



LATITUDE

Latitude Group Holdings Limited
ACN 604 747 391

Level 4, 800 Collins St,
Docklands VIC 3008

latitudefinancial.com

10 September 2021

ASX ANNOUNCEMENT

Replacement Prospectus for Latitude Group Holdings Limited Capital Notes

Latitude Group Holdings Limited (ASX:LFS) today lodged with the Australian Securities Exchange (**ASX**) and the Australian Securities and Investments Commission a replacement prospectus for the issue of Latitude Capital Notes, expected to be quoted on the **ASX** under the code LFSPA.

A copy of the replacement prospectus is attached.

Authorised for release by Paul Burke, Company Secretary

For further information:

Media

Mark Gardy

+61 412 376 817

Investor Relations

Nehemiah Richardson

+61 476 834 478



CAPITAL NOTES PROSPECTUS

Prospectus for the issue of Capital Notes to raise \$150 million with the ability to raise more or less

**Arranger**

Insight Capital Advisors Pty Ltd

Joint Lead Managers

Insight Capital Advisors Pty Ltd
Morgans Financial Limited
National Australia Bank Limited
Ord Minnett Limited
Westpac Institutional Bank

ISSUER:

LATITUDE GROUP
HOLDINGS LIMITED
ACN 604 747 391

Important Notice

About this Prospectus

This Prospectus relates to the offer by Latitude Group Holdings Limited (ACN 604 747 391) ('**Company**') of convertible subordinated perpetual securities ('**Capital Notes**') to raise \$150 million with the ability to raise more or less (the '**Offer**').

This Prospectus is issued under section 713 of the Corporations Act (as modified by ASIC Corporations (Offers of Convertibles) Instrument 2016/83) and is dated and was lodged with the Australian Securities and Investments Commission ('**ASIC**') on 10 September 2021. This is a replacement prospectus that replaces the prospectus dated 2 September 2021 ('**Original Prospectus**'). This Prospectus expires on the date which is 13 months after 2 September 2021 (being the date of the Original Prospectus) ('**Expiry Date**') and no Capital Notes will be issued on the basis of this Prospectus after the Expiry Date.

None of ASIC, the Australia Stock Exchange ('**ASX**') or their respective officers take any responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates.

This Prospectus is important and should be read in its entirety. If you do not fully understand this Prospectus or are in any doubt as to how to deal with it, you should consult your professional adviser.

In making representations in this Prospectus, regard has been had to the fact that the Company is a disclosing entity for the purposes of the Corporations Act and certain matters may reasonably be expected to be known to Investors and professional advisers whom Investors may consult.

Defined words and expressions

Certain capitalised words and expressions used in this Prospectus have defined meanings which are explained in the Glossary in Appendix B of this Prospectus and in the Terms and Conditions of the Capital Notes as set out in Appendix A. If there is any inconsistency in definitions between Appendix A and Appendix B, the definitions in Appendix A prevail.

Unless otherwise stated or implied, references to times in this Prospectus are to the time in Sydney, New South Wales, Australia and reference to \$, A\$, dollars and cents is to Australian currency (as applicable).

Exposure Period

The Corporations Act prohibited the Company from processing Applications to subscribe for Capital Notes under this Prospectus in the seven day period after 2 September 2021, being the date the Original Prospectus was lodged with ASIC ('**Exposure Period**'). The purpose of the Exposure Period was to enable this Prospectus to be examined by market participants prior to the raising of funds. No Applications were accepted during the Exposure Period.

Status of the Capital Notes

The Capital Notes are unsecured notes for the purposes of section 283BH of the Corporations Act. Capital Notes are issued by the Company under the Trust Deed and Holders have no direct right to claim against the Company except as provided in the Trust Deed (which includes the Capital Notes Terms).

The investment performance of the Capital Notes is not guaranteed by the Company or any other member of the Latitude Group. The risks associated with investing in these securities could result in the loss of your investment. Information about the risks associated with investing in Capital Notes is detailed in Section 5.

How to access this Prospectus and apply for Capital Notes

This Prospectus can be obtained in electronic form www.latitudecapitalnotes.com.au/offer. The Company will not be providing paper copies of this Prospectus.

This Prospectus is only available to you if you are accessing and downloading it, or printing a copy of it, in Australia. If you access an electronic copy of this Prospectus you must ensure that you download and read the entire Prospectus.

During the Offer Period, Broker Firm Applicants should contact their Syndicate Broker for instructions on how to apply. The Corporations Act prohibits any person from passing an Application Form on to another person unless it is attached to or accompanied by a printed copy of this Prospectus or the complete and unaltered electronic version of this Prospectus.

See Section 6 for further information on who is eligible to apply for Capital Notes under the Offer and how to make an Application.

Providing personal information

You will be asked to provide personal information to the Company via its Registry if you apply for Capital Notes. See Section 6.9 for details of how your personal information is handled.

Restrictions on distribution

This Prospectus does not constitute an offer in any place in which, or to any person to whom, it would not be lawful to make such an offer. As at the date of this Prospectus, no action has been taken to register or qualify Capital Notes or the Offer or to otherwise permit a public offering of Capital Notes outside Australia.

In particular, this Prospectus (including an electronic copy) may not be distributed or released, in whole or in part, in the United States. Neither Capital Notes nor Latitude Ordinary Shares have been, nor will be, registered under the US Securities Act or the securities laws of any state of the United States, and they may not be offered or sold in the United States or to, or for the account or benefit of, a US Person (as defined in Regulation S of the US Securities Act).

See Section 6.71 for further details in respect of the selling restrictions that apply to the Capital Notes in foreign jurisdictions.

Financial information and forward-looking statements

Section 4 sets out the financial information and the basis of preparation referred to in this Prospectus. All financial amounts contained in this Prospectus are expressed in Australian dollars and rounded to the nearest 0.1 million unless otherwise stated. Any discrepancies between totals and sums of components in tables contained in this Prospectus are due to rounding.

This Prospectus includes forward-looking statements. These statements are based on present economic and operating conditions, and on a number of best estimate assumptions of the Directors regarding future events and actions that, as at the Prospectus Date, are expected to take place.

Any forward-looking statements are subject to various risk factors that could cause actual circumstances or outcomes to differ materially from the circumstances or outcomes expressed, implied or anticipated in these statements.

Such statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of the Company and the Directors. Forward-looking statements should be read in conjunction with the risk factors, as set out in Section 5, and other information in this Prospectus.

Nothing in this Prospectus is a promise or representation as to the future. None of the Company or any other person warrants or gives any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this Prospectus will actually occur and Investors are cautioned not to place undue reliance on these forward-looking statements. The Company has no intention of updating or revising forward-looking statements, or publishing prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus, except where required by law.

No representations other than in this Prospectus

No person is authorised to give any information or to make any representation in connection with the Offer which is not contained in this Prospectus. You should rely only on information in this Prospectus.

Except for any liability which cannot be excluded by law, the Arranger and each Joint Lead Manager and their respective directors, officers, employees and advisers expressly disclaim and do not accept any liability for the contents of this Prospectus, the Capital Notes or the Offer. Unless otherwise indicated, all information in this Prospectus, while subject to change from time to time, is current as at the date of this Prospectus.

ASX Quotation

The Company will apply for Capital Notes to be quoted on ASX. Capital Notes are expected to trade under ASX code "LFSPA".

Website

Latitude maintains a website at www.latitudefinancial.com.au/offer. Information contained in or otherwise accessible through this or a related website is not part of this Prospectus.

This Prospectus does not provide financial product or investment advice — you should seek your own professional investment advice.

The information in this Prospectus does not take into account your investment objectives, financial situation or particular needs as an investor. You should carefully consider these factors in light of your personal circumstances (including financial and taxation issues). See, in particular, the risks set out in Section 5.

Capital Notes are complex and involve risks that are different from ordinary equity.

Capital Notes are not suitable for all investors and contain features which may make the Capital Notes Terms difficult to understand. The Company strongly recommends that you seek professional guidance, which takes into account your particular investment objectives and circumstances, from a licensed adviser before you make an investment decision.

Diagrams

The diagrams used in this Prospectus are illustrative only. They may not necessarily be shown to scale. Unless otherwise stated the diagrams are based on information which is current as at the date shown.

Enquiries

If you are considering applying for Capital Notes under the Offer, this document is important and should be read in its entirety.

Any Broker Firm Applicant who has any questions in relation to the Offer should contact their Syndicate Broker.

Contents

Important Notice	IFC
Letter from the Chairman	2
Guidance for Investors	3
Key Dates	4
1 Investment Overview	5
2 About the Capital Notes	15
3 About Latitude	29
4 Financial Information	40
5 Investment Risks	48
6 About the Offer	65
7 Australian Taxation Summary	72
8 Additional Information	78
Appendix A. Capital Notes Terms	88
Appendix B. Glossary	112
Corporate Directory	IBC



Letter from the Chairman

10 September 2021

Dear Investors,

On behalf of the Directors, I am pleased to present you with an opportunity to invest in Latitude Capital Notes. Consistent with Latitude's capital management strategy as discussed in the IPO Prospectus, these Capital Notes are intended to help implement an efficient and diverse capital structure for the Latitude Group.

Latitude is a leading Instalments and Lending business, with 2.8 million customer accounts as at 30 June 2021 and more than 5,500 merchant partners (with over 13,200 outlets) in Australia and New Zealand. Latitude's merchant base covers major retailers across a wide range of living and lifestyle goods, including Apple, Harvey Norman, The Good Guys, JB Hi-Fi, Samsung and Luxury Escapes, and provides Latitude with significant scale and distribution for its Instalments and Lending products. Latitude's Lending products are also distributed by a network of over 5,800 accredited brokers in Australia and Kiwibank's network in New Zealand.

Latitude's business model is highly cash generative and its strength in leveraging lifecycle marketing and driving product graduation has delivered a strong growth and return profile, with Latitude achieving a Return On Equity ('ROE') of 19.1% for the half year ended 30 June 2021. Latitude's credit risk management capabilities and prudent underwriting policies consistently support asset quality and underpin resilience in cash flow generation. Latitude experienced improving asset quality and reducing losses across its portfolio for the year ended 31 December 2020 and has seen sustained, improved credit performance and strong credit quality in the first half of 2021, with net losses (net charge offs) reducing by 41.7% on the prior comparative period.

Latitude's growth is supported by its diverse funding profile, which provides significant funding capacity in a cost-efficient manner. As at 30 June 2021, Latitude had committed securitisation facilities of A\$7.7 billion with unutilised limits of A\$1.8 billion to support future receivables growth. Latitude has established itself as a programmatic issuer, successfully completing eight public asset-backed securities ('ABS') issuances as part of its funding programme since 2017, having most recently completed an issuance on 23 August 2021.

Latitude made its debut on the ASX on 20 April 2021 and its IPO Prospectus sets out clear strategic areas of growth for Latitude over the next few years. Consistent with its strategy, on 9 August 2021, Latitude announced it had agreed to acquire personal lending fintech, the Symple Group, for approximately A\$200 million in shares and cash. The acquisition remains subject to regulatory approvals.

The Capital Notes are being issued as part of Latitude's ongoing optimisation of funding, with a view to improving flexibility in the Group's capital structure. The Capital Notes will also allow Latitude to pursue and accelerate incremental growth opportunities. These opportunities may include the acquisition of complementary portfolios and platforms as well as organic growth such as opportunities in personal lending and the roll-out of L-Pay in Singapore and Malaysia in conjunction with key merchant partners.

Capital Notes are perpetual, subordinated, unsecured notes to be issued by Latitude Group Holdings Limited (the '**Company**'). Capital Notes are scheduled to pay quarterly floating rate Distributions which are expected to be franked at the same rate as the Company's ordinary share dividends. The Company will apply for Capital Notes to be quoted on ASX.

On behalf of the Directors, I encourage you to read this Prospectus carefully and fully, including the risk factors discussed in Section 5. Capital Notes are complex and involve risks that are different from ordinary equity. They are not suitable for all investors and contain features which may make the Capital Notes Terms difficult to understand. You should also seek professional guidance, which takes into account your particular investment objectives and circumstances, from a licensed adviser before deciding whether to apply for Capital Notes.

The key dates for the Offer are summarised on page 7. The Offer may close early, so you are encouraged to submit your Application as soon as possible after the Opening Date.

On behalf of the Directors, I invite you to consider this investment opportunity.

Yours sincerely,



Michael Tilley
Chairman of the Board

Guidance for Investors

1. Read this Prospectus in full	<p>If you are considering applying for Capital Notes under the Offer, this Prospectus is important and should be read in its entirety.</p> <p>You should have particular regard to the:</p> <ul style="list-style-type: none"> • “Important notices” at the front of this Prospectus; • “Investment overview” in Section 1 and “About the Capital Notes” in Section 2; • “Investment risks” in Section 5; and • Capital Notes Terms in Appendix A. <p>In considering whether to apply for Capital Notes, it is important that you consider all risks and other information regarding an investment in Capital Notes in light of your particular investment objectives and circumstances.</p>
2. Speak to your professional adviser	<p>Capital Notes are complex and involve risks that are different from ordinary equity. Capital Notes are not suitable for all investors and contain features which may make the Capital Notes Terms difficult to understand.</p> <p>The Company strongly recommends that you seek professional guidance, which takes into account your particular investment objectives and circumstances, from a licensed adviser before you make an investment decision.</p> <p>ASIC has published guidance on how to choose a licensed adviser on its MoneySmart website. You can read this guidance by searching for the term ‘choosing a financial adviser’ at www.moneysmart.gov.au.</p>
3. Consider ASIC guidance for retail investors	<p>ASIC has published guidance on hybrid securities on its MoneySmart website which may be relevant to your consideration of the Capital Notes. You can read this guidance by searching for the term ‘hybrid securities’ at www.moneysmart.gov.au.</p> <p>The guidance includes a series of questions you should ask before you invest in hybrid securities, as well as a short quiz to check your understanding of how hybrids work, their features and risks.</p>
4. Obtain further information about the Company and the Capital Notes	<p>The Company is subject to regular reporting and disclosure obligations under the Corporations Act and the ASX Listing Rules. The Company must notify ASX immediately (subject to certain exceptions) if it becomes aware of information about the Company that a reasonable person would expect to have a material effect on the price or value of its securities, including Capital Notes.</p> <p>Copies of documents lodged with ASIC, which are publicly available, can be obtained from ASIC’s website www.asic.gov.au (a fee may apply) and the Company’s ASX announcements may be viewed at www.asx.com.au.</p>
5. Enquiries	<p>If you have any questions in relation to the Offer, please contact your Syndicate Broker or other professional advisor who is licensed by ASIC to give such advice.</p>

Key Dates

Key Dates for the Offer

Lodgement of the Original Prospectus with ASIC	2 September 2021
Bookbuild to determine the Margin	7 September 2021
Announcement of the Margin	8 September 2021
Lodgement of this Prospectus with ASIC	10 September 2021
Opening Date	10 September 2021
Closing Date	23 September 2021
Issue Date	28 September 2021
Capital Notes commence trading on ASX (normal settlement basis)	29 September 2021
Confirmation Statements despatched by	1 October 2021

Key Dates for the Capital Notes

First quarterly Distribution Payment Date	27 January 2022
First Optional Redemption Date	27 October 2026
Step-up Date	27 October 2026

Dates may change

These dates are indicative only and may change without notice.

The Company, in consultation with the Arranger, reserves the right to vary any or all of these times and dates (subject to the ASX Listing Rules and the Corporations Act), including to close the Offer early, extend the Offer, defer the Closing Date, accept late Applications either generally or in particular cases, or withdraw the Offer, without prior notification at any time before Capital Notes are issued.

1 | Investment Overview



1 Investment Overview

1.1 Key features of the Offer

This section provides a summary of information that is key to a decision whether to invest in Capital Notes. Detailed information about these matters is provided in this Prospectus and it is important that you read this Prospectus in full before deciding whether to apply for Capital Notes.

Topic	Summary	Further information
What is the Offer?	The Offer is for the issue of Capital Notes to raise approximately \$150 million with the ability to raise more or less.	Sections 2 and 6
Who is the Issuer?	The issuer is Latitude Group Holdings Limited (the ' Company ').	Section 3
What are Capital Notes?	<p>Capital Notes are perpetual, subordinated, unsecured notes to be issued by the Company and have the following features:</p> <ul style="list-style-type: none"> • fully paid – each Capital Note has a Face Value of \$100, which must be paid to the Company before the Capital Notes are issued; • subordinated – Capital Notes have priority over Latitude Ordinary Shares but are subordinated to the claims of Senior Creditors in a Winding-up of the Company; • perpetual – Capital Notes do not have any fixed maturity date and you may not receive your capital back; • discretionary Distributions – Holders are expected to receive quarterly, floating rate discretionary Distributions, which are cumulative. Distributions on Capital Notes are expected to be franked at the same rate as dividends on Latitude Ordinary Shares; • Distribution Rate – the Distribution Rate for each Distribution Period will be calculated as the sum of the 3-month Bank Bill Rate plus the Margin, adjusted for franking credits. The Margin is 4.75% per annum, as determined under the Bookbuild; • Margin Step-Up – if the Capital Notes are not Converted or Redeemed on the Optional Exchange Date, then the Margin will be increased by 3.00% per annum. If the Capital Notes are not redeemed following a Change of Control Event, then the Margin will be increased by a further 5.00% per annum, with effect from the later of the Optional Exchange Date and fifteen Business Days following the date of the Change of Control Event; • Convertible and Redeemable – the Company may Convert or Redeem the Capital Notes on the Optional Exchange Date (27 October 2026) and in certain other circumstances; • Conversion – if the Capital Notes are Converted, Holders will receive a number of Latitude Ordinary Shares in exchange for their Capital Notes (the 'Conversion Number'). The Conversion Number is determined based on the prevailing VWAP of Latitude Ordinary Shares (for the VWAP Period prior to the relevant Exchange Date), less a 2.50% discount; • Redemption – if the Capital Notes are Redeemed, Holders will receive an amount equal to their Face Value together with accrued Distributions and Unpaid Distributions; • not guaranteed or secured – Capital Notes are not guaranteed and are unsecured, meaning repayment is not secured by a mortgage, charge or other security over any of the Company's assets; • quoted – the Company will apply, within seven days after the date of this Prospectus, to ASX for Capital Notes to be quoted on ASX and Capital Notes are expected to trade under ASX code "LFSPA". 	Section 2

Topic	Summary	Further information
What is the “Issue Price” or “Face Value” of the Capital Notes?	<p>The Face Value is \$100 per Capital Note. This is also the issue price per Capital Note.</p> <p>This is the amount you need to pay to apply for each Capital Note.</p>	Clause 1.3 of the Capital Notes Terms
Why is the Company issuing Capital Notes?	<p>The Capital Notes are being issued as part of the Company’s ongoing optimisation of funding and capital, to improve financial flexibility and provide additional growth capital through diversified sources of funding.</p> <p>The proceeds of the Offer will allow the Company to pursue and accelerate further growth opportunities, including:</p> <ul style="list-style-type: none"> • Inorganic opportunities: providing capital to facilitate the Company’s ability to acquire complementary portfolios and/or platforms as those opportunities arise, generate additional earnings growth and accelerate organic opportunities; • Organic growth: accelerating growth in existing markets and products as the competitive landscape continues to evolve; and • International growth: funding expansion into new markets in Asia such as Singapore and Malaysia to support long term merchant partners, including through potential acquisitions. 	Section 3.3
What Distributions are payable?	<p>Capital Notes are scheduled to pay quarterly floating rate cash Distributions in arrears, so long as Capital Notes remain on issue.</p> <p>The Distribution Rate is the sum of the prevailing 3-month Bank Bill Rate and a Margin, adjusted for franking.</p> <p>The Distribution Rate is subject to increases on the Step-up Date and, if a Change of Control Event occurs and the Capital Notes remain outstanding after the Optional Exchange Date, on a date following the Optional Exchange Date.</p> <p>The Margin is 4.75% per annum, as determined under the Bookbuild.</p>	Section 2.1
Will Distributions be franked?	<p>Distributions are expected to be franked at the same rate as dividends on Latitude Ordinary Shares. The Company expects the applicable Franking Rate to be 100%. The Franking Rate may vary over time and Distributions may be partially or fully franked, or not franked at all.</p> <p>If Distributions are fully franked, the cash amount received by Holders is based on the Distribution Rate calculated using the formula set out in Section 2.1. If a Distribution is not fully franked, it will be adjusted to reflect the applicable Franking Rate.</p> <p>The ability of Holders to use franking credits will depend on their individual tax position. Holders should also be aware that the potential value of any franking credits does not accrue at the same time as the receipt of any cash Distribution.</p> <p>Holders should refer to the Australian taxation summary in Section 7 and each Holder should obtain professional advice in relation to their tax position.</p>	Section 2.1

1 Investment Overview

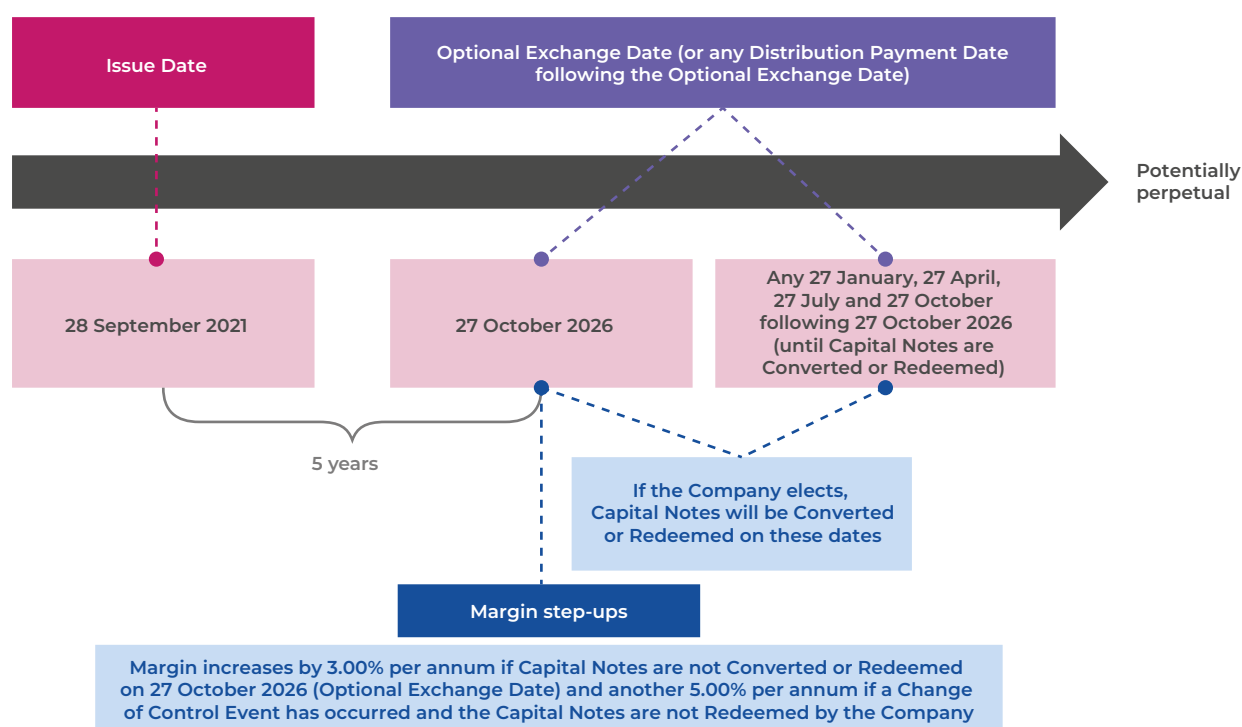
Topic	Summary	Further information
Will Distributions be paid?	<p>The Company has absolute discretion as to whether to pay a Distribution on a Distribution Payment Date.</p> <p>If the Company decides not to pay all or part of a Distribution, that Distribution (or part of such Distribution) will be an “Unpaid Distribution”. Unpaid Distributions will not be paid until:</p> <ul style="list-style-type: none"> the next following Distribution Payment Date on which the Company elects at its discretion to pay the Unpaid Distribution Amount and the Distributions scheduled for that Distribution Payment Date; or such other date on which the Company determines in its discretion to pay the Unpaid Distribution Amount. <p>Non-payment of Distributions will not constitute a default by the Company or a breach of its obligations under the Capital Notes.</p> <p>Unpaid Distributions are cumulative, but they will only be paid when the Company decides to pay them. If the Company decides not to pay them on a Distribution Payment Date or other date, Unpaid Distributions will be paid if and when the Capital Notes are Redeemed or Converted.</p> <p>Interest will not accrue on any Unpaid Distribution.</p>	Section 2.1
Does the Margin step up (i.e. increase)?	<p>Yes. If the Capital Notes are not Converted or Redeemed by the Company on the Optional Exchange Date (27 October 2026) the then prevailing Margin will be increased by 3.00% per annum from (and including) that date (the “Step-up Date”).</p> <p>If a Change of Control Event occurs (whether before or after the Optional Exchange Date) and the Company does not elect to Redeem the Capital Notes, the Margin will increase by a further 5.00% (the “Change of Control Step-up”), with effect from the later of the Optional Exchange Date and fifteen Business Days following the date of the Change of Control Event.</p>	Section 2.1
Do Capital Notes have a maturity date?	Capital Notes do not have any fixed maturity date. Capital Notes could remain on issue indefinitely and Holders have no right to request or require a Conversion or Redemption.	Section 2.2
Will Capital Notes be Redeemed or Converted?	<p>As described in Section 2.2, the Company will have a right, but not an obligation, to:</p> <ul style="list-style-type: none"> Convert or Redeem all or some Capital Notes on the Optional Exchange Date (27 October 2026) (or any Distribution Payment Date following the Optional Exchange Date); Convert or Redeem all (but not some only) Capital Notes on an Exchange Date following the occurrence of a Tax Event, an Accounting Event or a Regulatory Event; or Redeem all (but not some only) Capital Notes following the occurrence of a Change of Control Event. 	Section 2.2

Topic	Summary	Further information
Will Capital Notes Convert to Latitude Ordinary Shares?	<p>Capital Notes will not automatically Convert to Latitude Ordinary Shares. However, the Company has an option to Convert Capital Notes to Latitude Ordinary Shares on the Optional Exchange Date (or any Distribution Payment Date following the Optional Exchange Date).</p> <p>The Company also has an option (not an obligation) to Convert Capital Notes to Latitude Ordinary Shares on an Exchange Date following the occurrence of:</p> <ul style="list-style-type: none"> • a Tax Event; • an Accounting Event; or • a Regulatory Event. <p>Each Capital Note that is to be Converted will Convert into the Conversion Number of Latitude Ordinary Shares. The Conversion Number per Capital Note will be calculated based on a discounted VWAP as described in Section 2.2.</p>	Section 2.2
What will happen if a Change of Control Event occurs?	<p>If a Change of Control Event occurs, the Company may at its option Redeem the Capital Notes. If the Capital Notes are not Redeemed by the Company, the Margin will increase by 5.00% per annum with effect from the later of the Optional Exchange Date and fifteen Business Days following the date of the Change of Control Event.</p>	Section 2.2

1.2 Summary of certain events that may affect the Capital Notes

Figure 1 below summarises certain events that may occur while the Capital Notes are on issue and what Holders may receive if those events occur. If none of these events occur, the Capital Notes could remain on issue indefinitely and the Issue Price will not be repaid.

Figure 1: Illustration of when and in what circumstances Capital Notes may be Redeemed or Converted




1 Investment Overview

1.3 Ranking of Capital Notes in a Winding-up of the Company

In a Winding-up of the Company, Capital Notes rank ahead of Latitude Ordinary Shares, equally among themselves and with any Equal Ranking Obligations and behind all Senior Creditors, as shown below.

Figure 2 below illustrates how Capital Notes would rank upon a Winding-up of the Company. In the figure, a 'higher ranking' claim is one which will be paid out of the Company's available assets in a Winding-up before claims with a lower ranking. It may be that holders of lower ranking instruments, including Holders of the Capital Notes, will be paid only part or none of the amounts owing to them, as there may be insufficient assets remaining to make such payments after higher ranking claims have been paid.

Figure 2: Illustration of how Capital Notes would rank upon a Winding-up of the Company

Existing debt instruments, hybrid instruments and equity	
	Higher ranking
	Secured liabilities and liabilities preferred by law (including employee entitlements)
	Bank debt facilities
	Unsubordinated and unsecured debt (including the Deferred Settlement arrangement with KVDS, and trade creditors)
	Capital Notes
	Lower ranking
	Latitude Ordinary Shares

The Company is the ultimate holding company of the Latitude Group and substantially all its assets are made up of shares in, or other claims on, the Company's subsidiaries. Accordingly, the claims of Holders against the Company will be limited to the value of the Company's residual claims to the net assets (if any) of the subsidiaries, after all liabilities of those subsidiaries have been discharged or provided for.

1.4 Comparison between Capital Notes and other types of investments

Capital Notes are different from other types of investments such as ordinary shares. The table below compares the key features of Latitude Ordinary Shares, the Capital Notes, typical corporate hybrids and typical bank Tier 1 hybrids. You should consider these differences in light of your investment objectives, financial situation and particular needs (including financial and taxation issues) before deciding whether to invest in the Capital Notes. Latitude strongly recommends that you seek professional advice, which takes into account your particular investment objectives and circumstances, from a licensed adviser.

