	Current \$'m	Non- Current \$'m	Total \$'m	Current \$'m	Non- current \$'m	Total \$'m
Leave obligations	15.7	1.2	16.9	17.7	1.2	18.9
Other employee benefit obligations	21.1	-	21.1	5.9	-	5.9
<b>Total employee benefit obligations</b>	<b>36.8</b>	<b>1.2</b>	<b>38.0</b>	23.6	1.2	24.8
Customer remediation and other provisions	67.7	2.1	69.8	21.4	2.1	23.5
<b>Total provisions</b>	<b>104.5</b>	<b>3.3</b>	<b>107.8</b>	45.0	3.3	48.3

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 \$'m	Other \$'m	Total \$'m
<b>Balance at 1 January 2023</b>	17.4	6.1	<b>23.5</b>
Additional provision	64.3	6.0	<b>70.3</b>
Amounts utilised during the year	(8.4)	(3.7)	<b>(12.1)</b>
Reversal of unused provision	(11.2)	(0.7)	<b>(11.9)</b>
<b>Balance at 31 December 2023</b>	<b>62.1</b>	<b>7.7</b>	<b>69.8</b>

#### Balance comprised of:

Current	62.1	5.6	<b>67.7</b>
Non-current	-	2.1	<b>2.1</b>
<b>Total provisions</b>	<b>62.1</b>	<b>7.7</b>	<b>69.8</b>

Customer remediation includes provisions for expected refunds to customers, related customer claims, remediation project costs and cyber-incident remediation costs for customer identification document replacement, costs to respond to the regulatory investigations and regulatory and enforcement action costs. Refer to section 6.5 for further details.

## Section 6 | Other Disclosures

### 6.1 Share-based payments

#### Accounting policy

##### Share-based payments

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

##### (a) Description of share-based payment arrangements

The Group operated the following employee share plans during the year ended 31 December 2023.

##### (i) Latitude Equity Plan

On 1 January 2021, the Company established the Latitude Equity Plan (LEP) to assist in the motivation, retention and reward of key management personnel and other senior leaders. The LEP is designed to align participants' interests with the interests of Shareholders by providing participants the opportunity to receive Shares through the granting of Restricted Shares and Rights in respect of the short-term incentive (STI) and long-term incentive (LTI) components of remuneration. During the year ended 31 December 2023, a new class of awards under the LEP were granted as Options to eligible employees as the LTI component of their 2023 remuneration. The key terms of the LEP are set out in the following tables.

Feature	Key Terms of Restricted Shares (STI Shares) granted under the LEP – equity settled								
Eligibility	<p>Managing Director &amp; CEO and other eligible executives as approved by the Board, who are awarded an STI outcome.</p> <p>An Executive Director may participate in the LEP.</p> <p>Non-Executive Directors are not eligible to participate in the LEP.</p>								
Offer	<p>The number of restricted shares (STI Shares) is a proportion of the participant's STI outcome, divided by the 5-day Volume Weighted Average Price (VWAP) from the second trading day following the release of the full year results.</p> <table border="1"> <thead> <tr> <th>STI Plan</th> <th>Proportion of STI outcome delivered as STI Shares</th> </tr> </thead> <tbody> <tr> <td>2021 STI</td> <td>33.33%</td> </tr> <tr> <td>2022 STI</td> <td>50%</td> </tr> <tr> <td>2023 STI</td> <td>Nil – moved to deferred cash from 1 January 2023.</td> </tr> </tbody> </table>	STI Plan	Proportion of STI outcome delivered as STI Shares	2021 STI	33.33%	2022 STI	50%	2023 STI	Nil – moved to deferred cash from 1 January 2023.
STI Plan	Proportion of STI outcome delivered as STI Shares								
2021 STI	33.33%								
2022 STI	50%								
2023 STI	Nil – moved to deferred cash from 1 January 2023.								

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6.1 Share-based payments (continued)