	Latitude Ordinary Shares	Typical bank Tier 1 listed hybrid	Typical corporate listed hybrid	Capital Notes
Legal form	Shares	Notes	Notes	Notes
Security	Not applicable	Unsecured	Unsecured	Unsecured
Term	Perpetual (unless bought back)	Perpetual (unless Redeemed, Converted or written-off)	Typically 60 years	Perpetual (unless Redeemed or Converted)
Initial redemption date	None	Typically from 5-8 years	Typically from 5-7 years	27 October 2026 (5 years)
Redemption subject to regulatory approvals?	No	Yes Subject to APRA's written approval	No	No
Distributions	Discretionary, payable at the absolute discretion of the Board	Discretionary, payable at the absolute discretion of the board	Deferrable, payable at the absolute discretion of the board	Discretionary, payable at the absolute discretion of the Board

	Latitude Ordinary Shares	Typical bank Tier 1 listed hybrid	Typical corporate listed hybrid	Capital Notes
Distribution/ dividend/ interest rate	Variable dividends	Floating	Fixed/Floating	Floating, as described in Section 2.1
Distribution step-up	No	No	Yes Typically up to 1% step-up	Yes 3.00% step-up on 27 October 2026, the Step-up Date – and another 5.00% after that date if a Change of Control Event has occurred and the Capital Notes have not been Redeemed
Distribution accumulation	No	No	Yes Deferred interest payments are typically cumulative and compounding	Yes Unpaid Distributions are cumulative (but are not compounding)
Franking	Yes	Yes	Generally no	Yes
Ranking upon winding-up of the Company	Behind all other securities and obligations	Subordinated Rank senior only to ordinary equity	Subordinated Rank senior only to ordinary equity	Subordinated Rank senior only to ordinary equity
Point of non-viability trigger event	No	Yes	No	No
Voting rights	Yes	No	No	No
Transferability	Yes, quoted and can be traded on ASX under the code “LFS”	Yes, can be traded on ASX	Yes, can be traded on ASX	Expected to be quoted and, if so, can generally be traded on ASX under the code “LFSPA”
Restrictions in the case of non-payment of a Distribution	No	Yes, payments of dividends on and capital reductions and buybacks in respect of ordinary shares cannot in general be made (certain exceptions apply)	Yes, payments of dividends or distributions on and capital reductions and buybacks in respect of ordinary shares and equal ranking securities cannot in general be made (certain exceptions apply)	Yes, payments of dividends on and capital reductions and buybacks in respect of Latitude Ordinary Shares cannot in general be made (certain exceptions apply)

1 Investment Overview

1.5 Key benefits and risks associated with Capital Notes

Before applying for Capital Notes, you should consider whether Capital Notes are a suitable investment for you.

There are risks associated with an investment in Capital Notes and in the Company, many of which are outside the control of the Company and its Directors. These risks include those described in this Section 1.5 and more fully in Section 5, and other matters referred to in this Prospectus.

Key benefits associated with an investment in Capital Notes

Topic	Summary
Key benefits of Capital Notes	<p>Some of the benefits of an investment in Capital Notes include:</p> <ul style="list-style-type: none">• Distributions are calculated on the basis of a floating rate (being the Bank Bill Rate) plus a Margin;• The Margin is 4.75% per annum, as determined under the Bookbuild;• Distributions are expected to be paid quarterly in arrears;• The Distributions are expected to be fully franked; and• The Capital Notes are expected to be listed under the code "LFSPA" and may be traded on ASX.

Key risks associated with an investment in Capital Notes

Topic	Summary	Further information
Market price of Capital Notes	<p>The price at which Holders are able to sell Capital Notes on ASX is uncertain. The market price might be below the Issue Price of \$100 per Capital Note.</p> <p>Circumstances in which the price of Capital Notes may decline include general financial market conditions, the availability of better rates of return on other securities and investor perception of Latitude's financial performance or position.</p> <p>Unlike Latitude Ordinary Shares, Capital Notes do not provide a material exposure to growth in Latitude's business.</p>	Section 5.2.1
Liquidity of Capital Notes	<p>There may be no liquid market for Capital Notes.</p> <p>Holders who wish to sell their Capital Notes may be unable to do so at a price acceptable to them, or at all.</p>	Section 5.2.2
Market price and liquidity of Latitude Ordinary Shares	<p>The market price of Latitude Ordinary Shares may fluctuate due to various factors, including investor perceptions, Australian and worldwide economic conditions and Latitude's financial performance and position. As a result, if Capital Notes Convert into Latitude Ordinary Shares, the value of Latitude Ordinary Shares received by Holders upon such Conversion (if any) may be greater than or less than anticipated when they are issued or thereafter. Where Capital Notes are Converted, there may be no liquid market for Latitude Ordinary Shares at the time of Conversion, or the market for Latitude Ordinary Shares may be less liquid than that for comparable securities issued by other entities at the time of Conversion.</p>	Section 5.2.12

Topic	Summary	Further information
Distributions may not be paid	<p>Distributions are discretionary and there is a risk that Distributions may not be paid.</p> <p>Non-payment of a Distribution is not an event of default.</p> <p>Unpaid Distributions are cumulative (but will only be paid at the election of the Company or on Redemption or Conversion, whichever happens first). Interest will not accrue on any Unpaid Distribution.</p>	Section 5.2.3
Changes in Distribution Rate and Distributions	<p>The Distribution Rate will fluctuate over time (it may increase or decrease) as a result of movements in the Bank Bill Rate.</p> <p>There is a risk that the Distribution Rate may become less attractive when compared with the rates of return available on comparable securities or financial products.</p> <p>The amount of cash Distributions will also fluctuate with any change in the rate of franking of Distributions.</p>	Sections 5.2.4 – 5.2.6
Restrictions on rights and ranking in a winding-up of the Company	<p>If there is a shortfall of funds on a Winding-up of the Company to pay all amounts ranking senior to and equally with Capital Notes, Holders will lose all or some of their investment.</p> <p>The Company is the ultimate holding company of the Latitude Group and substantially all its assets are made up of shares in, or other claims on, the Company's subsidiaries. Accordingly, the claims of Holders against the Company will be limited to the value of the Company's residual claims to the net assets (if any) of the subsidiaries, after all liabilities of the relevant companies have been discharged or provided for.</p>	Section 5.2.8
It is not certain whether and when Capital Notes may be Redeemed or Converted	<p>There are a number of scenarios in which Capital Notes may be Redeemed for cash or Converted to Latitude Ordinary Shares. It is uncertain whether and when Exchange may occur. The timing of any Redemption or Conversion may not suit Holders.</p> <p>Capital Notes may not be Redeemed or Converted at all, in which case they may remain on issue indefinitely and you may not receive your capital back.</p> <p>Where Capital Notes are Converted to Latitude Ordinary Shares, this may be disadvantageous to Holders in light of market conditions or not suit individual circumstances and preferences.</p>	Sections 5.2.9 – 5.2.11
No right for Holders to request Redemption or Conversion	<p>Holders have no right to request that their Capital Notes be Redeemed or Converted. To realise their investment, unless their Capital Notes are Redeemed or Converted, Holders would need to sell their Capital Notes on ASX at the prevailing market price. That price may be less than the Issue Price and there may be no liquid market in Capital Notes.</p>	Section 5.2.11
Further issues or redemptions of securities by the Company	<p>There is no limit on the amount of senior debt or other obligations or further Capital Notes that may be incurred or issued by the Company at any time, which may affect a Holder's ability to be repaid on a Winding-up of the Company, increase the likelihood of Capital Notes Distributions not being paid and/or adversely affect the market price of Capital Notes.</p> <p>There is no restriction on the Company redeeming or otherwise repaying other securities it may have on issue from time to time, and an investment in Capital Notes carries no right to be redeemed or otherwise repaid at the same time as the Company redeems or otherwise repays other securities.</p>	Section 5.2.13

1 Investment Overview

Topic	Summary	Further information
More information about these and other risks associated with Capital Notes	More information about these and other risks associated with Capital Notes and the market for Capital Notes generally is contained in Section 5.2.	Section 5.2
The Company's financial performance and position	The market price of Capital Notes may be affected by the Company's financial performance and position. For specific risks associated with an investment in the Company, see Section 5.3.	Section 5.3

1.6 What is the Offer and how do I apply?

Topic	Summary	Further information
How is the Offer structured and who can apply?	The Offer comprises: <ul style="list-style-type: none"> • an Institutional Offer to Institutional Investors; and • a Broker Firm Offer made to Australian resident retail and high net worth clients of Syndicate Brokers. 	Section 6
Is the Offer underwritten?	No.	Section 8.7
When is the Offer Period?	The Offer opens on 10 September 2021. The Broker Firm Offer closes at 10:00am on 23 September 2021.	Key dates and Section 6
Is there a minimum Application size?	Applications must be for a minimum of 50 Capital Notes (\$5,000) and, after that, in multiples of 10 Capital Notes (\$1,000).	Section 6.4.1
How can I apply?	Broker Firm Applicants must contact their Syndicate Broker.	Section 6
How will Capital Notes be allocated?	Allocations under the Institutional Offer and Broker Firm Offer will be agreed by the Company and the Arranger. The allocation policy is described in Section 6.6.	Section 6.6
Is there brokerage, commission or stamp duty payable?	No brokerage, commission or stamp duty is payable on your Application. You may have to pay brokerage but will not have to pay any stamp duty if you sell your Capital Notes on ASX after Capital Notes have been quoted on ASX.	Section 6.5.3
What are the tax implications of investing in Capital Notes?	A general description of the Australian taxation consequences of investing in Capital Notes is set out in Section 7.	Section 7
Where can I find more information about the Offer?	If you have any questions in relation to the Offer, please contact your Syndicate Broker or other professional advisor who is licensed by ASIC to give such advice.	Sections 6.7 and 6.10

2 | About the Capital Notes



2 About the Capital Notes

This section is intended to provide information about the key features of the Capital Notes. Where indicated, more detailed information is provided in other sections of this Prospectus.

2.1 Distributions

Topic	Summary	Relevant clause in Capital Notes Terms
What are Distributions?	<p>Distributions are discretionary, floating rate payments in Australian dollars.</p> <p>Distributions are scheduled to be paid quarterly in arrears on the Distribution Payment Dates, so long as Capital Notes remain on issue.</p> <p>Distributions are expected to be franked, at the same rate as dividends on the Latitude Ordinary Shares.</p> <p>Holders should also be aware that the potential value of any franking credit does not accrue at the same time as the receipt of any Distribution and the ability of a Holder to use franking credits will depend on the individual tax position of each Holder.</p> <p>The Company may determine in its absolute discretion whether to pay all or part of a Distribution which is payable on a Distribution Payment Date. A Distribution which is not paid is an "Unpaid Distribution". Unpaid Distributions are cumulative (but will only be paid at the election of the Company or on Redemption or Conversion, whichever happens first). Interest will not accrue on any Unpaid Distribution.</p> <p>Non-payment of Distributions under clause 3.5 of the Capital Notes Terms will not constitute a default by the Company or a breach of its obligations under the Capital Notes or for any other purpose.</p>	Clause 3 of the Capital Notes Terms
How will the Distribution Rate be calculated?	<p>The Distribution Rate for each Distribution will be calculated using the following formula:</p> <p>Distribution Rate = (Bank Bill Rate + Margin) × (1 – Tax Rate) where:</p> <ul style="list-style-type: none"> • Bank Bill Rate is the relevant rate (described in this Section 2.1) on the first Business Day of the relevant Distribution Period, or such other rate set in accordance with the Capital Notes Terms where the Bank Bill Rate is not published by the relevant time on the day for publication or is affected by an obvious error, or where the Company determines that a Rate Disruption Event has occurred; • Margin is 4.75% per annum, as determined under the Bookbuild. If the Capital Notes are not Converted or Redeemed by the Company on the Optional Exchange Date (27 October 2026), the then prevailing Margin will be increased by 3.00% per annum from (and including) that date (the 'Step-up Date'). If a Change of Control Event occurs (whether before or after the Optional Exchange Date) and the Capital Notes are not Redeemed by the Company, the Margin will increase by a further 5.00% per annum ('Change of Control Step-up'), with effect from the later of the Optional Exchange Date and fifteen Business Days following the date of the Change of Control Event; and • Tax Rate is the Australian corporate tax rate applicable to the franking account of the Company at the relevant Distribution Payment Date. As at the date of this Prospectus, the Tax Rate is 30% (but that rate may change). 	Clause 3.1 of the Capital Notes Terms

Topic	Summary	Relevant clause in Capital Notes Terms															
How will the Distribution Rate be calculated? continued	<p>As an example, assuming the Bank Bill Rate for a Distribution Period is 0.0100% per annum, the Margin is 4.75% per annum and the Tax Rate is 30%, then the Distribution Rate for that Distribution Period would be calculated as follows:</p> <table> <tr> <td>Bank Bill Rate</td><td>0.0100%</td><td>per annum</td></tr> <tr> <td>plus Margin</td><td>4.7500%</td><td>per annum</td></tr> <tr> <td>Equivalent unfranked Distribution Rate</td><td>4.7600%</td><td>per annum</td></tr> <tr> <td>Multiplied by (1 – Tax Rate)</td><td>× 0.70</td><td></td></tr> <tr> <td>Fully franked Distribution Rate</td><td>3.3320%</td><td>per annum</td></tr> </table>	Bank Bill Rate	0.0100%	per annum	plus Margin	4.7500%	per annum	Equivalent unfranked Distribution Rate	4.7600%	per annum	Multiplied by (1 – Tax Rate)	× 0.70		Fully franked Distribution Rate	3.3320%	per annum	Clause 3.1 of the Capital Notes Terms
Bank Bill Rate	0.0100%	per annum															
plus Margin	4.7500%	per annum															
Equivalent unfranked Distribution Rate	4.7600%	per annum															
Multiplied by (1 – Tax Rate)	× 0.70																
Fully franked Distribution Rate	3.3320%	per annum															
What is the Bank Bill Rate?	<p>The Bank Bill Rate in respect of a Distribution Period is the three-month rate published through information vendors on the first Business Day of the relevant Distribution Period.</p> <p>The Bank Bill Rate is a benchmark floating interest rate for the Australian money market. It is based on an average of rates at which major Australian financial institutions lend short-term cash to each other over a period of approximately three months as published by ASX (or its successor). It changes to reflect supply and demand in the cash and currency markets.</p> <p>Fallback procedures apply under the Capital Notes Terms if the Bank Bill Rate is not published by the usual time, is affected by an error or otherwise subject to disruption (see further below).</p> <p>Figure 3 illustrates the movement in the Bank Bill Rate and the RBA Cash Rate over the past 15 years. The three-month Bank Bill Rate on 23 August 2021 was 0.01% per annum.</p> <p>Figure 3: Bank Bill Rate (3-month) and RBA Cash Rate since 2006</p> <p>The above graph is for illustrative purposes only and does not indicate, guarantee or forecast the actual Bank Bill Rate for the first or any subsequent Distribution Period.</p>	Clause 3.1 of the Capital Notes Terms															

2 About the Capital Notes

Topic	Summary	Relevant clause in Capital Notes Terms
What is the Bank Bill Rate? continued	<p>The actual Bank Bill Rate for the first and any subsequent Distribution Periods may be higher or lower than the rates in the above graph and there is no guarantee that the Bank Bill Rate will be greater than zero throughout the life of Capital Notes. If the Bank Bill Rate is negative, the Distribution Rate will be reduced by taking account of the negative value of that rate in the calculation of the Distribution Rate (but there is no obligation on Holders to pay the Company if the Distribution Rate were to become negative). Section 5.2.4 provides a further description of the consequences if the Bank Bill Rate was to become negative.</p> <p>If the Company determines that a Rate Disruption Event has occurred, then the Company will use as the Bank Bill Rate such Replacement Rate as it may determine and will make such adjustments to the Capital Notes Terms as it determines are reasonably necessary to calculate Distributions in accordance with such Replacement Rate. In making these determinations, the Company is required to act in good faith and in a commercially reasonable manner, and may consult with such sources of market practice as it considers appropriate, but may otherwise make such determinations in its discretion.</p> <p>A “Rate Disruption Event” will occur if, in the Company’s opinion, the Bank Bill Rate has been discontinued or otherwise ceased to be calculated or administered, or is no longer generally accepted in the Australian market as a reference rate appropriate to floating rate debt securities of a tenor and interest period comparable to the Capital Notes.</p> <p>Any “Replacement Rate” would be the rate that is generally accepted in the Australian market as the successor to the Bank Bill Rate (or if the Company is not able to ascertain such a rate, or there is no such rate, the rate would be a reference rate which is appropriate for debt securities such as the Capital Notes or such other rate as the Company considers appropriate as a replacement for the Bank Bill Rate having regard to comparable indices).</p>	Clause 3.1 of the Capital Notes Terms

Topic	Summary	Relevant clause in Capital Notes Terms															
How will the Distribution be calculated for each Distribution Period?	<p>Distributions scheduled to be paid on each Distribution Payment Date will be calculated using the following formula:</p> $\text{Distribution on each Capital Note} = \frac{\text{Distribution Rate} \times A\$100 \times N}{365}$ <p>Where:</p> <ul style="list-style-type: none"> • Distribution Rate means the rate (expressed as a percentage per annum) calculated as set out in Section 2.1; and • N means the number of days in the Distribution Period calculated as set out in the Capital Notes Terms <p>Following the formula above, if the fully franked Distribution Rate was 3.3320% per annum, then the cash Distribution on each Capital Note for a Distribution Period of 91 days would be calculated as follows:</p> <table> <tr> <td>Fully franked Distribution Rate</td><td>3.3320%</td><td>per annum</td></tr> <tr> <td>Multiplied by the Face Value</td><td>× \$100</td><td></td></tr> <tr> <td>Multiplied by the number of days in the Distribution Period</td><td>× 91</td><td></td></tr> <tr> <td>Divided by 365</td><td>÷ 365</td><td></td></tr> <tr> <td>Fully franked Distribution payment on each Capital Note</td><td>\$0.8307</td><td></td></tr> </table> <p>The above example is for illustrative purposes only and does not indicate, guarantee or forecast the actual Distribution payment for the first or any subsequent Distribution Period. Actual Distribution payments may be higher or lower than this example. The Distribution Rate for the first Distribution Period will be set on the Issue Date and will include the Margin as determined under the Bookbuild.</p> <p>The first Distribution Period commences on the Issue Date and ends on (but does not include) 27 January 2022 and, accordingly, the number of days included in the first Distribution Period is expected to be 121 days. Using a Distribution Rate of 3.3320%, an indicative first Distribution payment would be \$1.1046.</p> <p>The above example is for illustrative purposes only and does not indicate, guarantee or forecast the actual Distribution payable for the first or any subsequent Distribution Period. Actual Distributions may be higher or lower than this example.</p>	Fully franked Distribution Rate	3.3320%	per annum	Multiplied by the Face Value	× \$100		Multiplied by the number of days in the Distribution Period	× 91		Divided by 365	÷ 365		Fully franked Distribution payment on each Capital Note	\$0.8307		Clause 3.1 of the Capital Notes Terms
Fully franked Distribution Rate	3.3320%	per annum															
Multiplied by the Face Value	× \$100																
Multiplied by the number of days in the Distribution Period	× 91																
Divided by 365	÷ 365																
Fully franked Distribution payment on each Capital Note	\$0.8307																

2 About the Capital Notes

Topic	Summary	Relevant clause in Capital Notes Terms																					
Will Distributions be franked? What is the impact of franking credits?	<p>Distributions are expected to be franked, at the same rate as dividends on the Latitude Ordinary Shares. The Franking Rate may vary over time and Distributions may be partially or fully, or not franked at all. Holders should be aware that franking is not guaranteed. If any Distribution is not fully franked, then the Distribution will be adjusted to reflect the applicable Franking Rate (see clause 3.3 of the Capital Notes Terms and further below).</p> <p>The Company expects to frank dividends on Latitude Ordinary Shares at 100% in the period in which the first Distribution on Capital Notes is scheduled to be paid.</p> <p>The level of franking of Distributions is affected by the level of the Company's available franking credits and distributable profits. If any Distribution is not fully franked, then the Distribution will be adjusted to reflect the applicable Franking Rate (see clause 3.3 of the Capital Notes Terms).</p> <p>The effect of Distributions being franked is to reduce the cash amount received by Holders on each Distribution Payment Date by an amount equal to the relevant level of franking.</p> <p>If any Distribution is not franked or only partially franked, the amount of the scheduled cash Distribution will be increased to compensate for the unfranked component according to the following formula:</p> $\frac{D}{1 - [\text{Tax Rate} \times (1 - F)]}$ <p>Where:</p> <ul style="list-style-type: none"> • D is the Distribution (as defined above in Section 2.1); and • F is the applicable Franking Rate. <p>For example, if the Franking Rate applicable to the Distribution was only 90% (rather than 100%) and the Tax Rate was 30%, then the cash Distribution on each Capital Note for the Distribution Period (if the Distribution Period was 91 days) would be calculated as follows:</p> <table> <tr> <td>Fully franked Distribution Rate (using as an example the rate calculated in the example above in Section 2.1)</td><td>3.3320%</td><td>per annum</td></tr> <tr> <td>Multiplied by the Face Value</td><td>× \$100</td><td></td></tr> <tr> <td>Multiplied by the number of days in the Distribution Period</td><td>× 91</td><td></td></tr> <tr> <td>Divided by 365</td><td>÷ 365</td><td></td></tr> <tr> <td>Sub-total</td><td>\$0.8307</td><td></td></tr> <tr> <td>Divided by $1 - [0.3 \times (1 - 0.9)]$</td><td>÷ 0.9700</td><td></td></tr> <tr> <td>Partially franked Distribution payment on each Capital Note</td><td>\$0.8564</td><td></td></tr> </table> <p>The above example is for illustrative purposes only and does not indicate, guarantee or forecast the actual Distribution payment (or franking credits) for the first or any subsequent Distribution Period. Actual Distribution payments (and franking credits) may be higher or lower than this example (or may not be paid at all).</p>	Fully franked Distribution Rate (using as an example the rate calculated in the example above in Section 2.1)	3.3320%	per annum	Multiplied by the Face Value	× \$100		Multiplied by the number of days in the Distribution Period	× 91		Divided by 365	÷ 365		Sub-total	\$0.8307		Divided by $1 - [0.3 \times (1 - 0.9)]$	÷ 0.9700		Partially franked Distribution payment on each Capital Note	\$0.8564		Clause 3.3 of the Capital Notes Terms
Fully franked Distribution Rate (using as an example the rate calculated in the example above in Section 2.1)	3.3320%	per annum																					
Multiplied by the Face Value	× \$100																						
Multiplied by the number of days in the Distribution Period	× 91																						
Divided by 365	÷ 365																						
Sub-total	\$0.8307																						
Divided by $1 - [0.3 \times (1 - 0.9)]$	÷ 0.9700																						
Partially franked Distribution payment on each Capital Note	\$0.8564																						

Topic	Summary	Relevant clause in Capital Notes Terms
Will Distributions be franked? What is the impact of franking credits? continued	<p>Holders should be aware that the potential value of any franking credits does not accrue at the same time as the receipt of any cash Distribution. Holders should also be aware that the ability to use the franking credits, either as an offset to a tax liability or by claiming a refund after the end of the income year, will depend on the individual tax position of each Holder.</p> <p>If the corporate tax rate were to change, the cash amount of Distributions and the amount of any franking credits will change.</p> <p>Holders should also be aware that the laws relating to the availability of franking may change.</p> <p>Holders should refer to the Australian taxation summary in Section 7 and seek professional advice in relation to their tax position.</p>	Clause 3.3 of the Capital Notes Terms
When are the Distribution Payment Dates?	<p>The first Distribution Payment Date is 27 January 2022.</p> <p>Subsequent Distribution Payment Dates are 27 April, 27 July, 27 October and 27 January in each year.</p> <p>If any of these dates is not a Business Day, then the Distribution Payment Date will be the next Business Day.</p>	Clause 3.6 of the Capital Notes Terms
Does the Company have discretion as to whether to pay Distributions?	<p>Yes. The Company may determine in its absolute discretion whether to pay all or part of a Distribution which is payable on a Distribution Payment Date. Distributions which are not paid are known as “Unpaid Distributions”.</p> <p>If the Company decides not to pay all or part of a Distribution which is payable on a Distribution Payment Date, such Distribution (or part of such Distribution) (an “Unpaid Distribution”, for so long as it remains unpaid) will not be paid until:</p> <ul style="list-style-type: none"> the next following Distribution Payment Date on which the Company elects at its discretion to pay the Unpaid Distribution Amount and Distribution scheduled for that Distribution Payment Date; or such other date on which the Company determines in its discretion to pay the Unpaid Distribution Amount. <p>Non-payment of Distributions under clause 3.5 of the Capital Notes Terms will not constitute a default by the Company or a breach of its obligations under the Capital Notes or for any other purpose.</p> <p>Unpaid Distributions are cumulative (but will only be paid at the election of the Company or on Redemption or Conversion, whichever happens first). Interest will not accrue on any Unpaid Distribution.</p> <p>If the Company elects to Redeem Capital Notes, a Capital Note will be Redeemed by payment of the Face Value together with any Unpaid Distributions up to and including the Exchange Date. If the Company elects to Convert Capital Notes, each Capital Note (including the amount of the Distribution scheduled to be paid on the date of Conversion and any Unpaid Distribution Amount) will be Converted into a number of Latitude Ordinary Shares.</p> <p>As Redemption and Conversion are at the option of the Company, Unpaid Distributions may never be paid.</p>	Clause 3.5 of the Capital Notes Terms

2 About the Capital Notes

Topic	Summary	Relevant clause in Capital Notes Terms
If a Distribution is paid, how will it be paid?	<p>If a Distribution is to be paid, it will be paid to Holders whose details are recorded in the Register at 7:00pm (or such other time as may be prescribed by ASX), on the relevant Record Date.</p> <p>Distributions and any other amount payable in respect of a Capital Note may be paid in any manner in which cash may be paid as the Company decides, including by any method of direct credit determined by the Company. Where no account is specified by a Holder, or where the Company attempts to pay the relevant amount and the transfer is unsuccessful, the amount the Company attempted to pay will be held by the Company for the Holder in a non-interest bearing deposit account with a bank selected by the Company.</p> <p>The Capital Notes Terms include detailed provisions for the payment of Distributions – see clause 9 of the Capital Notes Terms.</p>	Clause 9 of the Capital Notes Terms
Are any deductions made on the Distributions?	<p>The Company may deduct from any Distribution or other amount payable in accordance with the Capital Notes Terms the amount of any withholding or other tax, duty or levy required by any applicable law to be deducted in respect of such amount, or on account of FATCA.</p> <p>The Company is not required to pay an additional amount where it has made a deduction as described above.</p>	Clauses 10.2 and 10.3 of the Capital Notes Terms
What are the consequences of non-payment of a Distribution?	<p>For so long as any Unpaid Distribution remains outstanding, the Company must not:</p> <ul style="list-style-type: none"> • declare, determine to pay or pay a dividend on Latitude Ordinary Shares; or • undertake any Buy-Back or Capital Reduction, <p>until the Unpaid Distribution Amount has been paid in full.</p> <p>Non-payment of a Distribution on a Distribution Payment Date will not constitute an event of default under the Capital Notes.</p>	Clauses 3.9 and 3.10 of the Capital Notes Terms
Are Unpaid Distributions cumulative?	<p>Yes. Unpaid Distributions are cumulative (but will only be paid at the election of the Company or on Redemption or Conversion, whichever happens first).</p> <p>Interest will not accrue on any Unpaid Distribution.</p>	Clause 3.5 of the Capital Notes Terms

2.2 Optional Redemption or Conversion by the Company

Topic	Summary	Relevant clause in Capital Notes Terms
When may the Company choose to Redeem the Capital Notes?	<p>The Company may choose to Redeem, at its option:</p> <ul style="list-style-type: none"> • all or some Capital Notes on the Optional Exchange Date (being 27 October 2026) or any Distribution Payment Date following the Optional Exchange Date; or • all (but not some only) Capital Notes following the occurrence of a Tax Event, an Accounting Event, a Regulatory Event or a Change of Control Event. 	Clause 4.1 of the Capital Notes Terms

Topic	Summary	Relevant clause in Capital Notes Terms
What will happen on the Optional Exchange Date?	<p>The Company may, but is not obliged to, Convert or Redeem Capital Notes on the Optional Exchange Date, being 27 October 2026.</p> <p>A Capital Note will be Converted into the Conversion Number of Latitude Ordinary Shares, as described in “When may the Company choose to Convert the Capital Notes?” below.</p> <p>A Capital Note will be Redeemed by payment on the Exchange Date of the Face Value to the relevant Holder (‘Redemption Price’), together with any Unpaid Distribution Amount up to and including the Exchange Date.</p>	Clauses 4, 5 and 6 of the Capital Notes Terms
What will happen if a Change of Control Event occurs?	<p>If a Change of Control Event occurs, the Company may Redeem the Capital Notes, but has no obligation to do so.</p> <p>If the Capital Notes are still on issue after the Optional Exchange Date and a Change of Control Event occurs (whether before or after the Optional Exchange Date), the Margin will increase by an additional 5.00% if the Company does not elect to Redeem Capital Notes on an Exchange Date following the occurrence of a Change of Control Event. The increase will take effect from (and including) the later of the Optional Exchange Date and the fifteenth Business Day following the date on which that Change of Control Event occurred. Where that date falls in a Distribution Period, the Distribution payment for that Distribution Period will be increased to reflect the Margin applicable to the days remaining in that Distribution Period on and from that date.</p>	Clauses 3.2 and 4.1 of the Capital Notes Terms
What will I receive if my Capital Note is Redeemed?	<p>Holders will receive the sum of the Face Value of each Capital Note being Redeemed (i.e. \$100 per Capital Note, the ‘Redemption Price’) together with any Unpaid Distributions up to and including the Exchange Date.</p> <p>Upon payment of the Redemption Price, together with any Unpaid Distributions up to and including the Exchange Date, all other rights conferred, or restrictions imposed, by Capital Notes will no longer have effect.</p> <p>Subject to the Capital Notes Terms and applicable law, payments of the Redemption Price, in respect of a Capital Note will be made to the person shown as the Holder in the Register at the relevant time on the applicable date for payment.</p> <p>See clauses 6 and 9 of the Capital Notes Terms for further detail relating to Redemption of the Capital Notes and payments in respect of Capital Notes.</p>	Clauses 6 and 9 of the Capital Notes Terms
What is a Tax Event?	<p>“Tax Event” means broadly that the Directors receive advice that, as a result of a change in tax law or regulation in Australia on or after the Issue Date (which the Company did not expect on the Issue Date), there is more than an insubstantial risk which the Company determines in its discretion to be unacceptable that any Distribution would not be frankable or that the Company would be exposed to a more than insignificant increase in its costs, charges and expenses in relation to Capital Notes.</p>	Clause 13.2 of the Capital Notes Terms
What is an Accounting Event?	<p>An “Accounting Event” means the Capital Notes on issue cease to be treated to the full extent of the aggregate Face Value attributable to them as equity for the purposes of the Financial Statements of the Company and its Controlled Entities.</p>	Clause 13.2 of the Capital Notes Terms