Feature	Key Terms of Restricted Shares (STI Shares) granted under the LEP – equity settled																
Grant	<p>During or after March following the results announcement: the proportion of each participant’s STI awarded is delivered as STI Shares that are purchased on market.</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 25%;">STI Plan</th> <th style="width: 25%;">Grant Date</th> <th style="width: 25%;">Grant Price (5 Day VWAP)</th> <th style="width: 25%;">VWAP Period</th> </tr> </thead> <tbody> <tr> <td>2021 STI</td> <td>30 March 2022</td> <td>\$1.998468</td> <td>22-28 February 2022</td> </tr> <tr> <td>2022 STI</td> <td colspan="3" style="text-align: center;">n/a (no STI awarded)</td> </tr> <tr> <td>2023 STI</td> <td colspan="3" style="text-align: center;">n/a</td> </tr> </tbody> </table>	STI Plan	Grant Date	Grant Price (5 Day VWAP)	VWAP Period	2021 STI	30 March 2022	\$1.998468	22-28 February 2022	2022 STI	n/a (no STI awarded)			2023 STI	n/a		
STI Plan	Grant Date	Grant Price (5 Day VWAP)	VWAP Period														
2021 STI	30 March 2022	\$1.998468	22-28 February 2022														
2022 STI	n/a (no STI awarded)																
2023 STI	n/a																
Restriction Period	<p>Approximately one year: 50% of STI Shares are released from restriction following the announcement of the next financial year’s results.</p> <p>Approximately two years following: the remaining 50% of STI Shares are released from restriction following the announcement of that year’s results.</p>																
Treatment of STI Shares during Restriction Period	<p>Participants who depart Latitude prior to the restriction end date, are generally treated as follows, although Board retains discretion to determine a different treatment:</p> <ul style="list-style-type: none"> <li>• Misconduct or summary dismissal for cause: lapse.</li> <li>• All other circumstances: remain on foot, subject to the original performance conditions and restriction period.</li> </ul>																
Restrictions on dealing	<p>STI Shares rank equally with other Shares and participants have dividend and voting rights including while subject to the restriction period and restrictions on disposal. Participants must not sell, transfer, encumber, hedge or otherwise deal with restricted STI Shares except with prior approval of the Board or in certain circumstances by force of law.</p> <p>Following the restriction date, the disposal restrictions cease and Shares are held subject to restrictions under the Share Trading Policy.</p>																

Feature	Key Terms of LTI Performance Rights granted under the LEP – equity settled								
Eligibility	Managing Director & CEO, eligible Executive KMP and selected Senior Leaders as approved by the Board.								
Performance period	<p>Three years</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 30%;">LTI Plan</th> <th style="width: 70%;">Performance Period</th> </tr> </thead> <tbody> <tr> <td>2021 LTI</td> <td>1 January 2021 to 31 December 2023</td> </tr> <tr> <td>2022 LTI</td> <td>1 January 2022 to 31 December 2024</td> </tr> <tr> <td>2023 LTI</td> <td>1 January 2023 to 31 December 2025</td> </tr> </tbody> </table>	LTI Plan	Performance Period	2021 LTI	1 January 2021 to 31 December 2023	2022 LTI	1 January 2022 to 31 December 2024	2023 LTI	1 January 2023 to 31 December 2025
LTI Plan	Performance Period								
2021 LTI	1 January 2021 to 31 December 2023								
2022 LTI	1 January 2022 to 31 December 2024								
2023 LTI	1 January 2023 to 31 December 2025								
Offer	<p>Rights to acquire Shares (Performance Rights) at no cost, subject to the satisfaction of specific vesting conditions over the Performance Period.</p> <ul style="list-style-type: none"> <li>• The LTI opportunity offered is a percentage of Fixed Remuneration.</li> <li>• Performance Rights have no dividend or voting rights prior to vesting.</li> <li>• 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.</li> </ul>								

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Notes to the Financial Statements  
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6.1 Share-based payments (continued)

Feature	Key Terms of LTI Performance Rights granted under the LEP – equity settled																									
Grants	<p>The number of Performance Rights granted was calculated based on a 5-day VWAP from the second trading day following the release of either the full year or half year results prior to the grant date (unless otherwise indicated). The following grants have been made:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 15%;">LTI Plan</th> <th style="width: 20%;">Grant Date</th> <th style="width: 20%;">Grant Price (5 Day VWAP)</th> <th style="width: 45%;">VWAP Period</th> </tr> </thead> <tbody> <tr> <td rowspan="2" style="text-align: center; vertical-align: middle;">2021</td> <td style="text-align: center;">29 April 2021</td> <td style="text-align: right;">\$2.517250</td> <td style="text-align: center;">22-28 April 2021 (aligned to Latitude’s initial trading period on the ASX)</td> </tr> <tr> <td style="text-align: center;">29 October 2021</td> <td style="text-align: right;">\$2.343965</td> <td style="text-align: center;">25-31 August 2021</td> </tr> <tr> <td rowspan="2" style="text-align: center; vertical-align: middle;">2022</td> <td style="text-align: center;">28 April 2022</td> <td style="text-align: right;">\$1.998468</td> <td style="text-align: center;">22-28 February 2022</td> </tr> <tr> <td style="text-align: center;">27 October 2022</td> <td style="text-align: right;">\$1.462056</td> <td style="text-align: center;">22-26 August 2022</td> </tr> <tr> <td rowspan="2" style="text-align: center; vertical-align: middle;">2023</td> <td style="text-align: center;">1 June 2023</td> <td style="text-align: right;">\$1.228400</td> <td style="text-align: center;">20-24 February 2023</td> </tr> <tr> <td style="text-align: center;">9 November 2023</td> <td style="text-align: right;">\$1.176172</td> <td style="text-align: center;">22-28 August 2023</td> </tr> </tbody> </table>	LTI Plan	Grant Date	Grant Price (5 Day VWAP)	VWAP Period	2021	29 April 2021	\$2.517250	22-28 April 2021 (aligned to Latitude’s initial trading period on the ASX)	29 October 2021	\$2.343965	25-31 August 2021	2022	28 April 2022	\$1.998468	22-28 February 2022	27 October 2022	\$1.462056	22-26 August 2022	2023	1 June 2023	\$1.228400	20-24 February 2023	9 November 2023	\$1.176172	22-28 August 2023
LTI Plan	Grant Date	Grant Price (5 Day VWAP)	VWAP Period																							
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2023	1 June 2023	\$1.228400	20-24 February 2023																							
	9 November 2023	\$1.176172	22-28 August 2023																							
Vesting conditions	<ul style="list-style-type: none"> <li>• 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</li> <li>• 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.</li> </ul> <p>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:</p> <ul style="list-style-type: none"> <li>• Misconduct or summary dismissal for cause: lapse.</li> <li>• Resignation: The Board will typically lapse the Performance Rights.</li> <li>• In all other circumstances: remain on foot, subject to the original performance conditions and vesting period. The Board may elect to pro rata the original grant based on time served during the Performance period.</li> </ul> <p>Rights that vest at the end of the original vesting period are automatically exercised at that date for ex-employees.</p>																									