2 About the Capital Notes

Topic	Summary	Relevant clause in Capital Notes Terms
What is a Change of Control Event?	<p>A “Change of Control Event” means, broadly, that:</p> <ul style="list-style-type: none"> an unconditional takeover bid is made to acquire Latitude Ordinary Shares and the bidder has a relevant interest in more than 50% of the Latitude Ordinary Shares on issue; or a court orders the holding of meetings to approve a scheme of arrangement with respect to the Company, which would result in a person having a relevant interest in more than 50% of the Latitude Ordinary Shares on issue after the scheme is implemented. 	Clause 13.2 of the Capital Notes Terms
Can I request Redemption?	No, Holders do not have a right to request Redemption of any Capital Note.	Clause 7.2 of the Capital Notes Terms
When may the Company choose to Convert the Capital Notes?	<p>Capital Notes will not automatically Convert to Latitude Ordinary Shares, however, the Company has an option (but not an obligation) to Convert all (but not some only) Capital Notes to Latitude Ordinary Shares following the occurrence of a Tax Event, an Accounting Event or a Regulatory Event. The Company also has an option to Convert all or some Capital Notes on the Optional Exchange Date or any Distribution Payment Date following the Optional Exchange Date.</p> <p>Each Capital Note that is being Converted will Convert into the Conversion Number of Latitude Ordinary Shares. The Conversion Number will be calculated by the Company in accordance with the following formula:</p> $\text{Conversion Number} = \frac{\text{Nominal Amount}}{97.5\% \times \text{VWAP}}$ <p>where Nominal Amount means the Face Value of the Capital Note to be Converted as set out in the Exchange Notice, together with, unless the Company has elected to settle such amounts in cash, the amount of the Distribution scheduled to be paid on the Exchange Date together with any Unpaid Distribution Amount in respect of that Capital Note (calculated to (and including) the Exchange Date) and VWAP (expressed in dollars and cents) means the VWAP during the VWAP Period.</p> <p>Holders should not expect that the Company will exercise its option to Convert Capital Notes.</p>	Clause 5 of the Capital Notes Terms
Can Latitude buy Capital Notes on ASX?	Yes. The Company or any member of the Latitude Group may purchase Capital Notes at any time and at any price. Any Capital Note purchased by or on behalf of the Company shall be cancelled.	Clause 12.10 of the Capital Notes Terms

2.3 Security and Ranking

Topic	Summary	Relevant clause in Capital Notes Terms
Capital Notes are described as “unsecured”. What does this mean?	Repayment of the Face Value (and any other money owing in respect of Capital Notes) is not secured by a mortgage, charge or other security over any of the Company’s assets. Capital Notes are “unsecured notes” for the purposes of the Corporations Act (section 283BH).	Clauses 1.1 and 2.2 of the Capital Notes Terms
Capital Notes are described as “subordinated”. What does this mean and how will Capital Notes rank in a Winding-up?	<p>The claims of Holders in respect of Capital Notes, in connection with the payment of Distributions and for payment of the Redemption Price and other amounts in a Winding-up of the Company, are subordinated.</p> <p>In a Winding-up of the Company, Capital Notes will rank for payment of the Liquidation Amount ahead of Latitude Ordinary Shares, equally among themselves and with all Equal Ranking Obligations but behind all Senior Creditors of the Company.</p> <p>However, any return in a Winding-up may be adversely affected and rank behind the claims of all Senior Creditors of the Company such that, if at any time a Winding-up occurs, the amount payable to Holders will only be paid after amounts owing to all other creditors (other than holders of Equal Ranking Obligations and holders of Latitude Ordinary Shares) of the Company have been paid in full.</p>	Clauses 2.1 and 11.2 of the Capital Notes Terms
What will be payable to Holders in a Winding-up?	<p>In a Winding-up of the Company, a Holder (and the Trustee’s) claim for payment of the Liquidation Amount will rank:</p> <ul style="list-style-type: none"> • ahead of Latitude Ordinary Shares; • equally with (and shall be paid in proportion to), the claims of holders of Equal Ranking Obligations; and • behind the claims of Senior Creditors. <p>“Liquidation Amount” means the aggregate of the Redemption Price, any Unpaid Distribution Amount and an amount of Distribution for the period since the last Distribution Payment Date, calculated as if the date of commencement of the Winding-up was a Distribution Payment Date.</p> <p>If there is a shortfall of funds on a Winding-up of the Company to pay all amounts ranking higher than or equally with Capital Notes, Holders will lose all or some of their investment.</p> <p>The Company is the ultimate holding company of the Latitude Group and substantially all its assets are made up of shares in, or other claims on, the Company’s subsidiaries. Accordingly, the claims of Holders against the Company will be limited to the value of the Company’s residual claims to the net assets (if any) of the subsidiaries, after all liabilities of those subsidiaries have been discharged or provided for.</p>	Clauses 2.1 and 11.2 of the Capital Notes Terms

2 About the Capital Notes

Topic	Summary	Relevant clause in Capital Notes Terms
Illustration of ranking of the Company's obligations in respect of existing debt instruments, hybrid instruments and equity upon a Winding-up	<p>The figure below illustrates how Capital Notes would rank upon a Winding-up of the Company. In the figure, a 'higher ranking' claim is one which will be paid out of the Company's available assets in a Winding-up before claims with a lower ranking. It may be that lower ranking securityholders, including Holders, will be paid only part or none of the amounts owing to them, as there may be insufficient assets remaining to make such payments after higher ranking claims have been paid.</p> <p>Figure 4: How Capital Notes would rank upon a Winding-up of the Company</p> <p>Existing debt instruments, hybrid instruments and equity</p> <p>Higher ranking</p> <p>Secured liabilities and liabilities preferred by law (including employee entitlements)</p> <p>Bank debt facilities</p> <p>Unsubordinated and unsecured debt (including the Deferred Settlement arrangement with KVDS, and trade creditors)</p> <p>Capital Notes</p> <p>Lower ranking</p> <p>Latitude Ordinary Shares</p>	Clauses 2.1 and 11.2 of the Capital Notes Terms

2.4 Other

Topic	Summary	Further information
Can the Company issue further Capital Notes or other instruments?	<p>The Company reserves the right to issue any securities which rank equally with Capital Notes (on the same terms or otherwise) or rank in priority or junior to Capital Notes or incur or guarantee any indebtedness upon such terms as the Company may think fit in its sole discretion.</p> <p>Nothing in the Capital Notes Terms limits the ability of the Company or any other member of the Latitude Group from redeeming, converting, buying back, returning or distributing capital in respect of any share capital or any other securities of any kind, whether ranking behind, equally with or in priority to the Capital Notes.</p> <p>Capital Notes do not confer on Holders any right to:</p> <ul style="list-style-type: none"> • vote at a meeting of shareholders of the Company; • subscribe for new securities in the Company (except in respect of Conversion under the Capital Notes Terms) or to participate in any bonus issues of securities of the Company; or • otherwise participate in the profits or property of the Company. 	Clauses 1.8 and 12.9 of the Capital Notes Terms
What voting rights do Capital Notes carry?	<p>A Holder has no right to attend or vote at any general meeting of the shareholders of the Company.</p> <p>Holders of Capital Notes may vote at meetings for Holders in accordance with the Trust Deed.</p>	Clause 12.3 of the Capital Notes Terms
Can the Company amend the Capital Notes Terms and the Trust Deed?	<p>Subject to complying with all applicable laws and to having the approval of the Trustee, the Company may amend the Capital Notes Terms and Trust Deed without the approval of Holders, in certain circumstances.</p> <p>These may include amendments (which may affect the rights of Holders):</p> <ul style="list-style-type: none"> • of a formal, technical or minor nature; • made to cure any ambiguity or correct any manifest error; • necessary or expedient for the purpose of enabling the Capital Notes to be listed for quotation, or to retain quotation, on ASX (or any other securities exchange) or their offering for sale; • necessary to comply with the provisions of any statute, the requirements of any statutory authority or the ASX Listing Rules (or the listing or quotation requirements of any securities exchange); • to dates or time periods stated, required or permitted in connection with any Exchange; • to the Capital Notes Terms to align with the terms of any Equal Ranking Obligations after the Issue Date; or • that, in the Company's opinion, will not be materially prejudicial to the interests of Holders as a whole. <p>For the full list of amendments which may be made without Holder consent —see clause 12.4 of the Capital Notes Terms.</p> <p>The Company may also, with the Trustee's approval, amend the Capital Notes Terms and Trust Deed if the amendment has been approved by a Special Resolution.</p>	Clauses 12.4 and 12.5 of the Capital Notes Terms

2 About the Capital Notes

Topic	Summary	Further information
Are the Company determinations binding?	Except where there is fraud or a manifest error, calculations, elections and determinations made by the Company under the Capital Notes Terms are binding on Holders.	Clause 9.9 of the Capital Notes Terms
Trustee and Trust Deed	<p>The Company has appointed Equity Trustees Limited (ABN 46 004 031 298) as trustee for Holders, as required by Chapter 2L of the Corporations Act. The Trustee holds certain rights in relation to Capital Notes on trust for Holders under the Trust Deed. In certain circumstances, the Trustee will act on behalf of Holders.</p> <p>The Trustee holds on trust for Holders the right to enforce any obligations of the Company under the Capital Notes Terms and the Trust Deed. The Trustee will be entitled to take any action to enforce any obligations of the Company, subject to the Capital Notes Terms and the Trust Deed.</p> <p>The Trustee must take action to enforce the Capital Notes Terms and Trust Deed if it has been directed to do so by Ordinary Resolution of Holders or so requested in writing by the Holders holding Capital Notes representing at least 15% of the aggregate Face Value of all Capital Notes then outstanding, its liability has been limited consistent with the Trust Deed, it is indemnified to its reasonable satisfaction and the action is permitted by the Trust Deed or the Capital Notes Terms and by law.</p> <p>A Holder is entitled to proceed directly against the Company to enforce a right or remedy in respect of a Capital Note or under the Trust Deed only in limited circumstances.</p> <p>Under the Trust Deed, the Company must establish and maintain, or procure the establishment and maintenance, of the Register. The Trust Deed also includes provisions for meetings of Holders. Holders will be bound by the terms of the Trust Deed and the Capital Notes Terms when Capital Notes are issued or transferred to them or they purchase Capital Notes.</p> <p>Section 8.8 contains a summary of the principal provisions of the Trust Deed.</p> <p>A copy of the Trust Deed can be obtained from www.latitudecapitalnotes.com.au/offer.</p>	Section 8.8 and the Trust Deed
What are the taxation implications of investing in Capital Notes?	<p>The taxation implications of investing in Capital Notes will depend on an investor's individual circumstances. Prospective investors should obtain their own taxation advice.</p> <p>A general outline of the Australian taxation implications for certain investors is included in the Australian taxation summary in Section 7.</p>	Section 7
Will Capital Notes be rated?	The Company has not sought a credit rating for Capital Notes.	N/A

3 | About Latitude



3 About Latitude

3.1 Overview of Latitude

Latitude is an Instalments and Lending business. Latitude provides innovative products and services that support the needs of customers and merchants and other commercial partners leveraging its technology and database of customer information.

Latitude has a long history of over 100 years dating back to the 1920s when Australian Guarantee Corporation ('**AGC**'), one of Latitude's predecessor businesses, was founded to provide finance for the purchasing of household items. Latitude's corporate history traces back to a range of acquisitions made by GE in Australia and New Zealand, including Nissan Finance, AVCO Financial (including Hallmark Insurance) and AGC.

In 2015, a consortium of investors led by KKR, Vårde Partners and Deutsche Bank acquired the business from GE and the business was subsequently renamed Latitude Financial Services. Since the acquisition, Latitude has established itself as a standalone business, combining the risk management processes and long-standing customer relationships fostered under its GE heritage with substantial investment to create a unified brand and experience for its partners and customers. Over this period, Latitude has substantially upgraded its technology infrastructure, established a resilient funding platform and has a continuing focus on innovation that delivers for both customers, partners and its shareholders.

In April 2021, Latitude was listed on the ASX. Headquartered in Melbourne, Australia, Latitude employs approximately 1,350 full time equivalent staff as at 30 June 2021.

On 9 August 2021, the Company announced it had agreed to acquire personal lending fintech, Symple Group, for approximately \$200 million in shares and cash. The acquisition remains subject to, among other things, regulatory approvals. See Section 3.4 for further information regarding the Symple Group and its acquisition by the Company.

3.2 Principal activities of Latitude

The Latitude business today provides a range of Instalments products, Lending products and insurance products in Australia and New Zealand. Latitude offers customers in Australia and New Zealand the following products (as shown in Figure 5):

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

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

Figure 5: Latitude's products across Instalments and Lending

INSTALMENTS Disrupting consumer payments and credit card balances	Shop small, pay weekly BNPL LatitudePay growing rapidly as BNPL disrupts traditional payments Up to \$1,000, 10 weekly payments ^(a) ~460k customers ^(b) and growing	Shop big, pay monthly BIG TICKET LatitudePay big ticket launching 2021 disrupting traditional credit cards Up to \$10,000 and 24 months ^(c) MVP live now... wider release October 2021	Shop anywhere, pay flexibly GO & GEM Latitude GO Mastercard/Gem Visa being refreshed making it easier to shop interest free Up to \$30,000 and 60 months 1.8m customers ^(b) spending >\$4bn p.a. ^{(d)(f)}
	Home, holiday, wedding... PERSONAL LOANS Latitude personal loans providing competitive rates and flexible packaging Symple acquisition will enable additional growth opportunities Direct, Broker and Kiwibank white label	Car, boat, caravan... AUTO LOANS Latitude Auto Loans well suited to growing focus on domestic tourism Direct and Broker	International travel & shopping 28° GLOBAL Latitude 28° Global travel and shopping card highly relevant when borders reopen ~385k customers ^{(b)(e)} , strong advocacy

Notes:

(a) Initial limit maximum is \$1,000. Incremental increases up to a limit of \$1,500 are possible on the successful completion of payment plans.

(b) Open accounts as at 30 June 2021, for BNPL rounded to nearest 10,000, for Latitude GO Mastercard and GEM Visa rounded to the nearest 100,000, for 28° Global rounded to nearest 1,000.

(c) Available at select partners only.

(d) Volume for 1 July 2020 to 30 June 2021.

(e) Includes run off portfolios.

(f) Includes AFS Creditline and run off portfolios.

Latitude had 2.8 million customer accounts (as at 30 June 2021) with a Customer NPS of +40¹ and Broker NPS of +89².

1 Blended NPS score is the weighted average based on number of interactions per channel/segment.

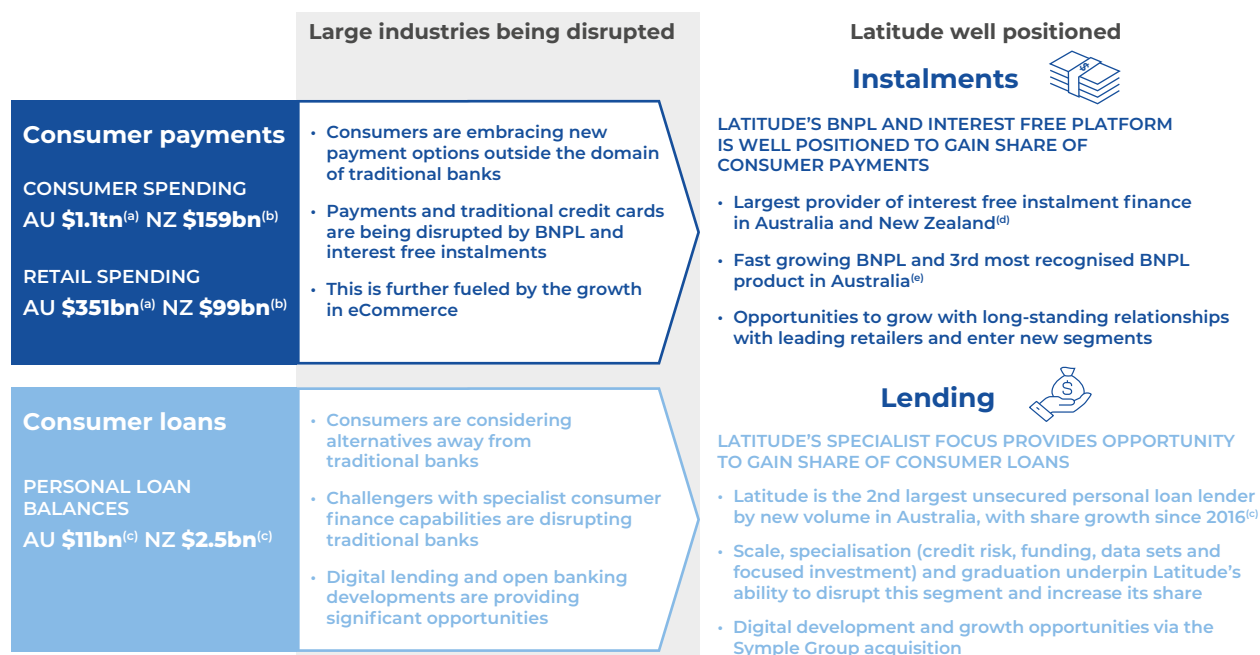
2 Broker BDM Relationship NPS survey.

3 About Latitude

3.3 Latitude's strategy

Changing consumer preferences and digital transformation continue to disrupt the consumer payments and loans markets traditionally served by banks and underpin the large opportunities available to Latitude in Instalments and Lending indicated in Figure 6.

Figure 6: Overview of trends in segments Latitude operates in



Notes:

(a) Australian Bureau of Statistics.

(b) Reserve Bank of New Zealand.

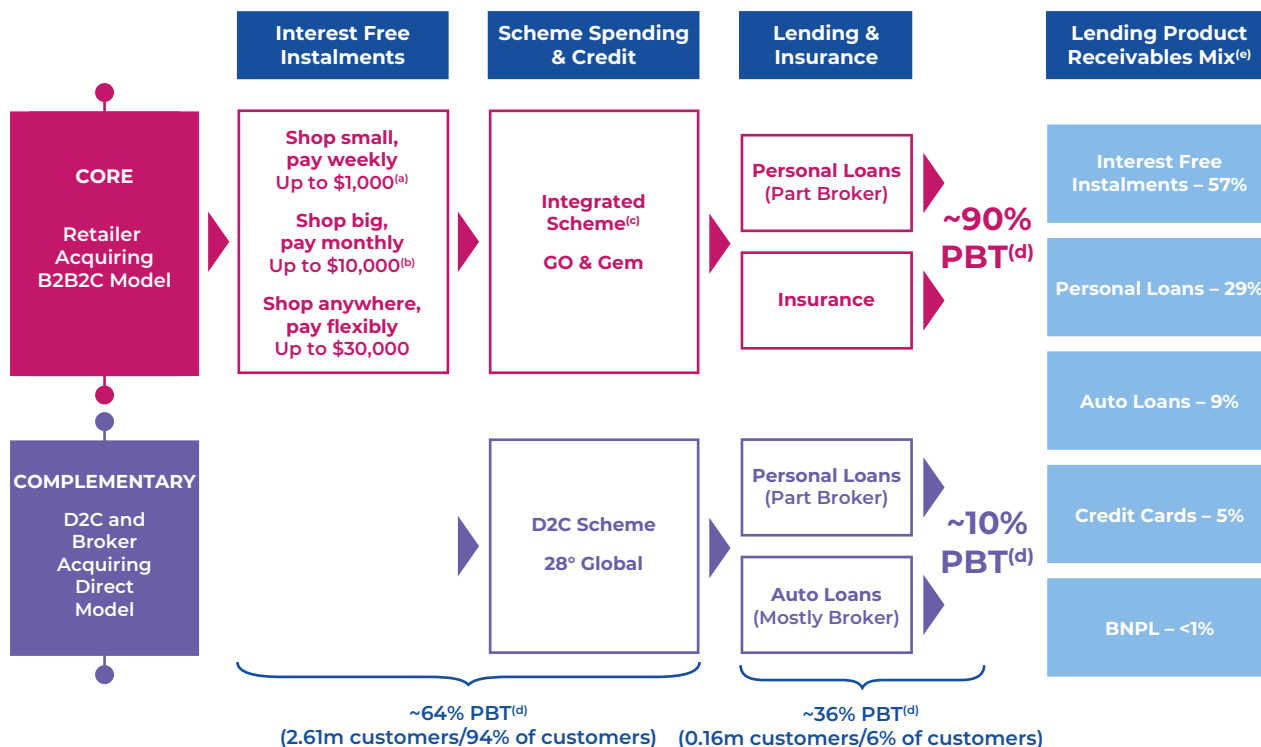
(c) Estimate based on Latitude internal analysis.

(d) Based on gross receivables.

(e) Latitude commissioned research by Nature Research – "Brand Health Tracker – Wave 1, March – April results" with sample sizes (Latitude brand, n=1,700, Gem brand, n=1,400, LatitudePay, n=610).

Latitude's competitive advantage is its Business-to-Business-to-Consumer ('**B2B2C**') business model (outlined in Figure 7), which focuses on supporting its partners to acquire customers combined with direct customer engagement aimed at increasing product utilisation and graduation to other products.

Figure 7: Latitude's B2B2C business model



Notes:

(a) Initial limit maximum is \$1,000. Incremental increases up to a limit of \$1,500 are possible on the successful completion of payment plans.

(b) Available at select partners only.

(c) Scheme-enabled refers to Latitude's Instalments products that can be used anywhere Mastercard and Visa are accepted. Latitude currently has a suite of Scheme-enabled cards including: Latitude GO (in Australia only) and Latitude Gem Visa (in Australia and New Zealand) for L-Pay, and 28° Global (in Australia only) and Gem Essentials (in New Zealand only) for L-Money.

(d) FY20 profit before tax.

(e) Proportion of group Gross Loan Receivables as at 31 December 2020.

Latitude has an established mission to be the preferred partner helping businesses grow and people shop and finance their lives. Integral to Latitude's strategy is to embed a culture conscious of responsibility with credit that values actions and conduct in accordance with Latitude's values of Act right, Be curious, Show care.

Latitude's strategy remains focussed on current growth priorities:

- **Build momentum with partners:** ongoing focus on partner development and consumer acquisition and lifecycle marketing with opportunities in the "home economy";
- **Grow Instalments:** continuing product development to provide a range of BNPL and interest free Instalment products for consumers and partners, enabling sales in-store and online;
- **Grow Lending:** utilising consumer finance specialist scale, risk and funding capabilities, and digital development to deliver a great experience for Latitude's brokers and customers; and
- **Develop a low-cost digital platform organisation:** evolution of operating model and culture to foster a simpler, customer-centric and innovative technology organisation.

At the same time, Latitude is now setting the path to transform to a portfolio of digital platform businesses in the medium term, with the aspiration to lead and/or disrupt the payments, lending and insurance segments and accelerate its growth. With these three business segments, new opportunities are also emerging for international expansion, customer extension to small businesses, and reinventing the travel card with 28° Global as travel reopens.

3 About Latitude

The Capital Notes are being issued as part of Latitude's ongoing optimisation of funding and capital, to improve financial flexibility and provide additional growth capital through diversified sources of funding. The proceeds of the Offer will allow Latitude to pursue and accelerate further growth opportunities, including:

- **Inorganic opportunities:** providing capital to facilitate Latitude's ability to acquire complementary portfolios and/or platforms as those opportunities arise, generate additional earnings growth and accelerate organic opportunities;
- **Organic growth:** accelerating growth in existing markets and products as the competitive landscape continues to evolve; and
- **International growth:** funding expansion into new markets in Asia such as Singapore and Malaysia to support long term merchant partners, including through potential acquisitions.

3.4 The acquisition of the Symple Group

Consistent with the strategy described in Section 3.3, on 9 August 2021, the Company agreed to acquire the Symple Group from its existing shareholders for a total consideration of \$200 million payable in the form of \$100 million of cash and 38.46 million Latitude Ordinary Shares (at \$2.60 per share). Completion of the acquisition is subject to, among other conditions, receipt of regulatory approvals and the execution by the Symple Group of certain internal pre-completion restructuring steps and is subject to completion adjustments for cash and cash like balances.

The Symple Group is a Melbourne-based personal lending fintech using state-of-the-art global technologies, advanced analytics and proprietary risk-based pricing techniques that enable the Symple Group to deliver simple digital experiences to customers and brokers, fast approvals and same-day settlements.

The Symple Group is one of Australia's fastest growing fintech companies. Its specialist digital consumer lending business is based upon the Q2 Cloud lending platform which is contemporary, global and scalable. Following completion of the acquisition, Latitude intends that Symple will become the lending platform for all Latitude personal and auto loans. Latitude intends to leverage Symple's platform to support its existing business, launch new products and build partnerships with other lenders. Latitude will also expand its auto loans business into New Zealand and personal loans into Canada through the Symple Group's established North American operations.

Latitude expects that the purchase of the Symple Group will accelerate growth in Latitude's loan portfolio through improved customer and broker origination and servicing experiences while lowering unit cost, and so will improve Latitude's overall profitability and cash flow generation. Synergies are anticipated to be realised starting in the second half of 2022 and grow to \$32 million before tax in FY23.³

Further details concerning the acquisition of the Symple Group and its financial impact on Latitude can be found in Section 4.5.

3.5 Regulatory environment in which Latitude operates

Latitude is subject to, and complies with, a range of regulatory and compliance requirements in Australia and New Zealand as a licensed credit and insurance provider conducting business, including those specific to the provision of Instalments and Lending, and insurance products.

Latitude's Instalments and Lending activities are primarily regulated:

- in Australia, by ASIC as an Australian Credit Licensee under the *National Consumer Credit Protection Act 2009* (Cth) ('**NCCP Act**') and the National Credit Code ('**NCC**'). The Corporations Act and the *Australian Securities and Investments Commission Act 2001* (Cth) ('**ASIC Act**') also regulate these areas; and
- in New Zealand, by the Commerce Commission under the *Credit Contracts and Consumer Finance Act 2003* (NZ) ('**CCCFA**') and the Responsible Lending Code.

³ Excludes IFRS9 non-cash provision impact. Volume related revenue and funding cost synergies, offset by incremental interest associated with cash consideration, variable and integration costs and charge offs. Excludes potential investment that may be required to expand the Canadian business.

Latitude's insurance activities (being the issuance of insurance by Hallmark Insurance) are primarily regulated:

- in Australia, by ASIC, as an AFSL holder and issuer of financial products under the Corporations Act and the *Insurance Contracts Act 1984* (Cth), which regulates contracts on insurance, as well as by APRA as an insurer under the *Insurance Act 1973* (Cth) and the *Life Insurance Act 1995* (Cth), which provide the prudential framework for licensed general and life insurers respectively; and
- in New Zealand, by the Reserve Bank of New Zealand ('**RBNZ**'), as insurers licensed under the *Insurance (Prudential Supervision) Act 2010* (NZ) ('**IPSA**') and the FMA under the *Financial Advisers Act 2008* (NZ). The IPSA provides a prudential framework for licensed insurers under the supervision of the RBNZ.

Latitude is also subject to legislation in Australia common across similar businesses including (but not limited to) the *Privacy Act 1988* (Cth), the *Anti-Money Laundering and Counter Terrorism Financing Act 2006* (Cth), the *Competition and Consumer Act 2010* (Cth), the ASIC Act, as well as corresponding legislation in New Zealand.

Latitude continually monitors the regulatory environments in Australia and New Zealand to identify regulatory changes that may impact Latitude's business to understand the risks and its approach to managing them. Some recent significant regulatory developments relevant to Latitude and Hallmark Insurance include:

- **Product design and distribution:** The Corporations Act has been amended to introduce design and distribution obligations for issuers and distributors of financial products, which come into effect on 5 October 2021. These include Latitude's regulated and unregulated credit products and insurance products. Under these obligations, Latitude and Hallmark Insurance must formally identify the target customers for each affected product in a target market determination. Latitude and Hallmark Insurance (and distributors such as merchant partners or brokers) must then take reasonable steps to ensure that the distribution of the product is consistent with the determination. With the release of ASIC's final detailed regulatory guide, it is apparent that these obligations will require financial services and consumer credit providers to engage in significant work to ensure compliance. ASIC also appears to have high expectations as to the degree of review, reporting and record keeping required in connection with these obligations;
- **New breach reporting obligations:** The *Financial Sector Reform (Hayne Royal Commission Response) Act 2020* (Cth) has increased breach reporting obligations for financial services, and has introduced breach reporting obligations for consumer credit, together with statutory obligations to carry out remediation for both. These changes come into effect on 1 October 2021. The obligation to report no longer relies on a self-assessment of the significance of the breach. Instead, certain breaches that could potentially involve offences, civil penalty provisions or misleading and deceptive conduct are reportable without regard to the number, frequency or impact of the breaches. There are also new prescribed timeframes within which reporting to ASIC is required;
- **Product intervention power:** The Corporations Act and the NCCP Act have been amended to provide ASIC with the power to make product intervention orders that regulate specific financial products. These include Latitude's NCCP Act regulated and unregulated credit products and insurance products. ASIC has used this power to regulate credit that is subject to exemptions under the NCCP Act, and it is possible that it may issue product intervention orders that regulate LatitudePay or other Latitude products;
- **Financial Accountability Regime:** The Australian government has released draft legislation to implement the proposed extension of provisions modelled on the Banking Executive Accountability Regime to registrable superannuation entity licensees and insurers regulated by APRA. The proposed Financial Accountability Regime ('**FAR**') is designed to improve the risk and governance cultures of financial institutions by imposing a strengthened responsibility and accountability framework for those institutions and the directors and the most senior and influential executives of those institutions. FAR will apply from 1 July 2023 or 18 months after commencement of the regime; and

3 About Latitude

- **New Zealand financial services and conduct regulation:**

- Changes have been made to the CCCFA in New Zealand, which come into effect on 1 October 2021. The amendments and new regulations are intended to ensure creditors lend to consumers and manage consumer credit contracts responsibly, vulnerable consumers are protected, and financial markets are fair, efficient, and transparent. Consumer protection has been elevated to the primary purpose of the CCCFA and a principle of responsible lending, consistent with aspects of the NCCP Act, has been introduced. Lenders are required to exercise the care, diligence, and skill of a responsible lender in respect of credit advertising, and before and after providing consumer credit; and
- The New Zealand government is also looking to introduce legislation in relation to the conduct of registered banks, insurers and non-bank deposit takers. Amongst other things, the Financial Markets (Conduct of Institutions) Amendment Bill will require financial institutions to establish, implement and maintain effective fair conduct programmes throughout their businesses to ensure they meet the requirement to treat consumers fairly.

Latitude has implementation projects underway in relation to these regulatory developments to the extent required.

Further details in relation to these (as well as other) significant regulatory developments that are relevant to Latitude are set out in Section 5.3.1.

3.6 Risk management

Risk management is fundamental to the success of Latitude. Latitude is continually developing and enhancing its risk management capabilities to cater for changes to its strategy, developments in the external environment and expectations, as well as the enduring focus of achieving the best customer outcomes.