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6.1 Share-based payments (continued)

Feature	Key Terms of LTI Performance Rights granted under the LEP – equity settled										
Testing Outcomes	<p>Following the release of the full-year results for the final year of the three year Performance Period, the Performance Rights will be tested equally against each measure and the number that vest will be calculated as:</p> <table border="1" style="margin-left: 20px;"> <thead> <tr> <th>ROE / EPS performance level achieved over the period</th> <th>% of Performance Rights subject to the ROE / EPS hurdles that will vest</th> </tr> </thead> <tbody> <tr> <td>At or above maximum targets</td> <td>100%</td> </tr> <tr> <td>Between threshold and maximum targets</td> <td>Straight-line pro-rata vesting between 50 and 100%</td> </tr> <tr> <td>At threshold targets</td> <td>50%</td> </tr> <tr> <td>Below threshold</td> <td>0%</td> </tr> </tbody> </table> <ul style="list-style-type: none"> <li>Performance Rights that vest are exercised into Shares.</li> <li>Performance Rights that don't vest will lapse and are not re-tested.</li> <li>In certain circumstances, participants may receive a Cash Equivalent Value of the vested element, after testing.</li> <li>The LTI outcome will be reported in the Remuneration Report in the year following the end of the Performance Period.</li> </ul>	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	0%
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	0%										
Restrictions on dealing	<p>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.</p> <p>Following vesting, the disposal restrictions cease and Shares are held subject to restrictions under the Share Trading Policy.</p>										

Feature	Key Terms of the Options granted under the LEP – equity settled																
Eligibility	Managing Director & CEO, eligible Executive KMP and selected Senior Leaders as approved by the Board.																
Grant details	<p>14 million Options were granted on 20 March 2023 to eligible participants (excluding the Managing Director &amp; CEO), in two equal tranches.</p> <p>9 million Options were granted to the Managing Director &amp; CEO on 3 April 2023, in three equal tranches.</p>																
Exercise price	\$1.40 per Option																
Vesting Conditions	<p>Options are exercisable subject to specific Vesting Conditions which include a share price target for each tranche as follows:</p> <table border="1" style="margin-left: 20px;"> <thead> <tr> <th>Tranche</th> <th>Tested after results announcement for</th> <th>Approximate Vesting date</th> <th>Share price target</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>2024 half-year</td> <td>September 2024</td> <td>\$1.65</td> </tr> <tr> <td>2</td> <td>2024 full year</td> <td>March 2025</td> <td>\$2.00</td> </tr> <tr> <td>3</td> <td>2025 full year</td> <td>March 2026</td> <td>\$2.60</td> </tr> </tbody> </table>	Tranche	Tested after results announcement for	Approximate Vesting date	Share price target	1	2024 half-year	September 2024	\$1.65	2	2024 full year	March 2025	\$2.00	3	2025 full year	March 2026	\$2.60
Tranche	Tested after results announcement for	Approximate Vesting date	Share price target														
1	2024 half-year	September 2024	\$1.65														
2	2024 full year	March 2025	\$2.00														
3	2025 full year	March 2026	\$2.60														
Testing Outcomes	Following the release of the results as detailed above, the Options will be tested and any Options that don't vest following the testing of the Vesting Conditions will lapse and will not be retested.																

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6.1 Share-based payments (continued)

Feature	Key Terms of the Options granted under the LEP – equity settled
Expiry date	The expiry date for vested Options for Tranches 1 and 2 is the third anniversary of the Grant date and for Tranche 3 is the fifth anniversary of the Grant date. Any vested Options not exercised by the Expiry date will lapse.
Restrictions on dealing	Participants cannot sell, transfer, encumber, hedge or otherwise deal with their Unvested Options.
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: <ul style="list-style-type: none"> <li>• Misconduct or summary dismissal for cause: lapse.</li> <li>• Resignation: lapse.</li> <li>• In all other circumstances: the relevant Tranche may remain on foot, subject to the original Vesting Conditions. The Board may determine to pro rata a Tranche based on time served between the grant and employment ending.</li> </ul>
Dividend and voting rights	The Options have no dividend or voting rights, but any shares provided on exercise of the Options will carry those rights and rank equally with the Company's other ordinary shares.

LEP STI Shares movements:

	2023 Number	2022 Number
<b>Balance at 1 January 2023</b>	632,879	-
Granted	-	632,879
Released from restriction	(316,442)	-
<b>Balance at 31 December</b>	<b>316,437</b>	<b>632,879</b>

LEP LTI Share Rights movements:

	2023 Number	2022 Number
<b>Outstanding at 1 January</b>	5,127,648	2,133,626
Granted	641,852	3,106,619
Forfeited	(140,506)	(112,597)
<b>Outstanding closing balance at 31 December</b>	<b>5,628,994</b>	<b>5,127,648</b>
<b>Exercisable at 31 December</b>	-	-

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

Grant date:	1 June 2023	9 November 2023
Contractual life (years)	2.50	3.00
Risk free interest rate (%)	4.22	3.71
Fair value at grant date (\$)	1.07	1.17
Share closing price at grant date (\$)	1.25	1.18
Expected dividend yield per annum (%)	6.28	-
Expected volatility of share price (%)	31.77	22.62

The total expense recognised in the profit and loss for the year 31 December 2023 in respect of LEP was \$2.5 million (31 December 2022: \$2.2 million). Share based payment expense true-up of \$(3.5) million relating to FY21 LEP plans is excluded from the FY23 expense reported.

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**6.1 Share-based payments (continued)**

**LEP Options movements:**

Options granted during 2023 as shown below. No options vested during 2023

	2023 Number
<b>Outstanding at 1 January</b>	-
Granted	23,000,000
Forfeited	(442,293)
<b>Outstanding closing balance at 31 December</b>	<b>22,557,707</b>

The fair value of the options 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: 20 March 2023		
Tranche	1	2
Contractual life (years)	2.20	2.50
Risk free interest rate (%)	2.85	2.84
Fair value at grant date (\$)	0.055	0.040
Share closing price at grant date (\$)	1.21	1.21
Expected dividend yield per annum (%)	7.90	7.90
Expected volatility of share price (%)	29.00	29.00

Grant date: 3 April 2023			
Tranche	1	2	3
Contractual life (years)	2.20	2.50	4.00
Risk free interest rate (%)	3.00	2.99	3.00
Fair value at grant date (\$)	0.060	0.045	0.030
Share closing price at grant date (\$)	1.22	1.22	1.22
Expected dividend yield per annum (%)	7.90	7.90	7.90
Expected volatility of share price (%)	29.00	29.00	29.00

The total expense recognised in the profit and loss for the year 31 December 2023 in respect of LEP options was \$0.1 million.

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**6.1 Share-based payments (continued)**

**Sign-on Awards – equity settled:**

The Group granted 291,500 restricted shares to executives at sign-on. The sign-on awards are granted under and subject to the Latitude Equity Plan (LEP). Vesting of awards are subject to the executives being employed by the Company on the relevant vesting dates.

The fair value of the Sign-On Awards 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: 9 November 2023			
Tranche	1	2	3
Approximate vesting date	March 2024	March 2025	March 2026
Contractual life (years)	0.30	1.30	2.30
Risk free interest rate (%)	3.71	3.71	3.71
Fair value at grant date (\$)	1.170	1.170	1.170
Share closing price at grant date (\$)	1.18	1.18	1.18
Expected dividend yield per annum (%)	-	-	-
Expected volatility of share price (%)	22.62	22.62	22.62

The total expense recognised in the profit and loss for the year 31 December 2023 in respect of sign-on awards was \$0.2 million.