The onset of COVID 19 in early 2020 created significant uncertainty regarding the future trajectory of public health systems, economies and financial markets. COVID 19 also resulted in a reduced demand for credit across markets particularly during periods of lockdown.

Latitude was able to utilise its well developed capabilities to rapidly respond and adapt to the changing environment created by COVID 19. Latitude's response was focused on supporting its existing customers, partners and employees as well as managing its cash, liquidity and credit risk.

Consistent with most economies, the Australian Federal and State Governments introduced wide ranging lockdowns in order to stop the rampant spread of the virus and allow time to build in sustainable suppression management infrastructure. In addition, the Australian Federal Government and Reserve Bank of Australia introduced substantial stimulus initiatives designed to support consumers and businesses to mitigate the economic impact of COVID 19. These measures, combined with Latitude's management actions, had the following impacts on Latitude's business:

- Reduced credit demand, particularly in travel, partially offset by growth in "home economy" spending;
- Further constrained lending volumes due to tightened underwriting standards; and
- Accelerated level of loan repayments, particularly among more vulnerable customer cohorts.

The net result of these impacts was a reduced loan book of higher credit quality and reduced overall levels of delinquency and charge offs as at 30 June 2021.

3.7 Funding and liquidity

Latitude's funding strategy aims to provide the business with diversity across multiple financiers, markets and facilities, and provides the business with scalability and stability with a balanced maturity profile. Latitude's principal funding facilities are securitisation arrangements which comprise:

- **Warehouse Facilities:** where financial assets (i.e. receivables) are originated in the name of, or sold to, a Funding Vehicle which funds those financial assets through a limited recourse facility provided by funding banks and/or other investors; and
- **Asset-backed securities (ABS):** where a pool of financial assets (i.e. receivables) is sold to a Funding Vehicle which funds those financial assets in the capital markets through an issue of limited-recourse debt securities either with a defined maturity or having a legal final maturity similar to the expected term of the financial assets in the pool.

As at 30 June 2021, Latitude has total committed securitisation facilities of A\$7.7 billion, with total unutilised capacity at A\$1.8 billion⁴ to support future receivable growth. The funding programme has established Latitude's brand in the public securitisation markets, with over 50 financiers across its funding programmes, providing flexibility to scale the business and support future receivables growth.

The key features of Latitude's funding strategy are to:

- Maintain a diversified funding platform with a broad base of financiers and staggered durations, with typical revolving period tenors of three to five years;
- Manage incremental receivables funding capacity to have a minimum of 12 months of capacity on a forecast receivables growth basis⁵;
- Actively manage the maturity profile and average tenor to reduce maturity concentrations in the future and continue to smooth the maturity profile as the portfolio funding programme matures; and
- Manage foreign exchange rate risk by raising funds in the same currency as its loans to customers.

3.7.1 Funding and liquidity framework

Latitude's principal sources of funding for the financing of its products as at 30 June 2021 comprise four Australian Warehouse Facilities, an Australian credit card and sales finance master trust (ABS), two New Zealand Warehouse Facilities, five outstanding Australian ABS issuances (three under the Australian master trust) and one outstanding New Zealand ABS issuance under the New Zealand master trust.⁶ Funding is diversified over a broad base of well-recognised and experienced financiers including major Australian banks, a number of international banks, along with a number of large Australian and offshore fund managers. Additional information regarding these facilities is provided in Sections 3.7.3 and 3.7.4. In addition to these securitisation facilities, Latitude has a multi-currency (AUD/NZD/USD) Corporate Borrowing Facility with a committed limit of A\$160 million which also includes a further USD tranche of US\$41 million. The facility is currently utilised to support Letters of Credit (US\$41M) for access to schemes and additional guarantees of A\$7.5m and NZ\$2.6m and is expected to be further drawn A\$100 million to partly fund the acquisition of the Symple Group. The remaining A\$50 million capacity provides Latitude with additional liquidity and flexibility.

Latitude's sources of liquidity include its borrowing capacity in its funding facilities (including undrawn commitments within each Warehouse Facility), capacity under the Corporate Borrowing Facility and its surplus cash including cashflow generated from operations. Latitude believes it has sufficient liquidity across these sources to meet its growth targets and business needs in the ordinary course of operations.

4 Includes A\$0.1 billion capacity from Variable Funding Notes in ABS issuances.

5 Funding capacity is defined as the average number of months of planned receivables growth (based on Latitude's latest forecast) until the full utilisation of its debt facilities.

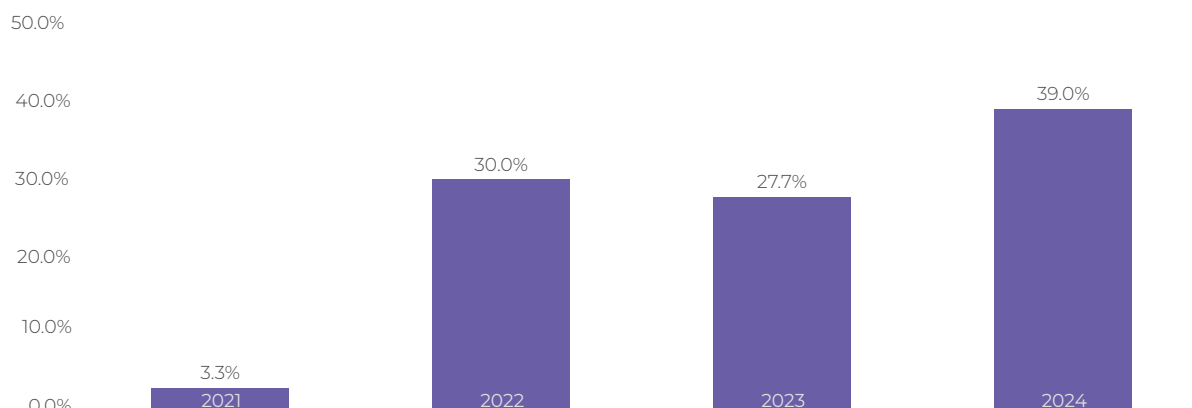
6 In August 2021, Latitude completed the establishment of the Latitude New Zealand Credit Card Loan Note Trust – Series 2021-1 a NZ\$250.0 million facility which increased available capacity by A\$0.2bn.

3 About Latitude

3.7.2 Debt maturity profile

Across its Warehouses Facilities and ABS issuance Latitude targets no more than 50% of funding maturities in any given year and no more than 40% of funding maturities within the next 12 months. Figure 8 shows Latitude's debt maturity profile as at 30 June 2021.

Figure 8: Latitude Warehouse Facility and ABS issuance debt maturity profile as at 30 June 2021



3.7.3 Warehouse Facility financing

Warehouse Facilities comprise the majority of Latitude's funding sources. Latitude's Warehouse Facilities are based on receivables within specific product types and geographies. The size of Latitude's Warehouse Facilities are summarised in Table 1.

Table 1: Summary of Warehouse Facilities as at 30 June 2021

(All amounts million)	Australia Sales Finance and Credit Cards Trust	Australia Sales Finance and Credit Cards Trust No. 3	Australia Personal Loans Trust	Australia Auto Loans Trust	New Zealand Sales Finance and Credit Cards Trust	New Zealand Personal Loans Trust
Limit ^(a)	A\$930	A\$1,056	A\$1,038	A\$926	NZ\$864	NZ\$610
Drawn	A\$529	A\$558	A\$863	A\$632	NZ\$669	NZ\$460
Headroom ^(b)	A\$401	A\$498	A\$175	A\$295	NZ\$195	NZ\$150
Revolving period end date	22 Dec 2022	22 Apr 2024	17 Jan 2024	19 Sep 2023	23 Sep 2022	17 Sep 2023

Notes:

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

(b) Total headroom of A\$1.8 billion includes A\$0.1bn of Variable Funding Note ('VFN') capacity for Australia and New Zealand as outlined in note (a) attached to Table 2 in section 3.7.4.

3.7.4 ABS issuance

Since April 2017, Latitude has issued a number of ABS transactions for Australian credit cards and personal loan receivables, and one ABS transaction for New Zealand credit cards.⁷ Latitude has established itself as, and intends to remain, a programmatic issuer of ABS. The size and key terms of Latitude's outstanding ABS issuances are summarised in Table 2.

Table 2: Summary of ABS issuances as at 30 June 2021^{(a)(c)}

(All amounts million)	Latitude Australia Credit Card Loan Note Trust – Series 2017-2	Latitude Australia Personal Loan Series 2017-1 Trust	Latitude Australia Credit Card Loan Note Trust – Series 2018-1	Latitude New Zealand Credit Card Loan Note Trust – Series 2018-1	Latitude Australia Credit Card Loan Note Trust – Series 2019-1	Latitude Australia Personal Loan Series 2020-1 Trust
Underlying segment receivables	Sales finance and credit card receivables	Personal loans	Sales finance and credit card receivables	Sales finance and credit card receivables	Sales finance and credit card receivables	Personal loans
Notes issued	A\$500	A\$651	A\$500	NZ\$200	A\$750	A\$500
Issue date	7 Sep 2017	29 Nov 2017	27 Mar 2018	13 Dec 2018	13 Sep 2019	26 Feb 2020
Revolving period end date	22 Aug 2022	17 Jan 2019	22 Mar 2023	22 Nov 2021	22 Sep 2024	n.a.
Expected call date ^(b)	22 Aug 2022	19 April 2022	22 Mar 2023	22 Nov 2021	22 Sep 2024	19 Feb 2024
Outstanding Notes at 30 June 2021	A\$500	A\$100	A\$500	NZ\$200	A\$750	A\$221

Notes:

(a) Table 2 excludes Variable Funding Notes ('VFN'). The VFN is a revolving facility available to the trust to provide the ability to fund fluctuations in the underlying cards balances and can move from month to month. At 30 June 2021 the VFN for the Latitude Australia Credit Card Loan Note Trust – Series 2018-1 was A\$16.4 million (A\$100.0 million at 31 December 2020) and VFN for the Latitude New Zealand Credit Card Note Trust – Series 2018-1 was NZ\$4.7 million (NZ\$20.0 million at 31 December 2020).

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

(c) In August 2021, Latitude completed the establishment of the Latitude New Zealand Credit Card Loan Note Trust – Series 2021-1 a NZ\$250.0 million facility with an expected redemption date of 22 August 2024.

⁷ In August 2021, Latitude completed an additional New Zealand credit cards ABS, the Latitude New Zealand Credit Card Loan Note Trust – Series 2021-1.

4 | Financial Information



4 Financial Information

4.1 Introduction

This Section 4 sets out the:

- summary statutory historical income statement of Latitude for the interim six-month period to 30 June 2021 ('**Statutory Half Year Income Statements**');
- summary statutory historical cash flow statement of Latitude for the interim six-month period to 30 June 2021 ('**Statutory Half Year Cash Flows**');
- summary statutory historical balance sheet of Latitude as at 30 June 2021 ('**Statutory Historical Balance Sheet**');
- pro forma historical balance sheet of Latitude as at 30 June 2021 demonstrating the effect the acquisition of the Symple Group along with the impact of the Offer on Latitude's Statutory Historical Balance Sheet as at that date ('**Pro Forma Balance Sheet**');
- summary reconciliation of statutory net profit after tax to Cash NPAT for the six-month period to 30 June 2021 ('**Cash NPAT Reconciliation**'); and
- summary pro forma capital information of Latitude adjusted to present the effect of the Offer on Latitude's capital position as at 30 June 2021 ('**Pro Forma Capital Information**').

The financial information presented in this section has been presented in abbreviated form. It does not contain all of the disclosures usually provided in an annual report or full year financial report prepared in accordance with the Corporations Act. In particular, the statutory consolidated income statement and statutory consolidated balance sheet have been extracted from the interim statutory consolidated financial statements for the half year ended 30 June 2021 (with comparative financial information) ('**2021 Half Year Financial Statements**'). As a result, this Prospectus should be read in conjunction with the 2021 Half Year Financial Statements and any public announcements made in the period by Latitude in accordance with the continuous disclosure requirements of the Corporations Act and the ASX Listing Rules.

Latitude's historical financial information has been prepared and presented in accordance with the recognition and measurement requirements of the Australian Accounting Standards which are consistent with International Financial Reporting Standards and interpretations issued by the International Accounting Standards Board. The presentation currency of the financial and capital information is Australian dollars.

Further details on Latitude's historical financial information is also included in Section 4 of Latitude's IPO Prospectus.

Investors should note that past performance is not a reliable indicator of future performance.

4 Financial Information

4.2 Selected financial information

4.2.1 Statutory Half Year Income Statements

Table 3: Statutory NPAT

A\$ million	Six months to 30 June 2021
<i>Interest Income</i>	481.1
<i>Interest Expense</i>	(85.8)
Net Interest Income	395.3
<i>Other Operating Income</i>	8.6
<i>Net Insurance Income</i>	17.0
Total Other Operating Income	25.6
Total Operating Income	420.9
Loan Impairment Expense	(69.6)
Operating expenses	
<i>Employee benefit expense</i>	(85.9)
<i>Depreciation and amortisation expense</i>	(45.7)
<i>IT and data processing expenses</i>	(26.2)
<i>Marketing expenses</i>	(17.1)
<i>Administrative and professional expenses</i>	(14.6)
<i>Occupancy and operating expenses</i>	(11.2)
<i>Other expenses</i>	(21.2)
Total operating expenses	(221.9)
Distribution to Trust beneficiaries	(3.2)
Profit/(loss) before income tax	126.2
Income Tax Expense	(36.7)
Net profit after tax	89.5

Latitude's statutory net profit after tax for the interim six months to 30 June 2021 was \$89.5 million, compared to a net loss after tax of \$21.1 million for the six-months to 30 June 2020. During the interim six months to 30 June 2021 Latitude completed an internal restructure ('**pre-IPO Restructure**') and was listed onto the ASX by way of initial public offering ('**IPO**').

Information on Latitude's financial results for the 12 months ended 31 December 2018, 31 December 2019 and 31 December 2020 is included in Section 4 of the IPO Prospectus.

4.2.2 Reconciliation of Statutory Net Profit After Tax to Cash NPAT

Table 4 sets out Latitude's Cash NPAT for the six months to 30 June 2021 along with a reconciliation of Cash NPAT to Latitude's statutory net profit after tax for the same period.

Further details on Latitude's Cash NPAT are set out in Latitude's half year results announcements and IPO Prospectus.

Table 4: Reconciliation of Statutory NPAT to Cash NPAT

A\$ million	Six months to 30 June 2021
Net Profit After Tax	89.5
Amortisation of Acquisition Intangibles	24.1
Amortisation of Legacy Transaction Costs	5.6
Significant Items	14.8
Tax effect of adjustments	(13.1)
Cash NPAT	120.9

Further information on both Amortisation of Acquisition Intangibles and Amortisation of Legacy Transaction Costs is contained in Section C.7 of the Latitude Half-year Results 30 June 2021.

Latitude excludes from Cash NPAT certain items that are included in the statutory profit after tax that Latitude believes should be separately identified due to their significant nature (Significant Items). Latitude believes these items are outside the ordinary course of business and temporary in nature or relate to the costs associated with entering new segments and markets where the associated revenues or benefits from that investment will not evolve during the reporting period and where the costs have not been capitalised. Further information regarding Significant Items is contained in Section A.6 of the Latitude Half-year Results 30 June 2021.

4.2.3 Impact of the Offer on the Statutory Historical Balance Sheet

Table 5 sets out Latitude's Statutory Historical Balance Sheet as at 30 June 2021 and pro forma adjustments which illustrate the impact of Latitude's acquisition of the Symple Group along with the impact of the Offer as if both had occurred on 30 June 2021 in order to present the Pro Forma Balance Sheet as at 30 June 2021.

Table 5: Pro Forma Balance Sheet as at 30 June 2021

A\$ million	30 June 2021 Statutory Historical Balance Sheet (Reviewed)	Net effect of the acquisition of the Symple Group (Note 1)	Impact of the Offer (Note 2)	30 June 2021 Pro forma Balance Sheet
Cash and cash equivalents	445.7	10.6	146.1	602.4
Investments	101.5	0.1	–	101.6
Assets classified as held for sale	0.1	–	–	0.1
Derivative financial instruments	2.7	–	–	2.7
Loans and other receivables	6,065.2	53.7	–	6,118.9
Other assets	13.6	3.5	–	17.1
Deferred tax assets	187.7	1.4	1.2	190.3
Other financial assets	1.6	–	–	1.6
Property, plant and equipment	73.8	0.7	–	74.5
Intangible assets	825.0	197.0	–	1,022.0
Total assets	7,716.9	267.1	147.3	8,131.3
Trade and other liabilities	317.6	24.7	–	342.3
Derivative financial instruments	19.1	–	–	19.1
Provisions	6.1	–	–	6.1
Gross insurance policy liabilities	67.7	0.5	–	68.2
Current tax liabilities	27.7	–	–	27.7
Deferred tax liabilities	77.2	–	–	77.2
Borrowings	5,881.7	145.2	–	6,026.9
Total liabilities	6,397.1	170.4	–	6,567.5
Contributed equity and common control reserve	1,990.3	100.0	147.3	2,237.6
Reserves	(686.2)	–	–	(686.2)
Retained earnings	15.7	(3.3)	–	12.4
Capital and reserves attributable to owners of Latitude	1,319.8	96.7	147.3	1,563.8
Total Equity	1,319.8	96.7	147.3	1,563.8

Note: No pro forma adjustment has been made for the impact of the payment of the interim dividend for the half year ending 30 June 2021 of 7.85 cents per Ordinary Share amounting to \$78.5 million.

4 Financial Information

Note 1 – Net effect of the acquisition of the Symple Group

On 9 August 2021, Latitude agreed to acquire the Symple Group for \$200 million, subject to regulatory approval, the execution by the Symple Group of internal restructuring steps and completion adjustments for cash and cash like balances.

The transaction is intended to be funded by the issuance of 38.46 million Latitude Ordinary Shares and \$100 million in cash sourced from Latitude's existing corporate debt facility. The value of purchase consideration comprised of shares will be subject to the value of Latitude's Ordinary Shares on the day of completion of the acquisition. For the purposes of the Pro Forma Balance Sheet a value of \$2.60 has been assumed, reflecting the agreed value and number of shares between Latitude and the Symple Group on the date the acquisition was signed. The final purchase price adjustment for cash and cash like balances (subject to change up to the date of completion) will be settled by way of a promissory note to be issued by Latitude for the benefit of Symple shareholders. For the purposes of the pro forma balance sheet a promissory note of \$24 million has been assumed, which is based on the relevant cash and cash like balances as at 30 June 2021.

At the date of this prospectus the transaction remains subject to regulatory approval and is expected to complete in the fourth quarter of 2021.

In accounting for the acquisition in the Pro Forma Balance Sheet, Latitude has not performed an assessment of all of the assets, liabilities and contingent liabilities of the Symple Group's Loans and has recognised the difference between the purchase price and the reported net assets of the Symple Group (at their current carrying values) as goodwill. Latitude will undertake a formal fair value assessment of the purchase consideration, as well as all of the assets, liabilities and contingent liabilities of the Symple Group's Loans post-Completion, which may give rise to a materially different fair value allocation to that used for the purposes of the pro forma financial information set out in this Prospectus. Such a scenario may result in the recognition of the fair value of the purchase consideration and the reallocation of the fair value of assets and liabilities acquired to or from goodwill.

The acquisition transaction costs that Latitude expects to pay with respect to the professional services providers used to support the acquisition of the Symple Group's Loans have been recognised in the Pro Forma Balance Sheet above with a \$4.8 million decrease in pro forma cash and the recognition of a deferred tax asset of \$1.4 million for the future income tax deductions of the acquisition costs.

Note 2 – Impact of the Offer

The issuance of the Capital Notes will increase Latitude's pro forma cash position by \$146.1 million (\$150 million gross proceeds of the Offer, less approximately \$3.9 million of Offer costs) along with a deferred tax asset associated with the expected Offer costs. Pro forma equity is increased by \$147.3 million (comprised of a \$150 million increase equity associated with the issuance of the Capital Notes less expected Offer costs (net of deferred tax) to be capitalised within equity).

The Pro Forma Balance Sheet has been prepared in accordance with the measurement and recognition requirements of Australian Accounting Standards and other mandatory reporting requirements in Australia and in a manner consistent with the accounting standards and requirements which are detailed in the 2021 Half Year Financial Statements to reflect the impact of the completion of the Offer as if it had occurred as at 30 June 2021.

4.3 Summary Pro Forma Capital Information

Table 6 sets out the capital information at 30 June 2021 and pro forma adjustments to present the Pro Forma Capital Information as at 30 June 2021 which illustrates the impact of both the Symple Group acquisition and the Offer assuming both occurred on 30 June 2021.

Table 6: Pro Forma Capital Information as at 30 June 2021

A\$ million	30 June 2021 Statutory Balance Sheet (Reviewed)	Pro forma Adjustment relating to the acquisition of the Symple Group	Pro forma Post the acquisition of the Symple Group	Pro forma Adjustment related to the Offer	Pro Forma Capital Information
Total Equity	1,319.8	96.7	1,416.5	–	1,416.5
Capital notes	–	–	–	147.3	147.3
Intangible assets	825.0	197.0	1,022.0	–	1,022.0
Tangible Equity (TE)	494.8	(100.3)	394.5	147.3	541.8
Net Receivables	6,061.0	53.7	6,114.7	–	6,114.7
Metrics					
TE/Net Receivables	8.2%		6.5%		8.9%

The issue of the Capital Notes will increase Total Equity within the balance sheet (after adjusting for the acquisition of the Symple Group) by \$147.3 million and will result in an increase in Latitude's TE/Net Receivables ratio by 241 bps to 8.9%.

4 Financial Information

4.4 Statutory Half Year Cash Flows

Table 7 sets out the cash flows of Latitude for the six months to 30 June 2021.

Table 7: Statutory Half Year Cash Flows

A\$ million	Six months to 30 June 2021
Cash flows from operating activities	
Interest received	470.3
Interest paid	(79.2)
Other Operating Income received	9.7
Net Insurance Income:	
Premiums received	6.4
Claims paid	(8.5)
Investment income	0.3
Operating expenses paid	(182.1)
Distributions paid	(3.0)
Income taxes (paid)/refunded	(12.3)
Cash flow from operating activities before changes in operating assets and liabilities	201.6
Changes in operating assets and liabilities arising from cash flow movements	
Net decrease/(increase) in loans and other receivables	(63.2)
Net increase/(decrease) in trade and other liabilities	(13.4)
Net decrease in gross insurance policy liabilities	(0.1)
Changes in operating assets and liabilities arising from cash flow movements	(76.7)
Net cash provided by operating activities	124.9
Cash flows from investing activities	
Net purchases of intangible assets and property plant & equipment	(33.9)
Investments in debt instruments and term deposits	(69.8)
Net cash used in investing activities	(103.7)
Cash flows from financing activities	
Proceeds from borrowing issuances and drawdowns	1,050.5
Repayment of borrowings	(1,035.2)
Net outflow from restructuring	(47.0)
Net outflow from share-based payment plan	(0.1)
Payment of lease liabilities	(6.3)
Payments of transaction costs from financing activities	(1.7)
Net cash used in financing activities	(39.8)
Net increase in cash and cash equivalents	(18.6)
Cash and cash equivalents at beginning of financial period	463.0
Effects of exchange rate changes on cash and cash equivalents	1.3
Cash and cash equivalents at end of financial period	445.7

During the six months to 30 June 2021, Latitude's operating cash flows were \$124.9 million and total net cash flow before dividends (and excluding net cashflows from restructure) of \$28.1 million.

Latitude has declared an interim dividend of \$78.5 million relating to the six months to 30 June 2021.

4.5 Synergies from the Symple Group acquisition

Following completion of the acquisition of the Symple Group Latitude will integrate the Symple platform into its own lending operations. The historical trading performance of the Symple Group on a standalone basis is not material to Latitude.

Latitude does however expect to realise synergies of \$4 million in FY22 and \$32 million in FY23 (before the impact of provisions for losses). Annualised synergies are expected to be \$26 million and \$41 million in FY22 and FY23, respectively).⁸

Synergies will be offset by expected integration costs of \$40 million to be incurred across FY22 and FY23 (including management incentive plans), a proportion of which Latitude expects to capitalise. Latitude's calculation of synergies and integration costs are not inclusive of the potential upside and investment expenditure that may be required to expand the Symple Group's recently established Canadian business.

4.6 Outlook dividend guidance

The Board expects the final dividend for 2021 to remain in the payout range of 60-70% of Cash NPAT at 7.85 cents fully franked per share, subject to any unforeseen significant economic shocks from COVID-19 or other factors.

8 Based on Latitude management estimates and assessment, having regard to the information disclosed in respect of the Symple Group and a range of assumptions and contingencies. These assumptions include the completion of a successful roll out of vaccines by the end of 2021 and international travel reopening in 2022 as well as no further extended national or state-wide lockdowns. The actual outcome may differ because events and actual circumstances may not occur as projected or assumed. Operating Income synergies include volume related revenue and funding synergies, offset by incremental interest associated with cash consideration, variable and integration costs.

5 | Investment Risks



5 Investment Risks

5.1 Investment risks

There are a number of risk factors specific to the Capital Notes, as well as specific to Latitude and of a more general nature which may, either individually or in combination, affect the future operating and financial performance, or financial condition, of Latitude and the value of an investment in the Capital Notes. This Section 5 describes the most significant risks.

Each risk set out in this Section 5 could, if it eventuates (or a combination of the risks set out in this Section 5, if they eventuate), have a material adverse impact on Latitude's business, prospects, operating and financial performance, financial condition and results of operations.

The risks described in this Section are based on an assessment of a combination of the probability of the risk occurring and the impact of the risk if it did occur. Investors should be aware that this Section 5 does not purport to list every risk that may be associated with an investment in Latitude or the Capital Notes now, or in the future, and many of the risks described below are partially or fully outside the control of Latitude and its Directors and Management. Investors should also be aware that the risks are not listed in order of likelihood of occurrence or impact, and there is no guarantee or assurance that the importance of different risks will not change or that other risks will not emerge. Similarly, there is no guarantee or assurance that any mitigation measures Latitude takes will succeed. Investors may suffer loss as a result of these risks. If you have any questions about these risks, you should seek professional advice from a licensed adviser before you make an investment decision.

This Section 5 should be read in conjunction with other information disclosed in this Prospectus. There can be no guarantee that Latitude will achieve its stated objectives or that any forward-looking statements will eventuate.

Before applying for Capital Notes, you should satisfy yourself that you have a sufficient understanding of the risks described in this Section 5 and of all other information set out in this Prospectus. You should consider whether Capital Notes are a suitable investment for you, having regard to your own investment objectives, financial situation and particular needs (including financial and tax issues). If you do not understand any part of this Prospectus, or are in any doubt as to whether to invest in Capital Notes, you should seek professional guidance from your stockbroker, solicitor, accountant, financial adviser, tax adviser or other independent professional adviser.

5.2 Risks associated with investing in Capital Notes

This section describes some of the risks associated with an investment in Capital Notes.

The selection of risks has been based on an assessment of a combination of the probability of the risk occurring and the impact of the risk if it did occur. They are not an exhaustive statement of all risks that might emerge, they are not listed in order of likelihood of occurrence or impact and there is no guarantee or assurance that the importance of different risks will not change or that other risks will not emerge.

Investors should carefully consider these risk factors, together with the other information in this Prospectus, before deciding whether to invest in Capital Notes.

This summary does not cover all the risks of investing in Capital Notes.

5.2.1 Market price of Capital Notes

The market price of Capital Notes may fluctuate due to various factors, including Australian and worldwide economic conditions, interest rates, movements in foreign exchange rates, movements in the market price of Latitude Ordinary Shares or senior or subordinated debt, the availability of better rates of return on other securities, the Company's financial performance and position, investor perceptions, factors resulting in the Company deciding not to make payments on Capital Notes, the effect of any Redemption on the amount outstanding (if any) of Capital Notes on issue, the risk of early Redemption (or Conversion) following a Tax Event, Accounting Event or Regulatory Event, and other factors that may affect the Company's financial performance and position.

The market price of Capital Notes may be affected by changes in laws relating to the taxation treatment of Capital Notes, including franking.

Capital Notes may trade at a market price below the Face Value. Holders who wish to sell or otherwise transfer their Capital Notes prior to Redemption or Conversion may suffer loss if Capital Notes trade at a market price below the amount for which Capital Notes were acquired by those Holders. There is no guarantee that Capital Notes will remain continuously quoted on ASX.

5 Investment Risks

In recent years, markets have sometimes been volatile. In particular, since March 2020 global financial markets have become more volatile due to the impact of the COVID-19 pandemic. The expected duration and magnitude of the COVID-19 pandemic and its full economic impact remain unclear. Volatility risk is the potential for fluctuations in the price of securities, sometimes markedly and over a short period. Investing in volatile conditions implies a greater level of volatility risk for investors than an investment in a more stable market.

You should carefully consider the impact of volatility risk on the potential market price of Capital Notes before deciding whether to make an investment in Capital Notes.

Holders should note that, unlike Latitude Ordinary Shares, Capital Notes do not provide a material exposure to growth in Latitude's business.

5.2.2 Liquidity

There is a risk that there may be no liquid market for Capital Notes. Although the Company intends to have Capital Notes quoted on ASX, there is no guarantee that a liquid market will develop for Capital Notes or that the Capital Notes will remain quoted on ASX.

The market for Capital Notes may be less liquid than the market for Latitude Ordinary Shares or comparable securities issued by the Company or other entities and may be volatile. The market price of Capital Notes is likely to fluctuate and, if Holders wish to sell or otherwise transfer their Capital Notes prior to Redemption or Conversion, they may be unable to do so at a price acceptable to them, or at all, if insufficient liquidity exists in the market for Capital Notes.

The liquidity of the market for Capital Notes may also be impacted as a result of market volatility due to the COVID-19 pandemic. The expected duration and magnitude of the COVID-19 pandemic and the potential impact on the liquidity of the market for Capital Notes is unclear.

The liquidity of the market for Capital Notes may be negatively impacted by a number of factors, including changes in law (including law relating to franking credits or other laws), or pursuant to the *Treasury Laws Amendment (Design and Distribution Obligations and Product Intervention Powers) Act 2019* (Cth) ("**DDOPIP Legislation**"), if ASIC exercises its product intervention powers in relation to the Capital Notes or comparable securities issued by the Company or other entities or if applicable design and distribution obligations are not complied with.

The DDOPIP Legislation imposes design and distribution obligations on the issuers, providers and distributors of financial products and provides ASIC with a product intervention power. The design and distribution obligations will commence on 5 October 2021. ASIC has already used the product intervention power in relation to some credit products. The full impact of these new obligations remains untested, however there is a risk that they may adversely impact the issue, distribution and reinvestment of financial products in the future, including instruments like Capital Notes. These changes may also affect the liquidity of funding instruments (including hybrids such as Capital Notes), if they lead to a material reduction in future issuance volumes or secondary trading activity by investors.

5.2.3 Distributions are discretionary and may not be paid

There is a risk that Distributions will not be paid. The Company has an absolute discretion not to pay Distributions.

The Capital Notes Terms contain no events of default and, accordingly, failure to pay a Distribution when scheduled will not constitute an event of default. Further, in the event that the Company does not pay a Distribution when scheduled, a Holder:

- has no right to apply for the Company to be wound up or placed in administration or to cause a receiver, or a receiver and manager, to be appointed in respect of the Company merely on the grounds that the Company does not, or may become unable to, pay a Distribution when scheduled; and
- has no right of set-off and no offsetting rights or claims on the Company under the Capital Notes Terms.

However, if the Company does not pay a Distribution in full on a Distribution Payment Date, then the distribution restrictions described in Sections 2.1 and 5.2.7 apply to the Company until all Unpaid Distributions are paid in full.

Unpaid Distributions are cumulative, but they will only be paid if the Company decides to pay them or if the Capital Notes are Redeemed or Converted. Interest will not accrue on any Unpaid Distribution.

There is a risk that the terms of the Company's other outstanding and future securities could limit Latitude's ability to make payments on Capital Notes. If the Company does not make payments on other securities, payments may not be permitted to be made in respect of Capital Notes. The terms of securities issued by a member of the Latitude Group may also restrict that member from paying dividends, distributions or making other payments to Latitude if a payment on the relevant security is not paid. If the Company or a member of the Latitude Group is subject to such a constraint, the Company may not be able to pay Distributions on Capital Notes without the approval of the holders of those other securities.

The Company may also be prevented from paying Distributions under its current or future financing arrangements. The debt facilities that the Company and LFSL entered into with effect from completion of the Company's listing, which are described in Section 9.11.3 of the IPO Prospectus, will restrict the Company from paying a Distribution if there is an event of default subsisting under those facilities.

Changes in regulations applicable to the Company, including changes in accounting standards, may affect Latitude's ability to pay a Distribution, or a dividend, distribution or other payment on other securities.

5.2.4 Changes in Distribution Rate and Distributions

There is a risk that the rate of return in respect of Capital Notes may become less attractive when compared to rates of return available on comparable securities issued by the Company or other entities.

The Distribution Rate is calculated for each Distribution Period by reference to the Bank Bill Rate, a benchmark floating interest rate for the Australian money market which is influenced by a number of factors, varies over time and the methodology used to calculate the Bank Bill Rate may change. The Distribution Rate will fluctuate over time (potentially increasing or decreasing) as a result of movements in the Bank Bill Rate.

In some offshore money markets in recent times certain benchmark floating interest rates have been negative for periods of time (for example, in certain European countries and Japan). If the Bank Bill Rate were to become negative, then the Distribution Rate would be less than the Margin, and in some cases could become equal to zero. In addition, the methodology used to calculate the Bank Bill Rate may change over time. The Distribution Rate will go up or down over time as a result of movements in the Bank Bill Rate.

The Distribution Rate may be less than the Margin even where the Bank Bill Rate is positive depending on the level of the Australian corporate tax rate, since the Distribution Rate is equal to the sum of the Bank Bill Rate and the Margin, multiplied by one minus the Australian corporate tax rate applying at the time.

If the Company determines that a Rate Disruption Event has occurred, then the Company will use as the Bank Bill Rate such Replacement Rate as it may determine and will make such adjustments to the Capital Notes Terms as it determines are reasonably necessary to calculate Distributions in accordance with such Replacement Rate.

As the Distribution Rate fluctuates, there is a risk that it may become less attractive when compared to the rates of return available on comparable securities issued by the Company or other entities.

Distributions will go up or down (both increasing and decreasing) as a result of changes in the Distribution Rate due to the factors outlined above, changes in the Franking Rate (see Section 5.2.5 below), and also as a function of the number of days in each Distribution Period.

The Distribution Rate will also be affected (potentially increasing or decreasing) with a change in the Australian corporate tax rate applicable to the Company (see further detail in Section 7).

5 Investment Risks

5.2.5 Distributions may not be fully franked or franked at all

The Company expects Distributions, if paid, to be franked at the same rate as dividends on Latitude Ordinary Shares. The current applicable Franking Rate for dividends paid in 2022 on Latitude Ordinary Shares is expected to be 100%. However, there is no guarantee that the Company will have sufficient franking credits in the future to fully frank Distributions or to frank them at all. The Franking Rate for a Distribution Period may fluctuate (potentially increasing or decreasing), depending on the Company's level of available franking credits and the Company's distributable profits. The effect of Distributions being franked is to reduce the cash amount received by Holders on each Distribution Payment Date by an amount equal to the relevant level of franking.

The Company's available franking credits may be affected by a wide range of factors, including its business performance, the applicable Australian corporate tax rate, the assessment of relevant tax authorities and the amount of other frankable distributions. The Company's distributable profits may also be affected by a wide range of factors including its level of earnings and other distributions it makes.

The Distribution Rate will be adjusted depending on the franking percentage and the Australian corporate tax rate both applicable to the Company's franking account. If any Distribution payment is not fully franked, then the cash amount of the Distribution will increase to compensate for the reduction in franking credits.

The value and availability of franking credits to a Holder will differ depending on that Holder's particular tax circumstances. Holders should be aware that the potential value of any franking credits does not accrue at the same time as the receipt of any cash Distribution and that the ability to use any franking credits, either by offsetting a tax liability or by claiming a refund after the end of the income year, will depend on the individual tax position of each Holder. Each Holder should refer to the taxation summary in Section 7 and obtain professional advice in relation to their tax position.

5.2.6 Distributions on Capital Notes may be restricted by the terms of other similar securities

There is a risk that the terms of the Company's other outstanding and future securities could limit Latitude's ability to make payments on Capital Notes. If the Company does not make payments on other securities, payments may not be permitted to be made in respect of Capital Notes.

If distribution restrictions for another security apply to payments on Capital Notes, the Company may not be able to pay Distributions when scheduled to do so under the Capital Notes Terms and may not be able to Redeem Capital Notes. The Company is not restricted from issuing other securities of this kind or agreeing in the terms of issue of other securities to additional or different payment tests or distribution restrictions (see Section 2.1).

5.2.7 A distribution restriction applies in limited circumstances

If a Distribution is not paid in full within 20 Business Days of the scheduled Distribution Payment Date then, subject to certain exclusions set out in clause 3.10 of the Capital Notes Terms, the Company must not declare, determine to pay, or pay a dividend on any Latitude Ordinary Shares, or buy back or reduce capital on any Latitude Ordinary Shares until the date on which the Unpaid Distribution Amount has been paid in full.

This restriction applies only to payments on, or Buy-Backs or Capital Reductions in respect of, Latitude Ordinary Shares, and not to a Buy-Back or Capital Reduction in connection with any employment contract, benefit plan or other similar arrangement. These restrictions will apply until the date on which all Unpaid Distributions have been paid in full.

The dates for the declaration, determination or payment of dividends on Latitude Ordinary Shares of the Company, or on which the Company may undertake a capital reduction or buy-back on any Latitude Ordinary Shares, are determined by the Company in its discretion and are not related to the Distribution Payment Dates for Capital Notes. Accordingly, once all Unpaid Distributions have been paid in full, the restriction ceases to apply and the Company will not be restricted from declaring, determining to pay, or paying a dividend or undertaking any Buy-Back or Capital Reduction.

5.2.8 Capital Notes are perpetual, unsecured and subordinated obligations

Capital Notes are unsecured and subordinated obligations issued by the Company. They are perpetual instruments, meaning they have no maturity date, so Holders may never be repaid the principal they have invested.

Capital Notes are claims on the Company, which is the ultimate parent of Latitude. The Company is the ultimate holding company of the Latitude Group and substantially all its assets are made up of shares in, or other claims on, the Company's subsidiaries. Accordingly, the claims of Holders against the Company will be limited to the value of the Company's residual claims to the net assets (if any) of the subsidiaries, after all liabilities of those subsidiaries have been discharged or provided for.

There is a risk, that if the Company is wound-up, a Holder may not receive a return of their investment. Capital Notes are issued by the Company under the Capital Notes Terms. A Holder has no claim on the Company in respect of Capital Notes, except as provided in the Capital Notes Terms, and has no claim on any other member of the Latitude Group.

In a Winding-up of the Company, Capital Notes are subordinated, and Holders rank behind all Senior Creditors of the Company for payment of the Redemption Price. Capital Notes will rank equally with, and shall be paid in proportion to, the claims of holders of all Equal Ranking Obligations. Capital Notes will rank ahead only of Latitude Ordinary Shares of the Company. Holders will lose their investment in Capital Notes if there are insufficient assets to satisfy all Senior Creditors in a Winding-up of the Company.

Although Capital Notes may pay a higher rate of distribution than comparable securities and instruments which are not subordinated, there is a significant risk that Holders will lose all or some of their investment in Capital Notes should the Company become insolvent.

5.2.9 Redemption is at the Company's option

The Company may elect to Redeem, at its option:

- all (but not some only) Capital Notes following the occurrence of a Tax Event, an Accounting Event, a Regulatory Event or a Change of Control Event; or
- all or some Capital Notes on the Optional Exchange Date (being 27 October 2026) or any Distribution Payment Date following the Optional Exchange Date.

There is a risk that the Company will not Redeem Capital Notes. Redemption is at the Company's option and Holders have no right to require it.

Any Redemption at the Company's option may occur on dates not previously contemplated by Holders or may not occur at all. This may be disadvantageous to Holders in light of market conditions or their individual circumstances and may not coincide with their individual preference in terms of timing.

This also means that the period for which Holders will be entitled to the benefit of the rights attaching to Capital Notes (such as Distributions) is unknown.

In addition, where Holders receive cash on Redemption, the rate of return at which they could reinvest their funds may be lower than the Distribution Rate at the time.

5.2.10 Redemption on a Change of Control Event

The Company is an ASX listed company, which may be affected by merger and acquisition activity, including the possibility of being acquired by or merged with another company, which may constitute a Change of Control Event. If a Change of Control Event occurs, the Company may, in its sole discretion, Redeem the Capital Notes for cash.

Such a Redemption could occur at a time not previously contemplated by Holders, which may disadvantage Holders in light of market conditions, and not coincide with their individual preferences or intended investment outcomes. This also means that the period for which Holders will be entitled to the benefit of the rights attaching to Capital Notes (such as Distributions) is unknown.

Not all corporate activities that have the effect of a change of control of the Company or its business operations will be a Change of Control Event. The Company is not obliged to Convert the Capital Notes. Therefore, the outcomes for Holders arising from that corporate activity will be uncertain and Holders may face increased or different risks in holding the Capital Notes.

5 Investment Risks

5.2.11 Conversion into Latitude Ordinary Shares is at the Company's option

There is a risk that the Capital Notes may be Converted to Latitude Ordinary Shares which may be disadvantageous in light of market conditions or not suit individual circumstances and preferences. The Company may, at its sole discretion, Convert all (but not some only) the Capital Notes to Latitude Ordinary Shares on the Optional Exchange Date (or any subsequent Distribution Payment Date) and following the occurrence of a Tax Event, an Accounting Event or a Regulatory Event.

Holders should not expect that the Company will exercise its option to Convert Capital Notes. Holders have no right to request or require Conversion of their Capital Notes, in any circumstances. Any Exchange at the Company's option may occur on dates not previously contemplated by Holders. This may be disadvantageous to Holders in light of market conditions or their individual circumstances and may not coincide with their individual preference in terms of timing. This also means that the period for which Holders will be entitled to the benefit of the rights attaching to Capital Notes (such as Distributions) is unknown.

Subject to certain restrictions on which Exchange Method may be selected by the Company, the Company may select a combination of Conversion or Redemption to apply to Capital Notes held by a Holder and may select a different combination of Conversion or Redemption in respect of Capital Notes held by different Holders. The Company's choice may differ from the Holder's preference.

5.2.12 Market price and liquidity of Latitude Ordinary Shares

Capital Notes may Convert into Latitude Ordinary Shares as described in Sections 2.1 and 2.3 of this Prospectus, but there is no guarantee that this will occur. Conversion may be disadvantageous in light of market conditions or not suit the individual circumstances and preferences of Holders. Where Capital Notes are Converted, there may be no liquid market for Latitude Ordinary Shares at the time of Conversion, or the market for Latitude Ordinary Shares may be less liquid than that for comparable securities issued by other entities at the time of Conversion.

Any Latitude Ordinary Shares issued on a Conversion will rank equally with existing and future Latitude Ordinary Shares. Accordingly, the ongoing value of the Latitude Ordinary Shares received will depend on the market price of Latitude Ordinary Shares after Conversion.

If Latitude Ordinary Shares are issued on a Conversion, the market price of Latitude Ordinary Shares in the period prior to the Conversion would be used to determine the number of Latitude Ordinary Shares that are issued. Therefore, fluctuations in the market price of Latitude Ordinary Shares can impact the number of Latitude Ordinary Shares received on a Conversion.

The market price of Latitude Ordinary Shares may fluctuate due to various factors, including Australian equity markets, recommendations by brokers and analysts, investor perceptions, interest rates and inflation, Australian and worldwide economic conditions (including, but limited to, the impact of and continued uncertainty surrounding the COVID-19 pandemic), changes in government, fiscal and monetary policy, global and geo-political events, hostilities and acts of terrorism, Latitude's financial performance and position, impacts of regulatory change (including product intervention by ASIC in the market for Capital Notes or similar securities), as a result of information disclosed to the market by the Company in order to comply with its continuous disclosure requirements and other factors that may affect that performance and position, and may also be affected by the actual or prospective Conversion of Capital Notes.

The VWAP during the relevant period before the date of Conversion that is used to calculate the number of Latitude Ordinary Shares that Holders receive will most likely differ from the Latitude Ordinary Share price on or after the date of Conversion. As a result, the value of Latitude Ordinary Shares received upon Conversion may be less than the Face Value. Holders receiving Latitude Ordinary Shares on Conversion may not be able to sell those Latitude Ordinary Shares at the price on which the Conversion calculation was based, or at all.

Where the Capital Notes are Converted to Latitude Ordinary Shares, there may be no liquid market for Latitude Ordinary Shares at the time of Conversion, or the market may be less liquid than that for comparable securities issued by other entities at the time of Conversion. As a consequence, Holders who wish to sell the Latitude Ordinary Shares they receive may be unable to do so at an acceptable price, or at all, if the market for Latitude Ordinary Shares is illiquid.

In addition, there is no guarantee that Latitude Ordinary Shares will remain continuously quoted on ASX. Trading of ASX listed securities may be suspended in certain circumstances.

Certain events and conditions may affect the ability of Holders to trade or dispose of Latitude Ordinary Shares issued on Conversion; for example, the willingness or ability of ASX to accept Latitude Ordinary Shares issued on Conversion for quotation or any practical issues which affect that quotation, any suspension of trading of Latitude Ordinary Shares, any disruption to the market for Latitude Ordinary Shares or to capital markets generally, the availability of purchasers for Latitude Ordinary Shares and any costs or practicalities associated with trading or disposing of Latitude Ordinary Shares at that time. The Latitude Ordinary Shares held as a result of any Conversion will, following Conversion, rank equally with existing Latitude Ordinary Shares. Accordingly, the ongoing value of any Latitude Ordinary Shares received upon Conversion will depend upon the market price of Latitude Ordinary Shares after the date on which Capital Notes are Converted. That market price is also subject to the factors outlined above and may also be volatile.

5.2.13 Future issues or redemptions of securities by the Company

There is a risk that the Company may issue other securities that may affect the return that a Holder receives on their investment. Capital Notes do not in any way restrict the Company from issuing further securities or from incurring further indebtedness. The Company's obligations under Capital Notes rank subordinate and junior in a Winding-up to the Company's obligations to holders of senior ranking securities and instruments and all Senior Creditors. Accordingly, the Company's obligations under Capital Notes will not be satisfied unless it can fully satisfy all of its obligations ranking senior to Capital Notes.

The Capital Notes Terms do not restrict the Company from issuing securities of any kind. The Company may in the future issue securities that:

- rank for distributions or return of capital (including on the Winding-up of the Company) equally with, behind or ahead of Capital Notes;
- have the same or different distribution rates as those for Capital Notes;
- have payment tests and distribution restrictions or other covenants which affect Capital Notes (including by restricting circumstances in which Distributions can be paid or Capital Notes can be Redeemed); or
- have the same or different terms and conditions as Capital Notes.

No prediction can be made as to the effect, if any, which the future issue of securities by the Company may have on the market price or liquidity of Capital Notes, on the Company's financial position or performance or on the likelihood of the Company making payments on Capital Notes.

Similarly, Capital Notes do not restrict the Company from redeeming or otherwise repaying its other securities it may have on issue from time to time, including other securities which rank equally with or junior to Capital Notes (other than to the extent the Distribution Restriction applies).

The Company may incur further indebtedness and may issue further securities including further Equal Ranking Obligations before, during or after the issue of Capital Notes.

An investment in Capital Notes carries no right to participate in any future issue of securities (whether common equity, preference shares, subordinated or senior debt or otherwise) by the Company.

The Capital Notes Terms do not restrict any member of the Latitude Group from redeeming, buying back or undertaking a reduction of capital in certain circumstances or otherwise repaying its other securities (whether existing securities or those that may be issued in the future), other than to the extent the distribution restrictions described in Sections 2.1 and 5.2.7 apply.

An investment in Capital Notes carries no right to be redeemed or otherwise repaid at the same time as the Company redeems or otherwise repays other securities (whether equity, hybrid capital, subordinated or senior debt or otherwise).

No prediction can be made as to the effect, if any, which the future redemption or repayment by the Company of existing securities may have on the market price or liquidity of Capital Notes or on the Company's financial position or performance.

5.2.14 Exposure to Latitude's financial performance and position

There is a risk that if Latitude's financial performance or position declines, or if market participants anticipate that it may decline, an investment in Capital Notes could decline in value, even if Capital Notes have not been Converted. Accordingly, when you evaluate whether to invest in Capital Notes, you should carefully evaluate the investment risks associated with an investment in the Company and Latitude (see further detail in Section 5.3).

5 Investment Risks

5.2.15 Australian tax consequences

There is a risk that the position of Holders may be adversely affected if a change is made in Australian tax law, or an administrative pronouncement or ruling. A general outline of the tax consequences of investing in Capital Notes for certain potential investors is set out in the Australian taxation summary in Section 7. This discussion is in general terms and is not intended to provide specific advice addressing the circumstances of any particular potential investor. Accordingly, potential investors should seek independent advice concerning their own individual tax position.

If, as a result of a change in Australian tax law or any judicial decision, administrative pronouncement, ruling or written challenge, there is more than insubstantial risk that there would be a more than insignificant increase in the Company's costs in relation to Capital Notes being on issue or that any Distribution would not be frankable (for example, due to a change to the existing franking credit regime), a Tax Event may occur. The Company may then elect, at its option, to Redeem or Convert all (but not some only) Capital Notes. A Tax Event will not have occurred if the change in tax treatment was expected by the Company at the Issue Date.

If the corporate tax rate were to change, the cash amount of Distributions and the amount of any franking credits will change.

5.2.16 Amendment of Capital Notes Terms and Trust Deed

There is a risk that either or both the Capital Notes Terms and the Trust Deed may be amended in a way that the Holder does not agree with.

The Company may, with the approval of the Trustee, make certain amendments to the Capital Notes Terms or Trust Deed without the approval of Holders. The circumstances include where the Company is of the opinion that the amendments do not materially adversely affect the interests of the Holders as a whole. In this instance, the Company must give at least 35 days' prior notice of the proposed amendment to the Trustee. If the Trustee notifies the Company that the proposed amendment may be materially adverse to the interests of Holders as a whole, the proposed amendment must be approved by a Holder Resolution.

These may include amendments which may affect the rights of Holders, including:

- amendments of a formal, technical or minor nature, made to cure any ambiguity or correct any manifest error;
- changes that enable Capital Notes to be quoted on ASX or sold or to comply with applicable laws or listing rules; or
- any other change that, in the Company's opinion, will not be materially prejudicial to the interests of Holders as a whole.

The Company may also amend the Capital Notes Terms if a Rate Disruption Event occurs, including in circumstances where the Bank Bill Rate ceases to be available or is no longer generally accepted as an appropriate reference rate, and, may replace the Bank Bill Rate with an alternative rate that the Company considers appropriate, acting in good faith and in a commercially reasonable manner, and make certain other consequential adjustments to the Capital Notes Terms. Such amendments could adversely affect the interests of Holders.

The Company may also, with the approval of the Trustee, amend the Capital Notes Terms or Trust Deed if the amendment has been approved by a Special Resolution. Amendments under these powers are binding on all Holders even if a Holder does not agree with or did not attend or vote at any meeting in relation to the amendment.

5.2.17 Accounting Standards

New accounting standards or amendments to existing accounting standards issued by either the International Accounting Standards Board or the Australian Accounting Standards Board may affect the reported earnings and financial position of the Company in future financial periods. This may adversely affect the ability of the Company to pay Distributions.

5.2.18 Shareholding limits and Nominee sales

There is a risk that a Holder may, by acquiring any Capital Notes (taking into account any Latitude Ordinary Shares into which they may Convert), breach applicable restrictions on ownership.

Laws, including the *Financial Sector (Shareholdings) Act 1998* (Cth) restrict ownership by people (together with their associates) in an Australian financial sector company, to a 20% stake. A Shareholder may apply to the Australian Treasurer to extend its ownership beyond 20%, but approval will not be granted unless the Australian Treasurer is satisfied that a holding by that person greater than 20% is in the national interest.

Mergers, acquisitions and divestments of Australian public companies listed on ASX such as the Company are regulated by detailed and comprehensive legislation and the rules and regulations of ASX. These provisions include restrictions on the acquisition and sale of relevant interests in certain shares in an Australian listed company under the Corporations Act and a requirement that acquisitions of certain interests in Australian listed companies by foreign interests are subject to review and approval by the Australian Treasurer. Australian competition law also regulates acquisitions which would have the effect, or be likely to have the effect, of substantially lessening competition in a market. Holders should take care to ensure that by acquiring any Capital Notes (taking into account any Latitude Ordinary Shares into which they may Convert), Holders do not breach any applicable restrictions on ownership, and Holders should seek professional guidance from their solicitor, accountant or other independent qualified professional adviser in relation to their obligations.

Holders who do not wish to receive Latitude Ordinary Shares on Conversion may notify the Company of this no less than 15 Business Days prior to the Conversion Date. In addition, if you are a Foreign Holder, you will not receive Latitude Ordinary Shares on Conversion (unless the Company is satisfied that it may issue them to you). Instead, if you elect not to receive Latitude Ordinary Shares, the relevant number of Latitude Ordinary Shares will be issued to the Nominee appointed by the Company, on terms that the Nominee will sell the Latitude Ordinary Shares and pay a cash amount equal to the net proceeds to the relevant Holder. No guarantee is given in relation to the timing or price at which any sale will occur. The issue of Latitude Ordinary Shares to the Nominee satisfies the Company's obligations in connection with the Conversion, and the Company and the Nominee do not owe any duty in relation to the price or terms on which the Latitude Ordinary Shares are sold and have no liability for any loss suffered as a result of such sale of Latitude Ordinary Shares where required in the circumstances described above. The Company will treat you as a Foreign Holder if your address in the Register is a place outside of Australia or the Company otherwise believes you may not be a resident of Australia.

Further, if a FATCA Withholding is required to be made in respect of Latitude Ordinary Shares to be issued on Conversion, the Company will only issue those Latitude Ordinary Shares to the Holder to the extent (if at all) that the issue of Latitude Ordinary Shares is net of FATCA Withholding and the number of Latitude Ordinary Shares the subject of the FATCA Withholding will be issued to the Nominee and dealt with in accordance with FATCA.

5.2.19 No rights to vote

There is a risk that Holders may be affected by corporate decisions made by the Company. Holders have no voting or other rights in relation to Latitude Ordinary Shares (until Latitude Ordinary Shares are issued to them). In addition, Capital Notes do not confer on Holders any right to subscribe for new securities in the Company or to participate in any bonus issue of securities. The rights attaching to Latitude Ordinary Shares, if Latitude Ordinary Shares are issued, will be the rights attaching to Latitude Ordinary Shares at that time. Holders have no right to vote on or otherwise to approve any changes to the Constitution in relation to Latitude Ordinary Shares. Therefore, Holders will not be able to influence decisions that may have adverse consequences for them.

5.3 Risks associated with Latitude

This section describes some of the risks associated with Latitude. Risks associated with Latitude are relevant to an investment in the Capital Notes because they may adversely affect the Company's ability to fulfil its obligations under the Capital Notes Terms, the market value of the Capital Notes and the market value of, and any dividends paid, on Latitude Ordinary Shares issued on an Exchange of Capital Notes.

As noted in Section 5.2 in relation to the risks associated with the Capital Notes, the selection of risks has been based on an assessment of a combination of the probability of the risk occurring and the impact of the risk if it did occur. They are not an exhaustive statement of all risks that might emerge, they are not listed in order of likelihood of occurrence or impact and there is no guarantee or assurance that the importance of different risks will not change or that other risks will not emerge.

Investors should carefully consider these risk factors, together with the other information in this Prospectus, before deciding whether to invest in Capital Notes.

This summary does not cover all the risks associated with Latitude.

5 Investment Risks

5.3.1 Regulatory compliance risks

As discussed in Section 3.5, Latitude is subject to a range of laws and regulations in Australia and New Zealand, the jurisdictions in which it currently conducts its business. Failure to comply with laws or regulations in these jurisdictions (or in other jurisdictions in which Latitude may operate in the future) could adversely impact Latitude's business.

In both Australia and New Zealand, Latitude must comply with statutory obligations in relation to licensing and registration, responsible lending, design and distribution, insurance, mis-selling, AML, privacy and disclosure. If Latitude does not comply with its licences or regulatory obligations, there is a risk that Latitude may cease to be authorised or licensed to undertake its business, may be subject to penalties, may be unable to recover fees, charges or interest or may have to refund funds lent, funds repaid to it by customers under loan contracts, insurance premiums, amounts representing an overcharging of fees, interest payments or other amounts.

Latitude has received various notices and requests for information from its regulators (including ASIC and AFCA) as part of both industry-wide and Latitude-specific reviews and has also made disclosures to its regulators at its own instigation. The nature of these interactions can be wide ranging and, for example, currently include a range of matters including responsible lending practices, regulated lending requirements, product suitability and marketing, and product distribution, interest and fees and the entitlement to charge them, customer remediation and insurance distribution. There may be exposures to customers which are additional to any regulatory exposures. These could include class actions, individual claims or customer remediation or compensation activities. The outcomes and total costs associated with such reviews and possible exposures remain uncertain and there is a risk that they could be materially higher or lower than the provision or any contingent liability recognised by Latitude.

Latitude adopts a proactive approach to ensure that it appropriately remediates any issues identified. It has been undertaking several remediation processes consistent with this approach that are now materially complete. Other market participants have also been subject to class actions related to CCI matters, and there remains a residual risk that Latitude could be subject to a class action in relation to its historical CCI activities.

There is a risk that a regulator may conduct other reviews or investigations in relation to Latitude's regulatory compliance or operations more generally. There is a risk that, arising from existing or future reviews, surveillances, investigations, enforcement actions and formal or informal inquiries or otherwise, Latitude could face legal or regulatory sanctions or reputational damage as a result of any failure (or purported failure) to comply with (or comply with developing interpretations of) applicable laws, regulations, codes of practice and standards of good conduct. Any non-compliance by Latitude could result in a negative impact on customers and other stakeholders' trust in Latitude, fines, penalties, payment of compensation, remediation orders, cancellation or suspension of Latitude's ability to carry on certain activities or businesses, or class actions from customers. There is also a risk that non-compliance may negatively impact Latitude's distribution channels and product development opportunities.