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## Notes to the Financial Statements

### For the year ended 31 December 2023

## 6.2 Interests in other entities

### (a) Controlled entities

Name of entity	Ownership: Group		Ownership: NCI		Principal activities
	2023 %	2022 %	2023 %	2022 %	
<b>Country of incorporation - Australia:</b>					
Latitude Financial Group Pty Ltd <sup>(1)</sup>	100	100	-	-	Group financier
Latitude Financial Services Australia Holdings Pty Ltd <sup>(1)</sup>	100	100	-	-	Employer/servicer
Latitude Finance Australia <sup>(1)</sup>	100	100	-	-	Sales finance/credit cards
Latitude Automotive Financial Services <sup>(1)</sup>	100	100	-	-	Automotive lending
Latitude Personal Finance Pty Ltd <sup>(1)</sup>	100	100	-	-	Personal lending
LatitudePay Australia Pty Ltd <sup>(1)</sup>	100	100	-	-	BNPL lending
KVD TM Pty Ltd	100	100	-	-	Trust manager
Latitude Financial IP Pty Ltd <sup>(1)</sup>	100	100	-	-	Intellectual property
Latitude Insurance Holdings Pty Ltd <sup>(2)</sup>	-	100	-	-	Holding company
Hallmark Life Insurance Company Ltd <sup>(2)</sup>	-	100	-	-	Life insurer
Hallmark General Insurance Company Ltd <sup>(2)</sup>	-	100	-	-	General insurer
Australian Sales Finance and Credit Cards Trust	100	100	-	-	Securitisation of receivables
Australian Personal Loans Trust	100	100	-	-	Securitisation of receivables
Australian Auto Loans Trust	100	100	-	-	Securitisation of receivables
Australian Sales Finance and Credit Cards Trust No.3	100	100	-	-	Securitisation of receivables
Latitude Australia Credit Card Master Trust	100	100	-	-	Securitisation of receivables
Latitude Australia Credit Card Loan Note Trust	100	100	-	-	Securitisation of receivables
Latitude Australia Personal Loans Series 2020-1 Trust	-	100	-	-	Securitisation of receivables
Latitude Australia Personal Loans Series 2021-1 Trust	100	100	-	-	Securitisation of receivables
Australian Personal Loans Trust No. 2	100	100	-	-	Securitisation of receivables
Symple Financial Group Pty Limited <sup>(1)</sup>	100	100	-	-	Holding company
Symple Loans Pty Limited <sup>(1)</sup>	100	100	-	-	Personal lending
Symple Canada Holdings Pty Limited <sup>(1)</sup>	100	100	-	-	Holding company
<b>Country of incorporation - Canada:</b>					
Symple Canada Financial Group Limited <sup>(4)</sup>	100	100	-	-	Personal lending
<b>Country of incorporation - New Zealand:</b>					
Latitude Financial Services Limited	100	100	-	-	Operating/lending company
New Zealand Sales Finance and Credit Cards Trust	100	100	-	-	Securitisation of receivables
New Zealand Personal Loans Trust	100	100	-	-	Securitisation of receivables
Latitude New Zealand Credit Card Master Trust	100	100	-	-	Securitisation of receivables
Latitude Innovation Holdings Limited	100	100	-	-	Payment platform
<b>Country of incorporation - Singapore:</b>					
Latitude Financial International Pte. Ltd	100	100	-	-	Holding company
LatitudePay Singapore Pte. Ltd <sup>(3)</sup>	100	85	-	15	Factoring/BNPL lending
Latitude AM Pte. Ltd	100	100	-	-	Non trading
<b>Country of incorporation - Malaysia:</b>					
LatitudePay Malaysia Sdn. Bhd.	100	100	-	-	Factoring/BNPL lending

<sup>(1)</sup> These subsidiaries have been granted relief from the necessity to prepare financial reports in accordance with Instrument 2016/785 issued by ASIC. Latitude Group Holdings Limited, the holding entity and these subsidiaries, are party to a closed group within a deed of cross guarantee at 31 December 2023.

<sup>(2)</sup> In May 2023, the Group sold Latitude Insurance Holdings and its subsidiaries. Refer to discontinued operations note 6.8.

<sup>(3)</sup> On 30 June 2023, the Group acquired the remaining 15 percent interest in LatitudePay Singapore Pte. Ltd, increasing its ownership from 85 percent to 100 percent.

<sup>(4)</sup> In December 2023, Latitude completed the sale of the Symple Canada Financial Group Limited loan portfolio. Refer to discontinued operations note 6.8.

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Notes to the Financial Statements  
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## 6.2 Interests in other entities (continued)

### (b) Structured entities

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

## 6.3 Acquisition of Non-controlling interest

On 30 June 2023, the Group acquired the remaining 15 percent interest in Latitudepay Singapore Pte. Ltd, increasing its ownership from 85 percent to 100 percent. The carrying amount of the investment in Latitudepay Singapore Pte. Ltd in the Group's consolidated financial statements on the date of acquisition was \$3.1 million.

The effect of changes in the Group's ownership interest in Latitudepay Singapore Pte. Ltd resulted in an increase in equity attributable to owners of the Group, comprising of the following:

- A decrease in retained earnings of \$2.5 million; and
- An increase in the other reserves of \$5.6 million.