There are a number of recent regulatory changes or public announcements on regulator expectations which have been made which may impact Latitude's business, where the consequences of these changes for Latitude's business may not yet be fully known or realised. There are also a number of legislative initiatives and regulatory reviews which have recently been completed or are underway in Australia and New Zealand which may lead to legislative changes impacting Latitude's business. These include:

- **Responsible lending:** Simplification of the current responsible lending rules in Australia, and developments in relation to responsible lending in New Zealand which have mirrored previous developments in Australia;
- **Insurance:** Latitude suspended offering insurance on credit cards and personal loan products in both Australia and New Zealand. Latitude has since recommenced sales through a new pilot CCI product called Repayment Protection Insurance on personal loans in Australia. The new product construct and distribution model has been informed by the regulatory expectations detailed in ASIC Report 622, the New Zealand Life Insurer Review as well as the recent and expected legislative changes noted in Section 3.5. Depending on the results of the pilot over the remainder of 2021, the Repayment Protection Insurance offering may also be extended to New Zealand;
- **BNPL:** LatitudePay and Genoapay are not subject to regulation by the NCC in Australia, and in New Zealand are only subject to the aspects of the CCCFA that relate to "credit contracts" generally (namely, restrictions relating to oppressive terms and oppressive conduct), as opposed to the more onerous provisions that apply to "consumer credit contracts". In New Zealand, various submissions (particularly from consumer advocacy groups, but also from banks) have also raised concerns about BNPL products and have sought to have these brought within the ambit of the CCCFA. While it is difficult to predict if, and when, the New Zealand Government may seek to exercise its power to do so, if it were to declare BNPL products "consumer credit contracts", the regulatory obligations which apply to them would be considerably more onerous;

- **Recommendations of the Banking Royal Commission:** Various initiatives related to recommendations arising from the Banking Royal Commission remain under consideration. In addition to those related to insurance discussed above, these include the following (and the potential for follow-on changes in New Zealand):
 - **The abolition of the POS Exemption:** The Australian Government has indicated that it accepts this recommendation; however, it seems that implementation has been delayed because of COVID-19 and the government's plans are currently unclear. In particular, there is a lack of clarity as to the form the implementation of this recommendation will take, including whether the POS Exemption will be retained in part, and when the reform will be enacted or come into force. It is also not clear if the related exemption for co-branded credit cards (which Latitude also uses) will be affected. These exemptions facilitate the sale of Latitude's products at the stores of its merchant partners without the need for those merchant partners to be licensed. If these exemptions are cancelled or restricted, the manner in which, and the cost at which, Latitude distributes its products could be negatively impacted. While Latitude is exploring a number of options to mitigate the impact of any change, until the precise form of the reform or abolition of the POS Exemption is confirmed, the impact of any change remains uncertain; and
 - **Development of the Financial Accountability Regime ('FAR'):** This will extend the existing Banking Executive Accountability Regime to APRA regulated insurers and potentially other licence holders. This will impact Hallmark Insurance from 1 July 2023. Work has commenced to prepare for the new regime; however, there is uncertainty about the manner and timing in which FAR will be implemented for non-authorised deposit-taking institution, and until the final form of FAR is known, there remains uncertainty about its impact on Latitude;
- **Product design and distribution obligations:** As discussed in Section 3.5, the Corporations Act has been amended to introduce design and distribution obligations for issuers and distributors of financial products. These will apply to Latitude's regulated and unregulated (NCCP Act only) credit products and to Hallmark Insurance products. These requirements commence in October 2021. ASIC appears to have high expectations as to the degree of review, reporting and record keeping required in connection with these obligations;
- **Product intervention power:** ASIC now has a product intervention power to make specific new regulations for specific products. This allows ASIC considerable power to introduce new regulations for specific credit and insurance products;
- **Breach reporting:** The *Financial Sector Reform (Hayne Royal Commission Response) Act 2020* (Cth) has increased breach reporting obligations for financial services, and has introduced breach reporting obligations for consumer credit, together with statutory obligations to carry out remediation for both. These changes come into effect on 1 October 2021. The obligation to report no longer relies on a self-assessment of the significance of the breach. Instead, certain breaches that could potentially involve offences, civil penalty provisions or misleading and deceptive conduct are reportable without regard to the number, frequency or impact of the breaches. There are also new prescribed timeframes within which reporting to ASIC is required;
- **New Zealand CCCFA:** As discussed in Section 3.5, changes have been made to the CCCFA in New Zealand, which come into effect on 1 October 2021. The amendments and new regulations are intended to ensure creditors lend to consumers and manage consumer credit contracts responsibly, vulnerable consumers are protected, and financial markets are fair, efficient, and transparent. Consumer protection has been elevated to the primary purpose of the CCCFA and a principle of responsible lending, consistent with aspects of the NCCP Act, has been introduced. Lenders are required to exercise the care, diligence, and skill of a responsible lender in respect of credit advertising, and before and after providing consumer credit;
- **New Zealand Financial Markets (Conduct of Institutions) Amendment Bill:** The New Zealand Government is looking to introduce legislation in relation to the conduct of registered banks, insurers and non-bank deposit takers. Amongst other things, financial institutions will be required to establish, implement and maintain effective fair conduct programmes throughout their businesses to ensure they meet the requirement to treat consumers fairly; and
- **Privacy:** The Australian Attorney-General is conducting a review of the *Privacy Act 1988* (Cth), which may result in significant reforms, including changes to how and when consents must be obtained and an expanded definition of "personal information".

5 Investment Risks

As is evident from the above, the legislative and regulatory environment in which Latitude operates is subject to change, which may impact Latitude's business model. Even when changes are unlikely to significantly impact Latitude's business model, where regulatory standards are adopted in Australia and New Zealand which are more stringent than those which Latitude's systems are currently designed to comply with, then this could lead to additional costs and negatively impact Latitude's financial performance. Each of the above initiatives has, either in themselves or through their potential consequences or effects, the potential to adversely affect Latitude's business in Australia and New Zealand. Further, Latitude cannot predict what legislative or regulatory changes may be made in the future or the impact on its business. Additional and increasingly complex new regulation may increase the cost of compliance (and the risk of non-compliance) for Latitude or compel Latitude to prioritise the implementation of systems or processes for compliance reasons, thereby delaying or impeding the implementation of other customer oriented or revenue generating initiatives. Pricing changes could also be necessary due to regulatory changes.

5.3.2 Impact of COVID-19

Events related to COVID-19 resulted in economic and financial disruption in the principal markets in which Latitude operates which, in turn impacted aspects of Latitude's operations during FY20 and FY21. The effects of COVID-19 may continue to impact Latitude's business in the future; however, the extent of these effects will depend on future developments, which cannot be predicted.

There is continued uncertainty as to the ongoing and future response of governments and authorities globally as well as existing and continued risk of disruption to domestic and global supply chains which may impact Latitude and its merchant partners and the likelihood of an Australian and New Zealand economic downturn of unknown duration or severity. There is also an ongoing risk that the economic consequences of COVID-19 may become more severe across the economy, leading to a more widespread downturn in economic and business activity. Even after COVID-19 subsides, the Australian and New Zealand economies, as well as most other major economies, may experience a recession and unemployment may rise. A prolonged recession may potentially negatively impact lending volume and balances, debt servicing levels and consumer spending levels, may increase customer defaults, Hallmark Insurance's claims experience and investment returns, and may adversely impact Latitude's financial performance and position.

The Federal and State Governments in Australia, and the New Zealand Government, have established welfare and economic support and stimulus packages in response to COVID-19 aimed at reducing the severity of the social and economic impact on the population. The extent to which these packages may mitigate and/or defer the economic impact, including any credit losses Latitude may incur, is uncertain. There is also a risk that these packages (or any reforms and measures introduced as the packages are unwound) will create longer-term risks to the economy. This may also negatively impact consumer sentiment and may reduce demand for Latitude's products and services.

5.3.3 COVID-19 Australian and New Zealand government travel and other restrictions

The Federal and State Governments in Australia, and the New Zealand Government, have from time to time imposed various measures to control the spread of COVID-19, such as social-distancing, public gathering restrictions, lockdowns, business closures and travel and trade restrictions (including border restrictions). The measures that have been introduced, and which may be further extended, have had, and may continue to have, a significant impact on economic and business activity. Certain sectors of the Australian and New Zealand economies, including discretionary retail, hospitality, air travel, and tourism (both domestic and international), have experienced, and are expected to continue to experience, disproportionately significant financial stress.

There is a risk that Latitude's business may be impacted by the measures imposed by the Australian and New Zealand governments; however, it is not possible to predict the impact (or the magnitude of such impact) of these trends on Latitude's business.

5.3.4 Information technology and cybersecurity

The financial services industry as a whole relies heavily on information technology and Latitude's ability to provide reliable services, pricing and accurate and timely reporting for its customers is dependent upon the ongoing performance of its information systems, software and telecommunications equipment which include specialised and proprietary software systems, third-party suppliers (including of software), IT infrastructure and back-end data processing systems. Latitude's technology platform may be disrupted, become outdated or cease to function efficiently for both Latitude and its customers. Latitude currently has aged technology platforms and assets which carry a risk of sub-optimal function or system failure. This, in turn, places a high degree of importance on Latitude's disaster recovery capability which at this stage is still developing.

Latitude expects that new technologies and business processes applicable to the financial services industry will continue to emerge, and these new technologies and business processes may be better than those Latitude currently uses. Latitude's future success will depend, in part, on the effective use of technology to increase efficiency and to enable Latitude to better serve customers and reduce costs. The pace of technological change is high, and the financial services industry is intensely competitive. To manage this risk, a key focus of Latitude's strategy is substantial investment in enhancing its technology, digital platforms and tools to improve its resilience, products and customer experience, and lower its costs. Oversight of the execution of this strategy is and will receive significant focus of Latitude's resources.

Latitude devotes significant resources and management focus to ensuring the integrity of its systems through information security and business continuity programmes. Notwithstanding this, Latitude's facilities and systems, and those of its partners and third-party service providers, are subject to the risk of external or internal security breaches, cyber-attacks, data theft, acts of vandalism, computer viruses, misplaced or lost data, programming or human errors, or other similar events. It is possible that the measures taken by Latitude (including firewalls, encryption of client data, privacy policy, employee training and policies to restrict access to data to authorised employees) will not be sufficient to detect or prevent unauthorised access to, or disclosure of, personal or confidential information, whether malicious or inadvertent. While Latitude maintains insurance policies in respect of such risks, cyber-attacks and other security breach events could interrupt Latitude's business or operations, and have an adverse impact on Latitude's reputation.

5.3.5 Changing consumer preferences and competitive threats

The industry in which Latitude operates is subject to changing consumer trends, demands and preferences. Responding to new market trends can require significant investment. A failure by Latitude to anticipate, identify and react to these changes in a timely manner could lead to reduced demand and price reductions for Latitude's products.

In this respect, there has been an increased preference of customers for debit over credit products and a decline in demand for unsecured personal lending and a growing preference for online vs in-store transactions. It is therefore key that Latitude focuses on developing new, and enhancing existing, products to provide an attractive payments offering to its existing and new merchants, as well as customers. However, there is no certainty that these initiatives will be successful in achieving their goals. Accordingly, should the trend away from credit to debit and other payment products increase exponentially or faster than Latitude anticipates, there could be adverse or positive impacts on Latitude's business and financial performance.

A key part of Latitude's continuing financial success will depend on its ability to develop and commercialise new products and services or enhancements to existing products and services. Latitude's ability to develop, acquire or commercialise competitive technologies, products, services or new commercial agreements on acceptable terms or at all may also be limited by intellectual property rights that third parties, including competitors and potential competitors, may assert. In addition, success is dependent on factors such as partner and customer acceptance, adoption and usage, competition, effectiveness of marketing programmes, availability of appropriate technologies and business processes and regulatory approvals, none of which can be guaranteed.

The financial services and payments industry is competitive. Actions by existing competitors or new entrants to the market could result in reductions in Latitude's lending volumes, reduced margins and/or loss of market share. The entry of new external providers of consumer finance or payments technology into the Australian or New Zealand market, or the introduction of new credit or payment products or more aggressive credit, premium rates or other competitive behaviour by competitors has increased and could potentially further increase competition in the industry, which may result in Latitude having to reduce its rates, see its market share decrease and/or have an adverse impact on Latitude's profitability or financial condition.

5 Investment Risks

5.3.6 Execution risk on initiatives and strategies

There is no guarantee that any of Latitude's growth initiatives will be successfully implemented or that Latitude will deliver the expected returns arising from those initiatives. Latitude has implemented a number of significant initiatives designed to improve Latitude's risk management systems, enhance its services and new products provided to customers, and improve the efficiency of its business, including investing in technology to achieve its strategic objectives, meet changing customer expectations and respond to competitive pressures.

There is a risk that the benefits of any initiatives currently being pursued may be subject to unexpected delays, that costs may overrun or that the initiatives, such as new product launches or potential acquisitions, may not generate the financial returns that are intended or that the failure to adequately execute these changes, particularly in an environment of intense change across Latitude's business, may increase operational and compliance risks or adversely impact customers.

Latitude will also continue to consider, and may pursue, options with respect to inorganic growth, including by way of potential acquisitions by Latitude of other businesses. However, there is no certainty that any future acquisitions will be successful or will not expose Latitude's business to additional risk. By way of example, the integration of an acquired business can be costly and complex, and there can also be no assurance that employees, customers, counterparties, suppliers and other business partners of newly acquired businesses will remain post-acquisition. In addition, there is a risk that completion of an agreed transaction may not occur whether in the form originally agreed or at all, including due to the failure of the counterparty to satisfy its completion conditions or because other completion conditions (such as obtaining relevant regulatory approvals) are not satisfied. Any of these factors may affect Latitude's ability to conduct its business and impact Latitude's operations or results.

5.3.7 Macroeconomic conditions

Macroeconomic factors such as unemployment, underemployment, interest rates, lack of income growth, the amount of consumer spending, business investment, government spending, government policy, the volatility and strength of the global and Australian and New Zealand capital markets, currency value, exchange rates and inflation (particularly of essential items) all affect the business and economic environment and, ultimately, the volume and profitability of Latitude's business.

Global factors such as the impacts of COVID-19, slowing global growth and recessionary concerns, and capital market volatility, all have the potential to lead to extended periods of economic uncertainty and volatility in financial markets. Given the concentration of Latitude's business in Australia and New Zealand, it is particularly exposed to changes in macroeconomic conditions in those countries.

Further, while interest rates are expected to stay low in the short to medium term, in the event of higher interest rates or inflation, or deterioration in Australian and New Zealand economic conditions resulting from the impacts of COVID-19 or otherwise, this may increase the likelihood that borrowers will become unemployed or have insufficient income to pay their debts. It may also decrease underlying consumer spending that drives demand for Latitude's products. Further, consumer confidence and spending may not necessarily correspond with levels of unemployment or inflation, as consumer confidence and spending has waned even in the absence of such conditions against the backdrop of COVID-19 and the associated global uncertainty and slowdown.

5.3.8 Access to, and cost of, funding

Latitude's funding platform currently comprises a mix of Warehouse Facilities, ABS, corporate debt facilities and cash deposits. Latitude depends on these sources to fund originations and for the funding of receivables and therefore may face funding risks. A loss of, or adverse impact on or in relation to, one or more of Latitude's funding sources (including the terms of such a funding arrangement), without access to alternative funding sources on comparable terms, could limit Latitude's ability to write new business or to write business on favourable terms, or to refinance expiring Warehouse Facilities and other facilities or meet additional requirements of capital to grow its business and invest in new product lines.

Some of the key risks in relation to funding to which Latitude is subject include:

- **Warehouse Facilities and ABS:** There is a risk that a default or other event under Latitude's Warehouse Facilities and ABS may impact the profitability, financial position and prospects of Latitude. By way of example, a default or other event may arise from Latitude's breach of its servicing or management obligations or representations that Latitude gives in connection with the origination of assets (such as in relation to Latitude's compliance with its responsible lending obligations and other laws). These may also arise from factors outside Latitude's control, such as a deterioration in the credit quality or performance of the pool of loans funded under the relevant Warehouse Facility or ABS. Latitude's business is heavily reliant on securitised funding, and if a major disruption occurs in the capital markets or if financial institutions become less willing or unable to provide Warehouse Facilities, Latitude may experience difficulties financing its business. Latitude's business may also be similarly impacted by a fall in demand for its ABS;
- **Corporate debt facilities:** There is a risk that, due to an event of default or a review event, Latitude's corporate debt providers may either demand repayment of or cancel the facility provided by them, fail to renew their facility following its maturity, or renew the facility only in part or on less favourable terms; and
- **Increased cost of funding:** Latitude earns Interest Income and associated revenue from providing Gross Loan Receivables (e.g. Interest Income from customers, merchant services fees received from respective retailers, and other fixed rate fees), offset by funding costs relating to the funding of those receivables through its Warehouse Facilities and ABS. Latitude, other than for personal and motor loans, does not generally enter into interest rate hedges to protect itself against increases in interest rates. If wholesale market interest rates rise, then Latitude's cost of borrowing will similarly rise. Any material increases in market funding costs and an inability to pass these increased costs on to customers and merchants may have a material impact on Latitude's future funding costs, adversely affecting Latitude's financial performance, net earnings and/or new sales volumes.

5.3.9 Risk management failures and operational factors

Latitude's risk management processes and procedures seek to appropriately balance risk and return and mitigate risks. Latitude has established processes and procedures intended to identify, measure, monitor and control the types of risk to which Latitude is subject, including strategic, financial market, insurance, credit, liquidity, compliance, HR resourcing (quality and quantity), workplace, health and safety, information security and cybersecurity, business disruption, processing errors, conduct and product development risk. There may also be risks that exist, or that develop in the future, that Latitude has not appropriately anticipated, identified or mitigated including when processes are changed, or new products and services are introduced. If Latitude's risk management framework does not effectively identify and control these risks, Latitude could suffer unexpected losses or be adversely affected.

Some of the key relevant risks to which Latitude is subject to include:

- **Operations and conduct:** Operational risk relates to the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events which affect Latitude's business. Latitude is exposed to operational risks including process error, internal and external fraud, failure of information technology and information security and physical protection systems. Latitude also faces conduct risk – being the risk to the delivery of fair customer outcomes, or to market integrity. Loss from operational risk events could adversely affect Latitude's financial results, as well as divert staff away from their core roles to remediation activity;
- **Credit:** Latitude is exposed to its customers' ability and willingness to meet their payment obligations during the term of their contracts. Latitude's business model recognises that a certain proportion of its customers will default on their payments, and Latitude has systems in place to monitor credit risk and likelihood of default, as well as collections processes. If Latitude's exposure to credit loss as a result of Latitude's customers failing to repay their obligations to Latitude is higher than expected, it will have a material adverse effect on Latitude's funding, profitability and regulatory compliance;
- **Fraud:** Latitude is exposed to the risk that customers, employees, partners, individual borrowers and other third parties may seek to commit fraud against Latitude or in connection with the products and services that Latitude provides. Latitude relies on its systems and processes, as well as certain external providers and processes, to identify fraud and minimise its impact should it occur. Failure of these controls and the subsequent underwriting of fraudulent loans could result in damage to Latitude's reputation, profitability or standing with funding providers; and

5 Investment Risks

- **Reliance on models:** Latitude relies extensively on models in managing many aspects of its business, including stress testing, forecasting, liquidity management, customer selection, credit, pricing and collections management. Models may prove in practice to be less predictive than Latitude expects for a variety of reasons. The errors or inaccuracies in Latitude's models may be material, and could lead Latitude to make wrong or suboptimal decisions in managing Latitude's business.

5.3.10 Reliance on commercial partnerships

Latitude distributes its products through a number of channels and intermediaries, including merchant partners for its payments and Instalments products and brokers and white-label arrangements for its credit card and personal loan products. As a result, Latitude's future financial performance, prospects and financial condition depend in part on its ability to retain existing commercial partners, and attract new commercial partners, on acceptable terms.

The terms of the distribution agreements with each of its merchants and other commercial partners vary, and there is no guarantee that Latitude will be able to negotiate new distribution agreements with any of its current merchants or other commercial partners on terms acceptable to Latitude upon expiry of those terms. If one or more merchants or other commercial partners were to terminate their agreements for any reason, if their agreements were renewed on terms less favourable to Latitude, or if one or more merchants or other commercial partners were to default on their agreement, become insolvent, lose market share or cease to sell or broker products financed by Latitude (reducing the Latitude distribution network), Latitude's financial performance, prospects and financial condition could be adversely impacted.

If Latitude fails to retain a number of its existing merchants or other commercial partner relationships and does not acquire new merchants or other commercial partners of similar size and profitability or otherwise grow Latitude's business, this could have a material adverse effect on the results of Latitude's operations (including growth rates) and financial condition.

5.3.11 Brands and reputation

Latitude's business relies, to a large extent, on relationships and its reputation to attract and retain customers and merchants and other commercial partners. Maintaining the Latitude brand and reputation is important to attracting and expanding Latitude's customer base, solidifying Latitude's business relationships and reputation and implementing Latitude's business strategy. Risks relating to legal and regulatory requirements, compliance matters and standards of good conduct may cause harm to Latitude's reputation. Any adverse perception of Latitude's reputation or image (or of others engaged in a similar business or activities) on the part of customers, partners, funding providers, rating agencies, regulators, investors and other counterparties, whether or not accurate, could adversely affect Latitude's business, operating and financial performance, and financial condition.

5.3.12 Litigation

Latitude is not currently involved in any material litigation as a defendant and is not aware of any facts or circumstances that may give rise to any material litigation commenced against it. However, given the nature and scope of Latitude's activities and the wide range of parties it deals with, Latitude may be exposed to potential claims or litigation from third parties such as customers, regulators, employees and business associates, including merchant partners. In addition, to the extent that these risks are not covered by Latitude's insurance policies, litigation and the costs of responding to any threats of legal action or investigation may have an adverse impact on the financial performance or prospects of Latitude.

6 | About the Offer



6 About the Offer

This Section provides information about the Offer, including how to apply. The key dates in relation to the Offer are outlined on page 4 of this Prospectus.

6.1 The Offer

The Offer is for the issue of Capital Notes with an Issue Price of \$100 per Capital Note to raise approximately \$150 million with the ability to raise more or less.

All Capital Notes issued will be allotted under and subject to the disclosure in this Prospectus.

6.2 Structure of the Offer

The Offer comprises:

- an Institutional Offer made to certain Institutional Investors; and
- a Broker Firm Offer made to Australian resident retail and high net worth clients of Syndicate Brokers.

6.3 Obtaining a Prospectus and Application Form

During the Exposure Period, an electronic version of this Prospectus will be available to eligible investors at www.latitudecapitalnotes.com.au/offer however no Applications can be made during the Exposure Period.

During the Offer Period an electronic version of this Prospectus will be available from www.latitudecapitalnotes.com.au/offer. By lodging an Application, you declare that you were given access to the electronic Prospectus together with any Application Form.

The following conditions apply if this Prospectus is accessed electronically:

- you must download the entire Prospectus; and
- the Prospectus is available electronically to you only if you are accessing and downloading or printing the electronic copy of this Prospectus in Australia.

6.4 Applying for Capital Notes

6.4.1 Minimum application

Applications must be for a minimum of 50 Capital Notes (\$5,000) and, after that, in multiples of 10 Capital Notes (\$1,000).

6.4.2 Applying under the Institutional Offer

The Institutional Offer is available to Institutional Investors who were invited by the Arranger to bid for Capital Notes in the Bookbuild which was conducted on 7 September 2021.

Application and settlement procedures for Institutional Investors will be advised by the Arranger.

6.4.3 Applying under the Broker Firm Offer

The Broker Firm Offer is available to Australian resident retail or high net worth clients of Syndicate Brokers invited to participate through the Broker Firm Offer.

If you are applying under the Broker Firm Offer, you should contact your Syndicate Broker for information about the application process including how and when to lodge your Application and how to make the accompanying Application Payment.

6.5 Completing and lodging your Application under the Broker Firm Offer

6.5.1 Completing your Application

If you are applying under the Broker Firm Offer, you should contact the Syndicate Broker who has offered you an allocation for information about how and when to lodge your Application. During the Offer Period, Broker Firm Applicants may contact their Syndicate Broker to obtain information about the Application process, obtaining any Application Forms (which must be accompanied by a paper or electronic copy of this Prospectus) and making the Application Payments. The Corporations Act prohibits any person from passing any Application Form on to another person unless it is attached to or accompanied by a printed copy of this Prospectus or the complete and unaltered electronic version of this Prospectus.

6.5.2 How to pay

Applicants under the Broker Firm Offer must make their Application Payment to their Syndicate Broker in accordance with instructions provided by that Syndicate Broker.

6.5.3 Brokerage, commission and stamp duty

No brokerage, commission or stamp duty is payable on your Application. However, if you sell your Capital Notes on ASX after Capital Notes have been quoted on the ASX, you may have to pay brokerage, but will not have to pay any stamp duty.

6.5.4 Application Payments held on trust

Any Application Payments received by the Company before Capital Notes are issued will be held by the Company on trust in an account established solely for the purposes of depositing Application Payments received. After Capital Notes are issued to successful Applicants, the Application Payments held on trust in respect of those Applicants will be payable to the Company.

6.5.5 Refunds

In the event that the Offer does not proceed for any reason, all Applicants will have their Application Payments refunded (without interest) as soon as practicable.

6.6 Bookbuild and allocation policy

6.6.1 Bookbuild

The Bookbuild was conducted by the Arranger before the Opening Date to determine the Margin and firm allocations of Capital Notes to Bookbuild participants (being Syndicate Brokers and certain Institutional Investors), by agreement with the Company. In this process, the Bookbuild participants were invited to lodge bids for a number of Capital Notes. On the basis of those bids, the Arranger, and the Company, by mutual agreement, determined the Margin and the firm allocations to Syndicate Brokers and to certain Institutional Investors.

The Bookbuild was conducted in the manner contemplated in this Prospectus and, otherwise, on the terms and conditions agreed to by the Company, and the Arranger in the Offer Management Agreement.

6 About the Offer

6.6.2 What is the allocation policy?

Institutional Offer	Allocations to Institutional Investors were agreed by the Arranger and the Company following completion of the Bookbuild.
Broker Firm Offer	<p>Allocations to Joint Lead Managers were agreed by the Arranger and the Company following the completion of the Bookbuild.</p> <p>In determining allocations under the Bookbuild, the Arranger and the Company had regard to:</p> <ul style="list-style-type: none">• the price leadership demonstrated in establishing the Initial Margin;• the volume and timeliness of bids into the Bookbuild; and• any other factors that the Arranger and the Company considered appropriate, in their sole discretion. <p>Allocations to Broker Firm Applicants by Joint Lead Managers are at the discretion of that Joint Lead Manager and allocations to Broker Firm Applicants by other Syndicate Brokers are at the discretion of that Syndicate Broker, provided that no Related Party may be allocated Capital Notes or participate in the Offer.</p>

6.6.3 How will the final allocation policy be announced?

Institutional Offer	Allocations to Institutional Investors were advised to those investors by the Arranger pursuant to the Bookbuild.
Broker Firm Offer	<p>Allocations to Syndicate Brokers were advised to those brokers pursuant to the Bookbuild.</p> <p>Applicants under the Broker Firm Offer will also be able to confirm their firm allocation through the Syndicate Broker from whom they received their allocation.</p> <p>However, if you sell Capital Notes before receiving a Holding Statement, you do so at your own risk, even if you confirmed your firm allocation through a Syndicate Broker.</p>

6.7 Other information

6.7.1 Restrictions on distribution

No action has been taken to register or qualify this Prospectus, the Capital Notes, the Offer or otherwise to permit a public offering of Capital Notes in any jurisdiction outside Australia.

The distribution of this Prospectus (including an electronic copy) outside Australia may be restricted by law. If you come into possession of this Prospectus outside Australia, then you should seek advice on, and observe, any such restrictions. Any failure to comply with such restrictions may violate securities laws. This Prospectus and the Offer do not constitute an offer or invitation in any jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or invitation.

This Prospectus (including an electronic copy) may not be distributed or released, in whole or in part, in the United States. Neither the Capital Notes nor the Latitude Ordinary Shares have been, or will be, registered under the US Securities Act or the securities laws of any state of the United States and they may not be offered or sold in the United States or to, or for the account or benefit of, a US Person (as defined in Regulation S of the US Securities Act).

Any offer, sale or resale of Capital Notes in the United States by a dealer may violate the registration requirements of the US Securities Act.

Subject to the Company's approval, Capital Notes may be offered in certain permitted jurisdictions outside Australia under the Institutional Offer where such offer is made, and accepted, in accordance with the laws of such jurisdictions.

Each person submitting an Application will be deemed to have acknowledged that they are aware of the restrictions referred to in this Section 6.7.1 and to have represented and warranted that they are able to apply for and acquire Capital Notes in compliance with those restrictions.

6.7.2 Application to ASX for quotation of Capital Notes

The Company will apply, within seven days after the date of this Prospectus, to ASX for Capital Notes to be quoted on ASX. If ASX does not grant permission for the Capital Notes to be quoted within three months after the date of this Prospectus, the Capital Notes will not be issued, and all Application Payments will be refunded (without interest) to Applicants as soon as practicable.

6.7.3 CHESS and issuer sponsored holdings

The Company will apply for the Capital Notes to participate in CHESS. No certificates will be issued for Capital Notes. The Company expects that Holding Statements for issuer sponsored holders and confirmations for CHESS holders are expected to be despatched to successful Applicants by 1 October 2021.

6.7.4 Trading and selling on market

It is expected that Capital Notes will begin trading on ASX on a normal settlement basis on 29 September 2021 under ASX code "LFSPA".

You are responsible for confirming your holding before trading in Capital Notes. If you are a successful Applicant and sell your Capital Notes before receiving your Holding Statement, you do so at your own risk.

You may contact your Syndicate Broker, after the Issue Date to enquire about your allocation.

6.7.5 Provision of bank account details for Distributions

The Company's current policy is that Holders with a registered address in Australia will be paid Distributions by direct credit into nominated Australian financial institution accounts (excluding credit card accounts).

6.7.6 Provision of TFN or ABN

If you are an Applicant who has not already quoted your TFN or ABN to the Company and are issued any Capital Notes, then you may be contacted in relation to quoting your TFN, ABN or both.

The collection and quotation of TFNs and ABNs is authorised and their use and disclosure is strictly regulated by tax laws and the Privacy Act. It is not an offence to not quote your TFN or ABN however, not doing so may result in tax being withheld from Distributions. Please refer to clause 4.1 in Section 7 for additional information.

Successful Applicants who do not have an address in Australia registered with the Registry, or who direct the payment of any Distributions to an address outside Australia, may have an amount deducted from any Distributions paid for Australian withholding tax, to the extent that the Distribution is not fully franked or declared to be conduit foreign income.

6.7.7 Discretion regarding the Offer

The Company reserves the right not to proceed with, and may withdraw, the Offer at any time before the issue of Capital Notes to successful Applicants.

If the Offer, or any part of it, does not proceed, all relevant Application Payments will be refunded (without interest) as soon as practicable.

The Company and the Arranger also reserve the right to close the Offer (or any part of it) early, extend the Offer (or any part of it), accept late Applications or bids either generally or in particular cases, reject any Application or bid, or allocate to any Applicant or bidder fewer Capital Notes than applied or bid for. This is at the Company's discretion and the Company is under no obligation to exercise that discretion in any particular way.

Investors should also note that no cooling off rights (whether by law or otherwise) apply to an Application for Capital Notes. This means that, in most circumstances, Applicants may not withdraw their Applications once submitted.

6 About the Offer

6.8 Acknowledgements

Each person submitting an Application and/or Application Payment will be deemed to have:

- acknowledged having read and understood the Capital Notes Terms and having had an opportunity to consider the suitability of an investment in the Capital Notes with the Applicant's professional advisers;
- agreed to be bound by the Capital Notes Terms and the terms and conditions of the Offer;
- acknowledged having personally received a printed or electronic copy of this Prospectus (and any supplementary or replacement document) accompanying the Application and having read them all in full;
- declared that all details and statements in any Application Form are complete and accurate;
- consented to the use and disclosure of their personal information as described in Section 6.9 and understood and agreed that the use and disclosure of their personal information applies to any personal information collected by the Company and any entity in Latitude in the course of the Applicant's relationship with the Company and any entity in Latitude;
- declared that the Applicant, if a natural person, is over 18 years of age;
- acknowledged that once the Company receives an Application, it may not be withdrawn, except as is permitted by law;
- acknowledged that, in some circumstances, the Company may not pay Distributions or any other amount payable on the Capital Notes;
- applied for the number of Capital Notes at the Australian dollar amount specified in any Application Form submitted or represented by the Application Payment;
- agreed to being allocated the number of Capital Notes applied for (or a lower number allocated in a way described in this Prospectus) or no Capital Notes at all;
- authorised the Company, the Arranger and each Joint Lead Manager, and their respective officers or agents, to do anything on the Applicant's behalf necessary for Capital Notes to be allocated to the Applicant, including to act on instructions received by the Registry upon using the contact details in their Application Form;
- acknowledged that if the amount of any cheque or money order is insufficient to pay for the number of Capital Notes that the Applicant has applied for, or, if there are insufficient funds held in a relevant account to cover a cheque that the Applicant has drawn, then the Company may, in consultation with the Arranger, determine that you have applied for such lower number of Capital Notes as your cleared Application Payment will pay for (in multiples of 10 Capital Notes) and you will be deemed to have specified that number in your Application Form. If you provide a cheque or money order for an amount that is not in multiples of 10 Capital Notes, the Company will round down the dollar amount of Capital Notes that you are applying for to the next lowest multiple of 10 Capital Notes;
- acknowledged that the information contained in this Prospectus (or any supplementary or replacement document) is not investment advice or a recommendation that the Capital Notes are suitable for the Applicant, given the Applicant's investment objectives, financial situation or particular needs;
- declared that the Applicant is an Australian resident or otherwise a person to whom the Offer can be made, and the Capital Notes issued, in accordance with Section 6.7.1;
- acknowledged that the Capital Notes have not been, and will not be, registered under the US Securities Act or pursuant to the securities laws of any other jurisdiction outside Australia;
- represented and warranted that the Applicant is not in the United States and is not a US Person (as defined in Regulation S of the US Securities Act) (and not acting for the account or benefit of a US Person) and the Applicant will not offer, sell or resell Capital Notes in the United States to, or for the account or benefit of, any US Person; and
- represented and warranted that the laws of any other place, including the restrictions set out in Section 6.7.1 of this Prospectus, do not prohibit the Applicant from being given this Prospectus (or any supplementary or replacement Prospectus) or making an Application or being issued with Capital Notes.

6.9 Privacy

The Registry has been engaged to maintain the Register on behalf of the Company. Protecting your privacy and your personal information is important to the Registry.

The Registry will collect your personal information to process your registration for Capital Notes, manage and administer your security holding, provide facilities and services that you may request and carry out appropriate administration, as required by law.

The Corporations Act requires the collection of certain information and for that to be included in the Register. The Register is public and able to be inspected by any person.

If you do not provide your personal information, then it may not be possible to set up or administer your security-holding.

The Registry may disclose your personal information to agents, contractors and service providers, including printers, mailing houses, call centres and general advisors who enable it to provide its services to the Company.

Under the Privacy Act, an Applicant may request access to their personal information held on behalf of the Company. To request access or correct your personal information, please contact the Registry via the information line on 1300 218 194 (within Australia) or +61 3 9415 4055 (outside Australia) Monday to Friday 8:30am to 5:00pm (Sydney time). The Registry's privacy policy contains further information on how you can access or correct your personal information as well as how to complain about the handling of your personal information. You can read the Registry's privacy policy at www.computershare.com/au.

You can read Latitude's Privacy Policy at www.latitudefinancial.com.au/privacy/.

6.10 Enquiries

If you have further questions about the Offer contact your Syndicate Broker.

6.10.1 Applicants under the Broker Firm Offer

If you are a Broker Firm Applicant and you have any questions about the Offer, you should contact your Syndicate Broker.

If you are unclear in relation to any matter relating to the Offer, or are uncertain whether the Capital Notes are a suitable investment for you, you should consult your stockbroker, solicitor, accountant or other independent and qualified professional adviser.

7 | Australian Taxation Summary



7 Australian Taxation Summary

KING & WOOD
MALLESONS
金杜律师事务所

Level 27
Collins Arch
447 Collins Street
Melbourne VIC 3000
Australia

T +61 3 9643 4000
F +61 3 9643 5999

www.kwm.com

10 September 2021

To The Directors
Latitude Group Holdings Limited
800 Collins Street
DOCKLANDS VIC 3008

Dear Directors

Australian tax consequences of investing in Latitude Group Holdings Limited Capital Notes

We have been instructed by Latitude Group Holdings Limited ("**Latitude**") to prepare this summary of the Australian tax consequences of investing in the Latitude Capital Notes ("**Notes**"), to be included in the Replacement Prospectus dated 10 September 2021. We refer to holders of the Notes as "**Holders**".

This letter is not intended to constitute legal or taxation advice for Holders or prospective Holders and is of a general nature only. Holders and prospective Holders should obtain independent, professional legal and taxation advice relevant to their particular circumstances.

This letter does not constitute financial advice. King & Wood Mallesons does not make any comments promoting or recommending participation in the issue of Notes. Holders and prospective Holders should seek independent, professional financial advice before making any investment decision concerning the Notes.

1 Scope

This letter summarises the Australian income tax, capital gains tax ("**CGT**"), stamp duty and goods and services tax ("**GST**") consequences arising to both Australian resident and non-Australian resident Holders who hold the Notes on capital account.

This letter does not make any comments regarding the potential taxation consequences for Holders who hold their Notes on revenue account.

This letter also does not make any comments regarding the potential taxation consequences for Holders who are non-Australian residents who hold the Notes through a permanent establishment in Australia.

2 Anticipated Class Ruling

Latitude has applied for a class ruling to be issued by the Commissioner of Taxation ("**Commissioner**") pursuant to section 358-5 of Schedule 1 of the *Taxation Administration Act 1953* (Cth), in respect of the Australian taxation consequences arising for a specified class of holders of the Notes (the "**Class Ruling**").

金杜律师事务所国际网络成员所，更多资讯，敬请浏览 www.kwm.com
亚太 | 欧洲 | 北美 | 中东

Member firm of the King & Wood Mallesons network. See www.kwm.com for more information.
Asia Pacific | Europe | North America | Middle East



53798881_1

7 Australian Taxation Summary



Once the Class Ruling has been issued, it will be publicly available on the Australian Taxation Office (“ATO”) website at www.ato.gov.au.

The Class Ruling should apply to holders of the Notes who are Australian residents during the period in which they hold the Notes, who do not hold those Notes as “revenue assets” or “trading stock”, and who are not subject to the taxation of financial arrangements (“TOFA”) rules in Division 230 of the *Income Tax Assessment Act 1997* (Cth) (“1997 Act”).

The Class Ruling should confirm the taxation consequences outlined below for Australian resident holders of the Notes. The Class Ruling will only specify the taxation consequences arising from Australian tax law as at the date of the Class Ruling.

The Class Ruling does not apply to non-Australian residents who hold the Notes. However, we set out some of the anticipated taxation consequences for such Holders below.

3 Tax consequences for applicable Holders – included in Class Ruling

3.1 Distributions and gross-up for franking credits

Distributions on the Notes will be included in the assessable income of the Holders as non-share dividends.

It is expected that the Distributions on the Notes will be franked. Those franking credits should be assessable to the Holders, who should then be entitled to a tax offset equal to the franking credits (provided the Holder is a “qualified person” as discussed below)

Holders who are not corporate tax entities and trustees, and who are entitled to a franking credit tax offset, should be subject to the refundable tax offset rules. Those rules should allow those Holders to be refunded any tax offset which is in excess of their income tax liability.

It is not anticipated that the Commissioner will seek to deny the Holders any imputation benefits using the various anti-avoidance provisions in the tax legislation.

3.2 CGT cost base and acquisition date

The first element of the cost base and reduced cost base of the Notes following subscription should be \$100, being the money paid in respect of acquiring each Note (its Issue Price). A Holder will not pay, and will not be required to pay, any further amounts or give any other property to acquire a Note. However, the cost base and reduced cost base of the Notes may include other amounts expended by a Holder with respect to those Notes, for example certain non-deductible incidental costs such as fees paid to professional advisors.

The Notes should be regarded as having been acquired on the date when the contract was entered into to acquire the Notes. This should be the same as the date the Notes are issued.

3.3 Conversion of Capital Notes

If the Notes are Converted into ordinary shares in Latitude, CGT event C2 will happen and any gain or loss that would otherwise arise from that Conversion will be disregarded.

The value of the ordinary shares acquired by Holders on Conversion should not be included in the assessable income of the Holders as a dividend. This is because they are not issued to the Holders as shareholders of Latitude, but by virtue of their rights as Holders of the Notes. They will also not be included in the assessable income of the Holders as a non-share dividend, except to the extent those

A handwritten signature in blue ink, appearing to be 'Huan'.

53798881_1

2

ordinary shares are referable to any Distribution which was scheduled to be paid on the Exchange Date or any Unpaid Distributions, since the Issue Price of the Notes will be debited to Latitude's non-share capital account.

To the extent the ordinary shares are referable to any Distribution which was scheduled to be paid on the Exchange Date or any Unpaid Distributions, the amount of those Distributions will be included in the assessable income of the Holders. The Holders will receive franking credits to the extent those Distributions were franked.

3.4 CGT cost base and acquisition following Conversion

Following conversion, the first element of the cost base and reduced cost base of the ordinary shares acquired as a result of Conversion (to the extent those ordinary shares are referable to the Face Value of the Notes) will be the cost base of the Notes at the time of conversion. If the number of ordinary shares issued to a Holder is more or less than the number of Notes previously held by that Holder, the cost base or reduced cost base of their Notes (including any other amounts expended by a Holder and included in that cost base or reduced cost base) will be spread across all of the ordinary shares issued to the Holder. This is because no amount is paid to convert the Notes to ordinary shares, and no amounts are included in the assessable income of the Holder in relation to the capital gain arising (and being disregarded) on the Notes on Conversion.

To the extent any ordinary shares acquired as a result of Conversion are referable to any Distribution, the first element of the cost base and reduced cost base of those ordinary shares will be the amount of the Distribution.

The Holders will be taken to have acquired the ordinary shares when Conversion happens, as opposed to when they acquired the Notes. As such, Holders who can benefit from the 50% CGT discount will need to hold the ordinary shares for 12 months or more following Conversion in order to benefit from the discount.

3.5 Utilising the franking credit – who is a “qualified person”?

A Holder is only required to include the franking credit in their assessable income and is only entitled to a tax offset with respect to that franking credit, if they are a “qualified person”. Holders who are individuals are considered to be qualified persons if their aggregate tax offsets from all franked distributions they have received in an income year is \$5,000 or less. (This rule does not apply in respect of any ‘related payments’ which may be made in respect of a distribution on the Notes as discussed below).

As the Notes are treated as preference shares for these purposes, to be a “qualified person” a Holder is required to have held the Notes for a continuous period of at least 90 days during the relevant qualification period, not including the days of acquisition and disposal and not including any days on which the Holder has “materially diminished” risks of loss or opportunities for gain in respect of the Notes (being where the Holder’s “net position” on a particular day has less than 30% of the risks and opportunities).

The relevant qualification period begins on the day after the day on which the Holder acquired the Notes and ends on the 90th day after the day on which the Notes become “ex dividend”.

A different qualification period applies if there are ‘related payments’. These payments generally occur when a Holder makes a payment which has the effect of passing the benefit of a distribution on the Notes to another person. In that case the Holder must not have materially diminished their risks of



7 Australian Taxation Summary



loss or opportunities for gain during the period beginning 90 days before and ending 90 days after the day in which the Notes become 'ex dividend'.

3.6 Capital Notes are equity

The Notes should be characterised as non-share equity interests in Latitude.

This is on the basis that, while the Notes are not shares in the share capital of Latitude, they should satisfy the equity test in Division 974 of the 1997 Act because they can be converted into ordinary shares in Latitude. The terms of the Notes do not satisfy the test for a debt interest under Division 974 and therefore are not characterised as debt interests under the tiebreaker rule.

The Notes should not be characterised as "traditional securities" or "qualifying securities". As such, the CGT rules should govern the taxation consequences for Australian-resident holders of the Notes who hold them on capital account, rather than the specific rules for traditional securities or qualifying securities.

3.7 Sale of Capital Notes

If a Holder sells their Notes, they will make a capital gain if the proceeds of sale exceed the cost base of those Notes. This capital gain will be included in their assessable income. Conversely, they will make a capital loss if the proceeds of sale are less than the cost base of those Notes. This capital loss will be applied against any other capital gains made by the Holder, and any remaining capital loss after that application will be carried over into subsequent income years.

If the Holder has held the Notes for 12 months or more and is an Australian resident, they may benefit from the CGT discount. If the Holder is an individual or trust, that discount is 50% of the gain. For a superannuation entity, the discount percentage is 33⅓%. Holders which are companies are not eligible for the CGT discount.

If the Holder sells their Notes before 12 months have elapsed after they acquired them, the Holder is not eligible for the CGT discount.

3.8 Redemption of Capital Notes

Latitude may elect to redeem the Notes in certain circumstances. That redemption requires Latitude to pay the Redemption Price (equal to the Issue Price (\$100)) to the Holder, as well as the amount of any Distribution scheduled to be paid on the Exchange Date and any Unpaid Distributions, upon which all other rights and restrictions imposed by the Notes no longer have effect.

The payment of the Redemption Price should not be treated as a dividend paid by Latitude to the Holders, to the extent it is paid out of capital and not out of profits and an amount equal to the Redemption Price is debited to the non-share capital account.

Redemption would constitute a CGT event, and a Holder would make either a capital gain or capital loss depending on whether the Redemption Price is greater than the cost base, or less than the reduced cost base of the Notes. As described above, certain Australian resident holders may be entitled to the CGT discount on any capital gain.

The payment of any Distribution scheduled to be paid on the Exchange Date and any Unpaid Distributions as part of the Redemption will be included in the assessable income of the Holders as a non-share dividend, as described above at paragraph 3.1.

A handwritten signature in blue ink, appearing to be 'K. W. M.'.

53798881_1

4

4 Tax consequences for Holders – not included in Class Ruling

4.1 Pay-as-you-go withholding tax

Australian resident Holders may notify Latitude of their tax file number, Australian Business Number or a relevant exemption from withholding tax.

If Latitude does not receive any of the above, Latitude will withhold tax at the highest marginal rate (including the Medicare Levy) from the unfranked part (if any) of the Distributions. At present, the highest marginal tax rate is 45%, with an additional 2% levied in respect of the Medicare Levy. Those amounts will be remitted to the Commissioner, with Australian resident Holders able to seek a tax credit or rebate in respect of that withheld tax in their tax returns.

4.2 GST

Holders should not be subject to GST on their investment in the Notes, or on any sale of the Notes.

4.3 Stamp duty

Holders should not be liable to stamp duty on their investment in the Notes, or on any sale, other transfer or Conversion of the Notes.

4.4 Taxation of Financial Arrangements

The TOFA rules in Division 230 of the 1997 Act should not apply to most Holders. While the Notes would constitute "financial arrangements" for the purposes of those rules, the rules do not apply to individuals, or to other types of Holders that have not exceeded certain asset or turnover thresholds, unless they have elected to be treated otherwise.

If a Holder considers that the TOFA rules may apply to them, they should seek independent tax advice regarding their specific circumstances.

4.5 Non-Australian resident Holders

Non-Australian resident Holders should not be subject to dividend withholding tax in respect of fully-franked distributions paid by Latitude. However, non-Australian resident Holders cannot access any further credits or refunds in relation to the franking credits attached to those dividends.

To the extent a distribution is unfranked, a portion of the distribution will be withheld by Latitude in respect of dividend withholding tax. That dividend withholding tax is generally 30%, however it may be reduced depending on any double taxation agreement in force between Australia and the country of residence of the non-Australian resident Holder. The Holder may be entitled to credits in their local jurisdiction for the dividend withholding tax paid on the Notes.

Any capital gain or loss arising from the disposal of the Notes by a non-Australian resident Holder will generally be disregarded.

Yours faithfully



King & Wood Mallesons

The page features several thin, dark blue lines that intersect at various angles, creating a geometric pattern across the background. These lines are positioned in the top-left, top-right, and bottom-left areas of the page.

8 | Additional Information

8 Additional Information

8.1 Reporting and disclosure obligations

The Company is admitted to the official list of ASX and is a disclosing entity for the purposes of the Corporations Act. As a disclosing entity, it is subject to regular reporting and disclosure obligations under the Corporations Act and ASX Listing Rules. Broadly, these obligations require the Company to prepare both annually and half yearly financial statements, to report on its operations during the relevant accounting period and to obtain an audit or review report from its auditor.

Copies of these and other documents lodged with ASIC may be obtained from, or inspected at, an ASIC office.

The Company must ensure that ASX is continuously notified of information about specific events and matters as they arise for the purposes of ASX making the information available to the Australian securities market. The Company has an obligation under the ASX Listing Rules (subject to certain exceptions) to notify ASX immediately when it becomes aware of any information concerning the Company which a reasonable person would expect to have a material effect on the price or value of its quoted securities.

8.2 Availability of documents

The Company will provide a copy of any of the following documents free of charge to any person upon their request during the Offer Period:

- the annual financial report for the year ended 31 December 2020;
- the consolidated financial report for the half year ended 30 June 2021;
- the IPO Prospectus;
- any continuous disclosure notices given by the Company in the period after the lodgement of the IPO Prospectus of the Company on 20 March 2021 and before lodgement of this Prospectus with ASIC; and
- the Constitution.

The financial report for the year ended 31 December 2020, the financial report for the half year ended 30 June 2021 and copies of continuous disclosure notices lodged with ASX are available at www.asx.com.au or at www.latitudefinancial.com.au.

The Constitution is available at www.latitudefinancial.com.au.

All written requests for copies of the above documents should be addressed to Company Investor Relations at the address set out in the Corporate directory at the end of this Prospectus.

8.3 Rights and liabilities attaching to the Capital Notes

The rights and liabilities attaching to Capital Notes are contained in the Capital Notes Terms, which are set out in Appendix A. Rights and liabilities attaching to Capital Notes may also arise under the Corporations Act, the ASX Listing Rules, the Constitution and other laws.

8.4 Rights and liabilities attaching to Latitude Ordinary Shares

Latitude Ordinary Shares may be issued to Holders on certain events – see Section 2.2 for further details in relation to the Conversion of Capital Notes and when this may occur.

The rights and liabilities attaching to the ownership of the Latitude Ordinary Shares arise from a combination of the Constitution, statute, the ASX Listing Rules and general law.

This section briefly summarises the key rights attaching to Latitude Ordinary Shares. This summary is not exhaustive nor does it constitute a definitive statement of the rights and liabilities of Shareholders.

The key rights attaching to Latitude Ordinary Shares are as follows:

- right to vote – at a general meeting of the Company, every Shareholder who is eligible to vote and is present in person or by proxy, representative or attorney has, on a poll, one vote for each Share held by the Shareholder and one vote on a show of hands;
- right to information – each Shareholder is entitled to receive notice of, attend, and vote at, general meetings of the Company and to receive all notices, accounts and other documents required to be sent to Shareholders under the Constitution, the Corporations Act and the ASX Listing Rules;

8 Additional Information

- right to receive dividends – the Board may determine or declare that a dividend is payable, fix the amount and the time for payment and authorise the payment or crediting by the Company to, or at the direction of, each Shareholder entitled to that dividend; and
- right to participate in a Winding-up – without prejudice to the rights of the holders of shares issued on special terms and conditions, if the Company is wound up, each Shareholder has the right to participate in a Winding-up at the discretion of the liquidator.

8.5 Consents

8.5.1 Statement of Directors

This Prospectus is authorised by each Director who consents, and who has not withdrawn their consent, to its lodgement with ASIC and its issue.

8.5.2 Other consenting parties

Each of the parties listed in this Section 8.5.2:

- consents to being named in this Prospectus in the form and context in which it is named;
- has not caused or authorised the issue of this Prospectus and does not make or purport to make any statement or representation in this Prospectus or any statement on which a statement in this Prospectus is based, other than a statement or report included in this Prospectus with its consent;
- to the maximum extent permitted by law, makes no representation or warranty regarding, and expressly disclaims and takes no responsibility for, any part of this Prospectus, or for any statements or material in, or omissions from, this Prospectus; and
- has given and has not, before the lodgement of this Prospectus with ASIC, withdrawn its written consent to be named in this Prospectus in the form and context in which it is named.

Role	Consenting parties
Arranger	Insight Capital Advisors Pty Ltd
Joint Lead Managers	Insight Capital Advisors Pty Ltd Morgans Financial Limited National Australia Bank Limited Ord Minnett Limited Westpac Institutional Bank
Auditor	KPMG
Australian legal adviser	King & Wood Mallesons
Registry	Computershare Investor Services Pty Ltd
Trustee	Equity Trustees Limited
Accounting adviser	KPMG Transaction Services

8.6 Interests and benefits

This Section sets out the nature and extent of the interests and fees of the Board of Directors of the Company and certain persons involved in the Offer.

Other than as set out in this Prospectus, no:

- Director or proposed Director;
- person named in this prospectus and who has performed a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus; or
- promoter of the Company,

holds, at the time of lodgement of this Prospectus with ASIC, or has held in the two years before lodgement of this Prospectus with ASIC, an interest in:

- the formation or promotion of the Company;
- the Offer; or
- any property acquired or proposed to be acquired by the Company in connection with the formation or promotion of the Company or the Offer,

and no amount (whether in cash, Shares or otherwise) has been paid or agreed to be paid, nor has any benefit been given or agreed to be given to any such persons for services in connection with the formation or promotion of the Company or the issue of the Capital Notes or to any Director or proposed Director to induce them to become, or qualify as, a director of the Company.

8.6.1 Directors' relevant interests

Details of the Directors' holdings in Shares are disclosed to, and available from, ASX at www.asx.com.au.

The Directors (and their related parties) may not acquire Capital Notes offered under this Prospectus.

8.6.2 Directors' fees

The Constitution contains provisions about the remuneration of the Directors. As remuneration for their services as Directors, the Non-Executive Directors are paid an amount of remuneration determined by the Board, subject to a maximum annual aggregate amount determined by Shareholders in a general meeting. The maximum annual aggregate amount has been set at \$2,200,000. Each Director (other than the Chairman) may also be paid additional remuneration for performance of additional Board Sub-Committee services and all Directors are entitled to reimbursement of reasonable out-of-pocket expenses. The remuneration of the Managing Director and Chief Executive Officer is fixed by the Board and is set out in Section 6.2 of the IPO Prospectus. The remuneration may consist of salary, bonuses or any other elements but must not be a commission on or percentage of profits or operating revenue.

8.6.3 Interests of advisors

Insight Capital Advisors Pty Ltd have acted as the Arranger, and Insight Capital Advisors Pty Ltd, Morgans Financial Limited, National Australia Bank Limited, Ord Minnett Limited and Westpac Institutional Bank have acted as the Joint Lead Managers for the Offer, in respect of which they will receive fees from the Company. The estimated aggregate fees payable by the Company to the Arranger and Joint Lead Managers is approximately \$3.0 million (exclusive of GST), making certain assumptions as to the allocations of Capital Notes between the Institutional Offer and the Broker Firm Offer.

King & Wood Mallesons has acted as the Company's legal adviser in relation to the Offer. In respect of this work, King & Wood Mallesons has been paid, or will be paid, approximately \$0.5 million (excluding disbursements and GST) for work performed by it until the date of this Prospectus. Further amounts may be paid to King & Wood Mallesons in accordance with its time-based charges.

King & Wood Mallesons has acted as the Company's tax adviser in relation to the Offer. In respect of this work, King & Wood Mallesons has been paid, or will be paid, approximately \$0.1 million (excluding disbursements and GST) for work performed by it until the date of this Prospectus. Further amounts may be paid to King & Wood Mallesons in accordance with its time-based charges.

8 Additional Information

KPMG Transaction Services (a division of KPMG Financial Advisory Services (Australia) Pty Ltd) has acted as the Company's accounting adviser and provided due diligence services on certain financial disclosures in relation to the Offer. In respect of this work, KPMG Transaction Services will be paid approximately \$0.1 million (excluding disbursements and GST) for work performed by it up until the date of this Prospectus. Further amounts may be paid to KPMG Transaction Services in accordance with its time-based charges.

The Joint Lead Managers and their respective affiliates are involved in a wide range of financial services and businesses in respect of which they may receive fees and other benefits and out of which conflicting interests or duties may arise. These services may include securities trading, brokerage activities or the provision of finance, including in respect of securities of, or loans to, Latitude Group entities. The Joint Lead Managers and their respective affiliates may also at any time hold long or short positions, and may trade or otherwise effect transactions, for their own account or the accounts of customers, in debt, equity or hybrid securities or senior loans or financial products of any Latitude Group entity or any third party involved in the Offer, and may finance the acquisition of those securities and/or financial products and take or enforce security over those securities and/or financial products. The Joint Lead Managers have represented to Latitude that they will manage any conflicts in connection with their role as Joint Lead Managers in compliance with their legal obligations.

8.7 Summary of the Offer Management Agreement

8.7.1 Overview

The Company, the Arranger and the Joint Lead Managers signed the Offer Management Agreement on or around 2 September 2021. Under the Offer Management Agreement, the Company appointed Insight Capital Advisors Pty Ltd as the Arranger and Insight Capital Advisors Pty Ltd, Morgans Financial Limited, National Australia Bank Limited, Ord Minnett Limited and Westpac Institutional Bank as Joint Lead Managers of the Offer. The following is a summary of the principal provisions of the Offer Management Agreement.

Under the Offer Management Agreement, the Arranger and Joint Lead Managers have agreed to manage the Offer, including the Bookbuild and related allocation process for the Offer and to provide settlement support for the settlement obligations of successful Applicants under the Bookbuild.

8.7.2 Fees

The estimated aggregate fees payable by the Company to the Arranger and Joint Lead Managers under the Offer Management Agreement are set out in Section 8.6.3. The actual amount payable will not be known until the allocation of Capital Notes under the Offer has been completed. In addition, the Company must reimburse the Arranger and Joint Lead Managers for reasonable costs, charges and expenses, including reasonable legal and travel costs, incurred by them in relation to the Offer.

8.7.3 Representations, warranties and undertakings

The Company gives various representations, warranties and undertakings to the Arranger and Joint Lead Managers, including that the documents issued or published by or on behalf of the Company in respect of the Offer comply with all applicable laws, including the Corporations Act and the ASX Listing Rules.

With the exception of the Capital Notes issue and certain other corporate actions, the Company has also agreed that it will not (and will ensure that its related bodies corporate do not), without the Arranger's or Joint Lead Managers' prior written consent, offer or issue any securities before the expiration of 120 days after the Issue Date.

8.7.4 Indemnity

The Company agrees to indemnify the Arranger and Joint Lead Managers and their affiliates and related bodies corporate, and each of their respective officers, directors and employees, against all claims, demands, losses, costs, expenses, liabilities, damages or charges incurred by them arising out of or in connection with the Offer (subject to limited exclusions).

8.7.5 Termination events

An Arranger or Joint Lead Manager may terminate, at any time, its obligations under the Offer Management Agreement on the occurrence of a number of customary termination events, including (among others):

- the Company is prevented from allotting or issuing the Capital Notes by any applicable law, the ASX Listing Rules or a government agency;
- ASX refuses to quote, or withdraws its approval to quote, the Capital Notes on ASX;
- the trading of Latitude Ordinary Shares is suspended or Latitude Ordinary Shares cease to be quoted on ASX;
- any person withdraws their consent to be named in this Prospectus;
- the Company withdraws this Prospectus or the Offer;
- a supplementary prospectus is lodged (without the prior written consent of the Arranger and Joint Lead Managers), or in the reasonable opinion of the Arranger or a Joint Lead Manager should be lodged, with ASIC under section 719 of the Corporations Act;
- a specified fall in the S&P ASX 200;
- an event occurs which makes it illegal for the Arranger or a Joint Lead Manager to satisfy an obligation under the Offer Management Agreement or to settle the Offer;
- hostilities not presently existing commence, or there is an escalation in an existing hostility, involving Australia, New Zealand, United States of America, the United Kingdom, Singapore, any member of the European Union or the People's Republic of China;
- any other calamity or crisis not presently existing occurs, or there is a change in the financial, political or economic conditions or currency exchange rates or controls in Australia, New Zealand, the United States of America, the United Kingdom, Singapore, any member state of the European Union or the People's Republic of China (including, for the avoidance of doubt, Hong Kong) the effect of which makes it commercially impossible for the Joint Lead Manager to implement the Offer;
- there is a general moratorium declared on commercial banking activities in Australia, Singapore, Hong Kong, the United States of America, the United Kingdom or a suspension or material limitation in trading in securities generally on the ASX or other specified securities exchanges;
- unauthorised alterations to the Company's share capital or Constitution; and
- a material adverse change or effect, or any development that is likely to have a material adverse change or effect, in or affecting the general affairs, business, operations, prospects, management, financial position, earnings position, shareholder's equity or results or operations of Latitude.

Certain of these events, and other events, will only give rise to a right to terminate if the event has or is likely to have a material adverse effect on the success, marketing or settlement of the Offer or on the business, financial position or prospects of the Company or the event leads or is likely to lead to the Arranger or Joint Lead Manager contravening, being involved in a contravention of or incurring a liability under the Corporations Act, or any other applicable law, as a result of the event.

If this occurs, the Arranger or Joint Lead Manager who terminates will no longer be the Arranger or Joint Lead Manager (as the case may be) and will not be obliged to provide settlement support for the Bookbuild.

Under the Offer Management Agreement, if a Joint Lead Manager terminates, the Joint Lead Managers may give notice in writing to the Company stating whether they assume the obligations of the terminating Joint Lead Manager.

If the Arranger and Joint Lead Managers terminate, none of them, their affiliates or any Bookbuild investors will have any obligation to subscribe for Capital Notes.

8 Additional Information

8.8 Trustee

The Company has entered into a Trust Deed dated on or about the date of this Prospectus with the Trustee, Equity Trustees Limited (ABN 46 004 031 298).

8.8.1 About the Trustee

The Trustee and its directors, employees, officers, affiliates, agents, advisors, intermediaries and related bodies corporate (each a **"related person"**):

- have not authorised or caused the issue or distribution of this Prospectus, were not involved in preparing any part of this Prospectus and do not make any statement or purport to make any statement in this Prospectus or any statement on which a statement in this Prospectus is based;
- do not assume any responsibility for, or make representations as to the truth, accuracy or completeness of any information contained, in this Prospectus;
- to the maximum extent permitted by law, expressly disclaim all liability in respect of, make no representation or any statement regarding and take no responsibility for any part of this Prospectus, or any statements in or omissions from this Prospectus, other than in the case of the Trustee, only references to its name and the statement(s) made in this Section 8.8.1;
- in the case of the Trustee only, has given and has not, before the lodgement of this Prospectus with ASIC, withdrawn its written consent to be named in this Prospectus in the form and content in which it is named;
- have solely relied on the Company for the accuracy of the contents of this Prospectus;
- do not make any representation or warranty as to the performance of Capital Notes, the payment of distributions or Redemption of Capital Notes; and
- are not, subject to the Trustee's obligations under the Corporations Act, responsible for monitoring the Company's business.