## 6.4 Related party transactions

### (a) Parent and ultimate controlling parties

In August 2023, KVD Singapore Pte. Ltd (KVDS) a company owned by KKR Clarendon Holdings L.P, Vatpo Investments Pte. Ltd. and Deutsche Bank AG, Sydney Branch ceased as the ultimate controlling party of Latitude Group Holdings Limited disposing of all its ordinary shares in Latitude to the individual shareholders of KVDS.

### (b) Key Management Personnel

Key Management Personnel (KMP) are Directors and those persons having authority and responsibility for planning, directing and controlling the activities of the Group.

#### (i) Compensation

	2023 \$'thousands	2022 \$'thousands
Short-term employee benefits	5,143	6,922
Long-term benefits	73	182
Post-employment benefits	230	261
Termination benefits	2,381	877
Share based payments	2,655	3,164
	<b>10,482</b>	<b>11,406</b>

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## 6.4 Related party transactions (continued)

### (ii) Lending balances

The Group provides KMP with consumer finance facilities offered in the ordinary course of business. Interest charged on these products is at normal consumer rates and under normal terms and conditions.

There is no allowance account for impaired receivables in relation to any outstanding balances, and no expense has been recognised in respect of impaired receivables due from any related parties.

	2023 \$'thousands	2022 \$'thousands
Outstanding balances at 31 December	23	44
Total available credit facility	258	209
Maximum drawn amount	95	108

### (c) Other transactions and outstanding balances

Loan payable to shareholder relates to the unsecured single draw bullet term credit facility agreements with Shinsei Bank, for USD \$20 million and USD \$30 million, maturing 28 March 2024 and 6 January 2025 respectively.

The Company and KVDS entered into an agreement on 30 March 2021, whereby KVDS sold historic distribution entitlements to the Company for a total consideration of \$84.507 million. The remaining consideration payable is \$33.2 million and payable at agreed dates on 30 September 2024 and 30 September 2025.

	2023 \$'thousands	2022 \$'thousands
<b>Other transactions paid</b>		
Ordinary share dividends paid	41,035	163,038
Capital note distribution paid	8,761	6,154
Interest paid to shareholder	3,948	596
Deferred consideration paid to selling shareholders	11,914	39,417

	2023 \$'thousands	2022 \$'thousands
<b>Outstanding balances</b>		
Loan payable to shareholder	(73,405)	(29,374)
Payable to selling shareholders	(33,177)	(45,090)
Interest payable to shareholder	(2,431)	(531)
Capital note distribution payable	(1,721)	(1,477)

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### Notes to the Financial Statements

### For the year ended 31 December 2023

#### 6.5 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. With the exception of the Office of the Australian Information Commissioner (OAIC) and the New Zealand Office of the Privacy Commissioner (OPC) regulatory investigations referenced below, the Group has not recognised a provision as it considers the outcome of any specific enquiry underway as at 31 December 2023 resulting in an outflow is less than probable.

##### **Regulatory and customer exposures arising from business operations**

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 trend of increases in the quantum of fines issued by regulators, particularly against financial institutions both in Australia and globally continues.

The group has received regulatory notices and wide ranging requests for information across all areas where Latitude interfaces with its customers and continues to work with regulators to respond to these inquiries.

There is a risk that any regulatory inquiry may lead to penalty or other costs following any settlement or determination by a regulator or by a Court in any legal proceedings.

The Group may also have exposures to customers which are additional to any regulatory exposures. These could include class actions, individual or representative claims or customer remediation or compensation activities.

The outcomes and total costs associated with such matters remain uncertain.

Specific contingent liabilities in relation to the Latitude GO Mastercard® matter and the cyber incident that may impact the Group are set out below.

##### *Misleading advertising of Latitude GO Mastercard*

On 5 October 2022, the Australian Securities and Investment Commission commenced civil proceedings against Latitude and Harvey Norman regarding alleged misleading advertising of Latitude GO Mastercard®. Latitude filed its concise statement in response on 20 December 2022. Following a case management hearing in April 2023 the parties attended mediation in August 2023 with no outcome. The matter is listed to commence in the Federal Court on 15 April 2024.

As the proceedings are in their preliminary stages, no provision has been recognised as the final outcome and total costs associated with these proceedings remain uncertain.

##### **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



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#### 6.5 Contingent liabilities and contingent assets (continued)

made as part of that pre-IPO structure. Should the Group be subject to a future tax obligation arising from those distributions, KVD Singapore Pte Ltd has agreed a mechanism to reduce the Group's possible exposure to that issue to an immaterial amount.

In March 2022, as a follow up to that review, the ATO notified the Australian Tax Group that it would be carrying out a Next Actions Risk Review and subsequently issued a request for information ('RFI') in May 2022. The RFI centred on the transfer pricing of the transaction fees charged to the Group when it was acquired. The requested information was provided to the ATO in October 2022 and management is now awaiting the ATO's response. Accordingly, any potential outcomes and total costs associated with any such activities remain uncertain at this time.

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

#### **Regulatory and customer exposures arising from the Cyber incident**

In March 2023, the Group was subject to a cyber incident which resulted in a data breach of customers' personal information.

The OAIC and the OPC announced on 10 May 2023 that they were commencing a joint investigation into the personal information handling practices of the Group. The investigation will focus on whether the Group took reasonable steps to protect customers' personal information and whether the Group took reasonable steps to destroy or de-identify personal information that was no longer required.

In addition, the Group has also been informed that Gordon Legal has filed a representative complaint with the OAIC and a complaint with the OPC regarding the cyber incident.

The Group is aware of a number of customer complaints made to the Australian Financial Complaints Authority (AFCA) as a result of the cyber incident that are still being assessed and are subject to determination.

The respective investigations and determinations may result in potential litigation, customer compensation or other regulatory enforcement action.

The Group is cooperating with the respective regulators and their ongoing investigations in relation to the cyber incident.

At 31 December 2023, \$49.6 million has been provided to cover costs in relation to the cyber incident. The costs relate to anticipated remediation costs for customers for identification document replacement, costs to respond to the regulatory investigations, regulatory and enforcement action costs. This amount does not include the potential for:

- Class actions: two legal firms have announced they are jointly investigating a potential class action in relation to the cyber incident. At the current time no class action has been filed. In addition, a representative complaint has been lodged with the OAIC and has yet to be progressed. Given the status of the aforementioned matters, no provision has been recognised.

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## 6.5 Contingent liabilities and contingent assets (continued)

- The Group's entitlement to further insurance proceeds arising from the cyber incident: The Group maintains insurance policies to cover risks, including cyber-security risks, and we have notified our insurers in respect of the cyber incident. The Group is cooperating with the respective insurers as they assess the potential claims. Interim recovery payments have been received however the respective claims assessment processes are continuing. At this point further recoveries are not considered virtually certain, therefore further insurance recoveries have not been recognised.
- Future system enhancement costs.

### Other legal actions

The Group has also received some individual legal claims from impacted customers in various jurisdictions. The amount of the claims vary depending on the individual action, with the damages and/or compensation sought being for alleged economic and non-economic losses. The outcomes and total costs associated with such matters remain uncertain.

The Group is defending all actions however the ultimate outcome will be determined by the relevant authorities in the respective jurisdictions.

## 6.6 Events occurring after the reporting date

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

## 6.7 Remuneration of auditor

### (a) Remuneration to KPMG

	2023 \$	2022 \$
<b>Audit and other assurance services</b>		
Audit and review of financial statements	1,597,724	1,417,500
Regulatory assurance services	122,500	220,000
Other assurance services	183,000	192,000
<b>Total remuneration for audit and other assurance services</b>	<b>1,903,224</b>	<b>1,829,500</b>
<b>Other services</b>		
Transaction and other advisory services <sup>(1)</sup>	150,000	882,000
<b>Total remuneration for other services</b>	<b>150,000</b>	<b>882,000</b>
<b>Total remuneration of KPMG</b>	<b>2,053,224</b>	<b>2,711,500</b>
<b>Total auditor's remuneration</b>	<b>2,053,224</b>	<b>2,711,500</b>

<sup>(1)</sup> Relates to transactional services of an ad hoc nature

The remuneration to KPMG for audit and assurance services is for the Group and related entities in Australia, New Zealand and Asia.

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### For the year ended 31 December 2023

## 6.8 Discontinued operations

### Accounting Policy

#### **Discontinued operations**

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

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

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

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

#### **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.

#### **(a) Description**

On 31 May 2023, the Group completed the sale of the insurance operations (Latitude Insurance Holdings Pty Ltd and its subsidiaries) to the St Andrew's Insurance Group.

On 18 December 2023, the Group completed the asset sale of Symple Canada Financial Group Limited loan portfolio to Innovation Federal Credit Union (IFCU).

For financial reporting purposes, the results of these operations are presented as discontinued operations in accordance with applicable accounting standards.

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:

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## 6.8 Discontinued operations (continued)

### (b) Financial performance

	Notes	2023 \$'m	2022 \$'m
Revenue		10.1	19.6
Expenses		(13.4)	(30.3)
Asset impairment recognised		-	(13.6)
Income tax (expense)/benefit	2.3(a)	(1.1)	2.7
<b>Loss after income tax of discontinued operations</b>		<b>(4.4)</b>	<b>(21.6)</b>
Net loss on sale of discontinued operations <sup>(1)</sup>		(16.8)	-
<b>Loss after income tax of discontinued operation</b>		<b>(21.2)</b>	<b>(21.6)</b>
Basic loss per share		(2.0)	(2.1)
Diluted loss per share		(2.0)	(2.1)

<sup>(1)</sup> Loss on sale is net of the gain from sale of Symple Canada \$0.2 million.

### (c) Effect of disposal on the financial position of the Group

	2023 \$'m
Cash and cash equivalents	(46.5)
Loans and other receivables	(20.2)
Other assets	(1.0)
Trade and other liabilities	8.3
Gross insurance policy liabilities	6.2
Provisions	1.0
<b>Net assets and liabilities</b>	<b>(52.2)</b>
Consideration received	27.9
Cash and cash equivalents disposed of	(46.5)
<b>Net cash outflows</b>	<b>(18.6)</b>

### (d) Cashflow statement

	2023 \$'m	2022 \$'m
Net cash used in operating activities	(63.9)	(15.1)
Net cash (used in)/provided by investing activities	(18.6)	76.7
<b>Net cash flow for the year</b>	<b>(82.5)</b>	<b>61.6</b>

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## 6.9 Deed of cross guarantee

### (a) Consolidated statements of entities party to the deed of cross guarantee

	2023 \$'m	2022 \$'m
<b>Consolidated statement of profit or loss and other comprehensive income</b>		
Profit/(loss) before income tax expense	(76.3)	62.7
Income tax expense	29.7	(17.3)
<b>Profit/(loss) for the year</b>	<b>(46.6)</b>	45.4
Other comprehensive income	(23.0)	30.7
<b>Total comprehensive income/(loss) for the year</b>	<b>(69.6)</b>	76.0
<b>Summary of movements in consolidated retained earnings/(losses)</b>		
Retained earnings/(losses) at the beginning of the financial year	(202.5)	(79.6)
Amounts transferred from reserves	(8.1)	0.9
Profit/(loss) for the year	(46.6)	45.4
Dividends paid	(41.6)	(163.0)
Capital note distribution	(9.0)	(6.2)
<b>Retained earnings/(losses) at the end of the financial year</b>	<b>(307.8)</b>	(202.5)
<b>Consolidated balance sheet</b>		
<b>Assets</b>		
Cash and cash equivalents	81.8	83.5
Investments	405.9	405.7
Assets classified as held for sale	0.1	0.2
Current tax receivables	56.2	24.8
Derivatives financial instruments	23.0	55.2
Loans and other receivables	4,828.6	5,064.3
Other assets	12.0	12.0
Deferred tax assets	148.5	138.1
Investment in controlled entity	100.4	227.8
Other financial assets	14.2	1.6
Property, plant and equipment	9.9	12.9
Intangible assets	714.4	791.9
<b>Total assets</b>	<b>6,395.0</b>	6,818.0
<b>Liabilities</b>		
Trade and other liabilities	180.3	188.4
Derivatives financial instruments	3.6	-
Provisions	100.7	43.7
Deferred tax liabilities	34.6	60.9
Borrowings	4,759.9	5,079.4
<b>Total liabilities</b>	<b>5,079.1</b>	5,372.4
<b>Net assets</b>	<b>1,315.9</b>	1,445.6
<b>Equity</b>		
Contributed equity	2,222.5	2,222.0
Other reserves	(598.8)	(573.9)
Retained earnings/(losses)	(307.8)	(202.5)
<b>Total equity</b>	<b>1,315.9</b>	1,445.6

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## 6.9 Deed of cross guarantee (continued)

Latitude Group Holdings Limited and some of its controlled entities (refer section 6.2) have entered into a deed of cross guarantee pursuant to ASIC Corporations (Wholly owned Companies) Instrument 2016/785, under which each Company guarantees the debts of the others. The consolidated results of the Company and the controlled entities which are party to the deed of cross guarantee (referred to as a closed group) are presented above, where transactions between entities to the deed are eliminated in full in the profit or loss and balance sheet.

## 6.10 Parent entity financial information

### (a) Summary financial information

The individual financial statements for the parent entity (Latitude Group Holdings Limited) show the following aggregate amounts:

	2023 \$'m	2022 \$'m
<b>Balance sheet</b>		
Current assets	128.2	177.1
Total assets	1,737.7	1,769.2
Current liabilities	129.9	86.1
Total liabilities	138.3	232.7
<b>Shareholders' equity</b>		
Contributed equity	2,235.7	2,235.1
Reserves		
Common control reserve	(627.9)	(627.9)
Foreign currency translation reserve	2.2	3.1
Accumulative losses	(10.6)	(73.8)
<b>Total shareholders' equity</b>	<b>1,599.4</b>	<b>1,536.5</b>
<b>Profit for the year</b>	<b>113.7</b>	<b>57.2</b>
Currency translation differences arising during the year	(0.7)	0.3
<b>Total comprehensive income</b>	<b>113.0</b>	<b>57.5</b>

### (b) Contingent liabilities of the parent entity

Information relating to contingent liabilities of the parent entity is disclosed in note 6.5.