8.8.2 Summary of the Trust Deed

The Company has entered into a Trust Deed dated on or about the date of this Prospectus with the Trustee. A copy of the Trust Deed can be obtained from www.latitudecapitalnotes.com.au/offer. The following is a summary only of the principal provisions of the Trust Deed.

Appointment of the Trustee

The Trustee has been appointed under the Trust Deed and holds on trust for the Holders and itself upon the terms of the Trust Deed:

- the right to enforce the Company's obligation to pay amounts payable under Capital Notes;
- the right to enforce any other duties or obligations that the Company has under the Capital Notes Terms, to the Holders under the Trust Deed or under Chapter 2L of the Corporations Act; and
- the amount of \$10 and any other property held by the Trustee on the trust established under the Trust Deed (including, without limitation, and to the extent such property is held on trust, the benefit of any covenants, undertakings, representations, warranties, rights, powers, benefits or remedies in favour of the Trustee under the Trust Deed).

Undertakings

The Company has undertaken to the Trustee (as trustee for the relevant Holder) to, among other things:

- pay the amounts due and payable in respect of each Capital Note under and in accordance with the Trust Deed;
- comply with its obligations under the Capital Notes Terms; and
- comply with its obligations under Chapter 2L and its reporting obligations under the Corporations Act (including under section 318 of the Corporations Act).

Enforcement

The Trustee is not obliged to take any action to enforce the Capital Notes Terms or the Trust Deed, unless each of the following conditions are met:

- it is directed to take such action pursuant to an Ordinary Resolution or in writing by Holders holding Capital Notes representing at least 15% of the aggregate Face Value of all Capital Notes then outstanding (unless the Trust Deed or the Capital Notes Terms require a Special Resolution or a different threshold of approval in the particular circumstances);
- its liability is limited in accordance with the Trust Deed;
- it is indemnified, to its reasonable satisfaction, against certain actions or costs in accordance with the Trust Deed; and
- the action is permitted under the Trust Deed or the Capital Notes Terms and by law.

No Holder is entitled to proceed directly against the Company to enforce any right or remedy under or in respect of any Capital Note unless the Trustee, being entitled and having become bound to proceed, fails to do so within 21 days and the failure is continuing. Any such proceedings must be brought in the name of the Holder and not the Trustee.

Liability

Except to the extent arising as a result of the Trustee's fraud, negligence or wilful default, the Trustee is not liable to the Company or any other person in any capacity other than as trustee of the Trust and the Trustee's liability is further limited to the assets of the Trust available to indemnify the Trustee for the liability.

Fees and expenses

The Company will pay the Trustee fees as agreed between the Company and the Trustee. The Company will also pay, on demand, the Trustee's costs, losses and expenses incurred in the course of it acting as Trustee of the Trust (except where incurred as a result of the Trustee's default), as well as costs, losses and expenses incurred in connection with exercising, enforcing or preserving (or attempting to do so) rights under the Trust Deed.

Retirement and Removal

Subject to compliance with the relevant statutory requirements, the Trustee may retire at any time by giving notice to the Company at least 60 days before the date it wants to retire or any other period that is agreed. The Company may remove the Trustee at any time by giving notice to the Trustee of at least 60 days (or such other period as the Company and the Trustee may agree or required by the Corporations Act) in circumstances, including:

- the Trustee is in breach of its obligations under the Trust Deed in a material respect and has not rectified the breach within 7 Business Days of receiving notice from the Company requesting the breach be remedied;
- the Trustee has acted fraudulently, has been negligent or is in wilful default or is in breach of section 283DA of the Corporations Act;
- the Trustee ceases or has ceased or has expressed an intention to cease to carry on business;
- the Trustee ceases to be a person which can act as Trustee under section 283AC(1) of the Corporations Act;
- the Trustee is placed in liquidation or is wound-up or dissolved or a receiver, liquidator, administrator or similar official is appointed to the Trustee; or
- the Company is authorised or requested to do so by a meeting of Holders.

The removal or retirement of the Trustee does not take effect until the appointment of a new trustee is effective. The Company has the power to appoint a new trustee.

Meetings

A meeting of Holders has the power to, by Ordinary Resolution, give directions to the Trustee in respect of the performance of its duties, rights, powers and remedies under the Trust Deed and the Capital Notes Terms and, by Special Resolution, release the Trustee from liability, approve any act taken or to be taken by the Trustee or approve any amendment to the Trust Deed or the Capital Notes Terms required to be authorised by a Special Resolution.

8 Additional Information

Each Holder present at a meeting is entitled to one vote on a show of hands, unless a poll is demanded by the chairperson of the meeting, the Trustee or the Company or by, or on behalf of, one or more Holders holding (in aggregate) Capital Notes representing at least 5% of the aggregate Face Value of the Capital Notes outstanding when the meeting begins. On a poll, every Holder of Capital Notes who is present has one vote for every Capital Note with respect to which it is the registered holder.

No monitoring obligations

The Trustee is not responsible for monitoring compliance by the Company with its obligations under the Trust Deed or any other activities of the Company, except as required by law. In this regard, the Trustee is subject to certain statutory duties imposed on it under Chapter 2L of the Corporations Act, including to exercise reasonable diligence to ascertain whether:

- the property of the Company that is, or should be, available will be sufficient to repay the amounts lent by Holders in respect of Capital Notes; and
- the Company has breached the Capital Notes Terms, the Trust Deed or the provisions of Chapter 2L of the Corporations Act; and
- unless the Trustee is satisfied the breach is not material, it must do everything in its power to ensure the Company remedies such a breach.

Receipt of moneys

All moneys that are received by the Trustee under the Trust Deed will be applied first in payment of any amounts owing to the Trustee in connection with the Trust Deed and secondly, in or towards, payment of all amounts due but unpaid under the Capital Notes to the relevant Holders. The balance (if any) of the money remaining after those payments will be returned to the Company.

8.9 United States Foreign Account Tax Compliance Act and OECD Common Reporting Standard

8.9.1 FATCA

Under sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986 (**'FATCA'**), a 30% withholding (**'FATCA Withholding'**) may be required if (i)(A) an investor does not provide information sufficient for any non-United States financial institution (**'FFI'**) through which payments on the Capital Notes are made to determine the Holder's status under FATCA, or (B) an FFI to or through which payments on the Capital Notes are made is a "non-participating FFI"; and (ii) the Capital Notes are treated as debt for United States federal income tax purposes and the payment is made in respect of Capital Notes issued or modified after the date that is six months after the date on which final regulations defining the term "foreign passthru payment" are filed with the United States Federal Register, or the Capital Notes are treated as equity for United States federal income tax purposes or do not have a fixed term, whenever issued.

FATCA withholding is not expected to apply on payments made before the date that is two years after the date on which final regulations defining the term "foreign passthru payment" are filed with the United States Federal Register.

Reporting Australian Financial Institutions (**'RAFI'**s) under the Australia–United States FATCA Intergovernmental Agreement dated 28 April 2014 (**'Australian IGA'**) must comply with specific due diligence procedures. In general, these procedures seek to identify account holders and provide the Australian Taxation Office (**'ATO'**) with information on financial accounts (which may include the Capital Notes) held by United States persons and recalcitrant account holders. The ATO is required to provide such information to the United States Internal Revenue Service. Consequently, Holders may be requested to provide certain information and certifications to any FFIs through which payments on the Capital Notes are made. A RAFI that complies with its obligations under the Australian IGA will not be subject to FATCA withholding on amounts it receives, and will not be required to deduct FATCA withholding from payments it makes, other than in certain prescribed circumstances.

In the event that any amount is required to be withheld or deducted from a payment on the Capital Notes as a result of FATCA, pursuant to the terms and conditions of the Capital Notes, no additional amounts will be paid by the Company as a result of the deduction or withholding.

8.9.2 CRS

The OECD Common Reporting Standard for Automatic Exchange of Financial Account Information ('**CRS**') requires certain financial institutions to report information regarding certain accounts (which may include the Capital Notes) to their local tax authority and follow related due diligence procedures. Holders may be requested to provide certain information and certifications to ensure compliance with the CRS. A jurisdiction that has signed a CRS Competent Authority Agreement may provide this information to other jurisdictions that have signed the CRS Competent Authority Agreement. The Australian Government has enacted legislation amending, among other things, the *Taxation Administration Act 1953* (Cth) to give effect to the CRS.

8.9.3 ASX relief

ASX has classified the Capital Notes as "convertible debt securities" for the purposes of the ASX Listing Rules and has confirmed that:

- the Capital Notes Terms are appropriate and equitable for the purposes of ASX Listing Rule 6.1;
- ASX does not consider the Capital Notes to be preference securities for the purposes of ASX Listing Rules 6.4 – 6.7;
- Conversion or Redemption of Capital Notes, as provided in the Capital Notes Terms, is appropriate and equitable for the purposes of ASX Listing Rule 6.12; and
- the timetable for the Offer is acceptable.

8.10 Costs of the Offer

The total expenses of the Offer will be paid out of the proceeds of the Offer. Assuming the Offer raises \$150 million, then the net proceeds of the Offer are expected to be \$146.1 million and the total expenses of the Offer (including fees payable to the Arranger and Joint Lead Managers, legal, accounting, tax, marketing, administrative fees, as well as printing, advertising and other expenses related to this Prospectus and the Offer) are expected to be \$3.9 million. All of these expenses have been, or will be, borne by the Company.

8.11 Governing law

This Prospectus and the contracts that arise from the acceptance of the Applications and bids under this Prospectus are governed by the laws applicable in Victoria, Australia and each Applicant for Capital Notes under this Prospectus and each bidder for Capital Notes submits to the exclusive jurisdiction of the courts of Victoria, Australia.



A | **Appendix A.** **Capital Notes Terms**

Appendix A. Capital Notes Terms

1 Form of Capital Notes

1.1 Constitution under Trust Deed

Latitude Capital Notes (the **Capital Notes**) are perpetual, subordinated, unsecured notes of the Issuer constituted by, and owing under, the Trust Deed.

1.2 Form

The Capital Notes are issued in registered form by entry in the Register.

1.3 Face Value

The Capital Notes have a Face Value of A\$100 and are issued fully paid.

1.4 Currency

The Capital Notes are denominated in Australian dollars.

1.5 Clearing system

The Capital Notes will be entered into and dealt with in CHESS. For so long as the Capital Notes remain in CHESS, the rights of a person holding an interest in the Capital Notes are subject to the rules and regulations of CHESS.

1.6 No certificates

No certificates will be issued to Holders unless the Issuer determines that certificates should be available or are required by any applicable law.

1.7 ASX quotation

The Issuer must use all reasonable endeavours and furnish all such documents, information and undertakings as may be reasonably necessary in order to procure that the Capital Notes are, and until Redeemed or Converted remain, quoted on ASX.

1.8 No other rights

No Holder has:

- (a) any claim against the Issuer (except as expressly set out in these Terms or the Trust Deed) or any other member of the Latitude Group; or
- (b) any right to:
 - (i) vote at any meeting of shareholders of the Issuer;
 - (ii) subscribe for new securities (except in respect of Conversion) or to participate in any bonus issues of securities of the Issuer; or
 - (iii) otherwise participate in the profits or property of the Issuer.

2 Status and subordination

2.1 Status and ranking

The Capital Notes constitute direct and unsecured subordinated debt obligations of the Issuer, ranking for payment of Distributions and for payment of the Redemption Price and other amounts in a winding-up of the Issuer:

- (a) ahead of Latitude Ordinary Shares;
- (b) equally among themselves and with all Equal Ranking Obligations; and
- (c) behind the claims of Senior Creditors.

The rights and claims of the Holders are subordinated as described in clause 11.2.

2.2 Unsecured Notes

The Capital Notes are unsecured notes for the purposes of section 283BH of the Corporations Act.

Appendix A. Capital Notes Terms

3 Distributions

3.1 Distributions and Distribution Rate

Subject to these Terms, each Capital Note entitles the Holder on a Record Date to receive, in respect of a Distribution Period, on the Distribution Payment Date following the end of that Distribution Period, interest (**Distribution**) on its Face Value calculated according to the following formula:

$$\text{Distribution} = \frac{\text{Distribution Rate} \times \text{A\$100} \times \text{N}}{365}$$

where:

Distribution Rate (expressed as a percentage per annum) in respect of a Capital Note for a Distribution Period is the rate calculated according to the following formula:

$$\text{Distribution Rate} = (\text{Bank Bill Rate} + \text{Margin}) \times (1 - \text{Tax Rate})$$

where:

Bank Bill Rate means:

(a) subject to paragraph (b) immediately below:

- (i) for a Distribution Period, the rate (expressed as a percentage per annum) designated “BBSW” in respect of prime bank eligible securities having a tenor of three months which ASX (or its successor as administrator of that rate) publishes through information vendors at approximately 10:30am Sydney time (or such other time at which such rate is accustomed to be so published) (the **Publication Time**), on the first Business Day of that Distribution Period; or
- (ii) if the Issuer determines that such rate as is described in paragraph (i) above:
 - (A) is not published by midday (or such other time that the Issuer considers appropriate on that day); or
 - (B) is published, but is affected by an obvious error,such other rate (expressed as a percentage per annum) that the Issuer determines having regard to comparable indices then available; and

(b) if the Issuer determines that a Rate Disruption Event has occurred, then the Issuer:

- (i) shall use as the Bank Bill Rate such Replacement Rate as it may determine;
- (ii) shall make such adjustments to these Terms as it determines are reasonably necessary to calculate Distributions in accordance with such Replacement Rate; and
- (iii) in making the determinations under paragraphs (i) and (ii) immediately above:
 - (A) shall act in good faith and in a commercially reasonable manner;
 - (B) may consult with such sources of market practice as it considers appropriate; and
 - (C) may otherwise make such determination in its discretion;

Margin (expressed as a percentage per annum) means the margin determined under the Bookbuild, subject to being increased pursuant to clause 3.2;

Rate Disruption Event means that, in the Issuer's opinion, the rate described in paragraph (a) of the definition of “Bank Bill Rate” above:

- (a) has been discontinued or otherwise ceased to be calculated or administered; or
- (b) is no longer generally accepted in the Australian market as a reference rate appropriate to floating rate debt securities of a tenor and interest period comparable to that of the Capital Notes;

Replacement Rate means a rate other than the rate described in paragraph (a) of the definition of “Bank Bill Rate” that is generally accepted in the Australian market as the successor to the Bank Bill Rate, or if the Issuer is not able, after making reasonable efforts, to ascertain such rate, or there is no such rate:

- (a) a reference rate that is, in the Issuer’s opinion, appropriate to floating rate debt securities of a tenor and interest period most comparable to that of the Capital Notes; or
- (b) such other rate as the Issuer determines having regard to available comparable indices; and

Tax Rate (expressed as a decimal) means the Australian corporate tax rate applicable to the franking account of the Issuer at the relevant Distribution Payment Date; and

N means in respect of:

- (a) the first Distribution Payment Date, the number of days from (and including) the Issue Date until (but not including) the first Distribution Payment Date; and
- (b) each subsequent Distribution Payment Date, the number of days from (and including) the preceding Distribution Payment Date until (but not including) the relevant Distribution Payment Date.

3.2 Increase in Margin

- (a) If the Capital Notes are not Exchanged by the Issuer on the Optional Exchange Date, the then prevailing Margin will be increased by 3.00% per annum from (and including) that date (the **Step-up Date**).
- (b) If:
 - (i) the Capital Notes remain outstanding following the Optional Exchange Date;
 - (ii) a Change of Control Event has occurred (whether before or after the Optional Exchange Date); and
 - (iii) the Capital Notes are not Redeemed by the Issuer following the occurrence of the Change of Control Event, the then prevailing Margin will be increased by 5.00% per annum (**Change of Control Step-up**) with effect from (and including) the later of the Optional Exchange Date and the fifteenth Business Day following the date on which that Change of Control Event occurred (the **Change of Control Step-up Date**).
- (c) The increases in clause 3.2(a) and clause 3.2(b) shall be applied cumulatively.
- (d) The occurrence of the Change of Control Event and of the Change of Control Step-up will be notified by the Issuer to the Holders no later than the Change of Control Step-up Date. The Margin will not increase by reason of any subsequent Change of Control Event.
- (e) Where the Change of Control Step-up Date falls in a Distribution Period, the Distribution for that Distribution Period will be increased to reflect the Margin applicable to the days remaining in that period on and from that date.

3.3 Franking Rate determination and adjustments to Distributions

- (a) The Issuer must determine the Franking Rate for each Distribution in accordance with the Tax Act so that (unless the Tax Act otherwise requires):
 - (i) the Franking Rate for a Distribution equals the Franking Rate of:
 - (A) a Dividend paid or expected to be paid by the Issuer during the Franking Period in which that Distribution is paid (**Applicable Franking Period**); or
 - (B) if a Dividend is not paid or expected to be paid by the Issuer in the Applicable Franking Period, a prior Distribution paid during the Applicable Franking Period; and
 - (ii) if the circumstances in paragraphs (i)(A) or (i)(B) do not apply in respect of a Distribution, then the Franking Rate for that Distribution will be determined at the absolute discretion of the Issuer.

Appendix A. Capital Notes Terms

- (b) If the Franking Rate for a Distribution is not 100%, the Distribution will be calculated according to the following formula:

$$\text{Distribution} = \frac{D}{1 - [\text{Tax Rate} \times (1 - F)]}$$

where:

D means the Distribution calculated under clause 3.1;

Tax Rate has the meaning given in clause 3.1; and

F means the applicable Franking Rate.

3.4 Distribution payments

- (a) Payments of Distributions are subject to the absolute discretion of the Issuer under clause 3.5 but subject to the requirements specified in clauses 3.9 and 3.10.
- (b) Any payments of Distributions to Holders must be made in the form of cash.

3.5 Discretionary Distributions

- (a) The Issuer may determine in its absolute discretion whether to pay all or part of a Distribution which is payable on a Distribution Payment Date.
- (b) If the Issuer determines not to pay all or part of a Distribution which is scheduled to be paid on a Distribution Payment Date (such Distribution (or part of such Distribution) (an “**Unpaid Distribution**”)), the Issuer has no liability to pay it but clause 3.9 applies until:
- (i) the next following Distribution Payment Date on which the Issuer elects at its discretion to pay the Unpaid Distribution Amount and the Distribution scheduled for that Distribution Payment Date; or
 - (ii) such other date on which the Issuer determines in its discretion to pay the Unpaid Distribution Amount,
- in each case having given at least five and not more than 15 Business Days' prior notice of such determination to the Trustee, the Registrar and ASX.
- (c) The Issuer will notify the Trustee, the Registrar and ASX of any determination by it not to pay all or part of the Distribution which would otherwise be payable on a Distribution Payment Date not less than 16 Business Days prior to that Distribution Payment Date.
- (d) Non-payment of Distributions under this clause 3.5 will not constitute a default by the Issuer or a breach of its obligations under the Capital Notes or for any other purpose.
- (e) Interest will not accrue on any Unpaid Distribution.

3.6 Distribution Payment Dates

Subject to this clause 3, Distributions will be payable in arrear in respect of a Capital Note on the following dates (each a **Distribution Payment Date**):

- (a) each 27 January, 27 April, 27 July and 27 October, commencing on 27 January 2022, until (but not including) the date on which the Capital Note is Exchanged in accordance with these Terms; and
- (b) each other date on which an Exchange of the Capital Note occurs, in each case, in accordance with these Terms.

If a Distribution Payment Date is a day which is not a Business Day, then the Distribution Payment Date becomes the next day which is a Business Day.

3.7 Record Dates

A Distribution is only payable on a Distribution Payment Date to those persons registered as Holders on the Record Date for that Distribution.

3.8 Notification of Distribution, Distribution Rate and other items

For each Distribution Period, the Issuer must notify the Trustee, the Registrar and ASX of the Distribution Rate and the expected Distribution payable as soon as practicable, but in any event no later than the fourth Business Day of the Distribution Period.

3.9 Restrictions in the case of non-payment of a Distribution

Subject to clause 3.10, if for any reason a Distribution has not been paid in full on or within 20 Business Days of a Distribution Payment Date (the **Relevant Distribution Payment Date**), the Issuer must not until the date on which the Unpaid Distribution Amount has been paid in full:

- (a) declare, determine to pay or pay a Dividend; or
- (b) undertake any Buy-Back or Capital Reduction.

The **Unpaid Distribution Amount** is calculated as the amount that is the aggregate of each Grossed-up Unpaid Distribution Amount, multiplied by the Current Franking Adjustment Factor, where:

Grossed-up Unpaid Distribution Amount means, in respect of an Unpaid Distribution, the amount that that Distribution would have been if the Issuer had determined to pay it and such Distribution had been increased in accordance with clause 3.3(b) if the Franking Rate applicable to that Distribution had been zero.

Current Franking Adjustment Factor is:

$$\frac{(1 - \text{Tax Rate})}{1 - [\text{Tax Rate} \times (1 - F)]}$$

where:

Tax Rate (expressed as a decimal) means the Australian corporate tax rate applicable to the franking account of the Issuer at the date of payment of the Unpaid Distribution Amount.

F means the applicable Franking Rate at the date of payment of the Unpaid Distribution Amount.

3.10 Exclusions from restrictions in case of non-payment

The restrictions in clause 3.9 do not apply:

- (a) to a Buy-Back or Capital Reduction in connection with any employment contract, benefit plan or other similar arrangement; and
- (b) to the extent that at the time a Distribution has not been paid on the relevant Distribution Payment Date, the Issuer is legally obliged to pay on or after that date a Dividend or complete on or after that date a Buy-Back or Capital Reduction.

4 Optional Exchange by the Issuer

4.1 Optional Exchange by the Issuer

The Issuer may by notice to Holders and the Trustee (an **Exchange Notice**) elect to:

- (a) Convert or Redeem all (but not some only) Capital Notes on an Exchange Date following the occurrence of a Tax Event, an Accounting Event or a Regulatory Event;
- (b) Redeem all (but not some only) Capital Notes on an Exchange Date following the occurrence of a Change of Control Event; or
- (c) Convert or Redeem all or some Capital Notes on the Optional Exchange Date or any Distribution Payment Date following the Optional Exchange Date.

Appendix A. Capital Notes Terms

4.2 Contents of Exchange Notice

An Exchange Notice must specify:

- (a) where clause 4.1(a) or clause 4.1(b) applies, the details of the Tax Event, Accounting Event, Regulatory Event or Change of Control Event to which the Exchange Notice relates;
- (b) the date on which Exchange is to occur (the **Exchange Date**), which:
 - (i) in the case of a Tax Event, an Accounting Event or a Regulatory Event, is the last Business Day of the month following the month in which the Exchange Notice was given by the Issuer unless the Issuer determines an earlier Exchange Date having regard to the best interests of Holders as a whole and the relevant event;
 - (ii) in the case of a Change of Control Event, is a date specified by the Issuer in the Exchange Notice which is:
 - (A) no later than the Change of Control Step-up Date; and
 - (B) no earlier than 10 Business Days after the date on which the Exchange Notice is given; or
 - (iii) in the case of clause 4.1(c), is the Optional Exchange Date, which must fall:
 - (A) no earlier than:
 - (aa) 25 Business Days, where the Exchange Method elected is Conversion; or
 - (ab) 15 Business Days, where the Exchange Method elected is Redemption; and
 - (B) in any case no later than 50 Business Days,after the date on which the Exchange Notice is given;
- (c) in relation to an Exchange elected under clause 4.1(a), the Exchange Method (in accordance with clause 4.3); and
- (d) if less than all Capital Notes are subject to Exchange, the proportion of the Capital Notes that are to be Exchanged.

4.3 Exchange Method

- (a) If the Issuer elects to Exchange Capital Notes in accordance with clause 4.1(a), it must, subject to clause 4.3(b), elect which of the following it intends to do in respect of Capital Notes (the **Exchange Method**):
 - (i) Convert Capital Notes into Latitude Ordinary Shares in accordance with clause 5 and, in this case whether any Distribution is to be paid in cash in accordance with clause 9.5 on the Exchange Date; or
 - (ii) Redeem Capital Notes in accordance with clause 6.
- (b) In its election under clause 4.3(a), the Issuer may specify which of Conversion or Redemption applies to a particular Capital Note. Without limitation to the foregoing:
 - (i) the Issuer may select any one or more of Conversion or Redemption to apply to the Capital Notes held by a Holder; and
 - (ii) the Issuer may select a different combination of Conversion or Redemption in respect of Capital Notes held by different Holders,but otherwise the Issuer must endeavour to treat Holders, in the case of an Exchange of only some Capital Notes, on an approximately proportionate basis (although it may discriminate to take account of the effect on marketable parcels and other logistical considerations).

5 Conversion mechanics

5.1 Conversion

If the Issuer elects to Convert Capital Notes in accordance with these Terms, then, subject to this clause 5, the following provisions shall apply:

- (a) each Capital Note that is being Converted will Convert into the Conversion Number of Latitude Ordinary Shares. The Conversion Number will be calculated by the Issuer in accordance with the following formula:

$$\text{Conversion Number} = \frac{\text{Nominal Amount}}{97.5\% \times \text{VWAP}}$$

where:

Nominal Amount means the aggregate of (a) the Face Value of the Capital Note to be Converted; and (b) the amount of the Distribution scheduled to be paid on the Exchange Date, together with any Unpaid Distribution Amount determined as at that date, unless the Issuer has elected to pay such amounts in cash in accordance with clause 9.5, as specified in the Exchange Notice;

VWAP (expressed in dollars and cents) means the VWAP during the VWAP Period;

- (b) each Holder's rights in relation to each Capital Note that is being Converted will be immediately and irrevocably terminated in full for the amounts that together comprise the Nominal Amount in respect of each Capital Note and the Issuer will apply such amounts by way of payment for the subscription for the Latitude Ordinary Shares to be issued to the Holder under clause 5.1(a). Each Holder is taken to have irrevocably directed the Issuer to apply any amount payable under this clause 5.1 in this way and Holders do not have any right to payment in any other way. Termination of a Holder's rights in relation to a Capital Note will not limit the Issuer's discretion to pay a Distribution on that Capital Note on the Exchange Date in accordance with and subject to clause 3;
- (c) if the total number of Latitude Ordinary Shares to be allotted and issued in respect of a Holder's aggregate holding of Capital Notes upon Conversion includes a fraction of a Latitude Ordinary Share, that fraction of a Latitude Ordinary Share will be disregarded; and
- (d) upon Conversion, a Holder will be given all of the rights attaching to the Conversion Number of Latitude Ordinary Shares allotted and issued in respect of such Holder's aggregate holding of Capital Notes but these rights do not take effect until 5:00pm Sydney time on the Exchange Date. At that time:
- (i) all other rights conferred or restrictions imposed on that Capital Note under these Terms will no longer have effect (except for rights relating to a Distribution which has been determined to be payable but has not been paid on or before the Exchange Date, which rights will continue); and
 - (ii) the Latitude Ordinary Share resulting from the Conversion will rank equally with all other Latitude Ordinary Shares.

5.2 Adjustments to VWAP

For the purposes of calculating the VWAP in these Terms:

- (a) where, on some or all of the Business Days in the VWAP Period, Latitude Ordinary Shares have been quoted on ASX as cum dividend or cum any other distribution or entitlement and Capital Notes will Convert into Latitude Ordinary Shares after the date those Latitude Ordinary Shares no longer carry that dividend or any other distribution or entitlement, then the VWAP on the Business Days on which those Latitude Ordinary Shares have been quoted cum dividend or cum any other distribution or entitlement shall be reduced by an amount (the **Cum Value**) equal to:
- (i) (in the case of a dividend or other distribution), the amount of that dividend or other distribution including, if the dividend or other distribution is franked, the amount that would be included in the assessable income of a recipient of the dividend or other distribution who is both a resident of Australia and a natural person under the Tax Act;

Appendix A. Capital Notes Terms

- (ii) (in the case of any other entitlement that is not a dividend or other distribution under clause 5.2(a)(i) which is traded on ASX on any of those Business Days), the volume weighted average sale price of all such entitlements sold on ASX during the VWAP Period on the Business Days on which those entitlements were traded; or
 - (iii) (in the case of any other entitlement which is not traded on ASX during the VWAP Period), the value of the entitlement as reasonably determined by the Directors; and
- (b) where, on some or all of the Business Days in the VWAP Period, Latitude Ordinary Shares have been quoted on ASX as ex dividend or ex any other distribution or entitlement, and Capital Notes will Convert into Latitude Ordinary Shares in respect of which the relevant dividend or other distribution or entitlement would be payable, the VWAP on the Business Days on which those Latitude Ordinary Shares have been quoted ex dividend or ex any other distribution or entitlement shall be increased by the Cum Value.

5.3 Adjustments to VWAP for divisions and similar transactions

- (a) Where during the VWAP Period there is a change in the number of Latitude Ordinary Shares on issue as a result of a Reorganisation, in calculating the VWAP for the VWAP Period the VWAP on each Business Day in the VWAP Period which falls before the date on which trading in Latitude Ordinary Shares is conducted on a post-Reorganisation basis shall be adjusted by multiplying it by the following formula:

$$\frac{A}{B}$$

where:

A means the aggregate number of Latitude Ordinary Shares immediately before the Reorganisation; and

B means the aggregate number of Latitude Ordinary Shares immediately after the Reorganisation.

- (b) Any adjustment made by the Issuer in accordance with clause 5.3(a) will be effective and binding on Holders under these Terms and these Terms will be construed accordingly. Any such adjustment must be promptly notified to all Holders.

5.4 Rights issues and similar issues

Where during the VWAP Period the Issuer issues Latitude Ordinary Shares to holders of its Latitude Ordinary Shares as a class by way of rights, or issues or grants to such shareholders as a class rights, options, warrants or other rights to subscribe for or purchase any Latitude Ordinary Shares, in each case at a price per Latitude Ordinary Share which is less than 95% of the VWAP immediately preceding the date of the first public announcement by the Issuer of the terms of the issue or grant of such Latitude Ordinary Shares, options, warrants or other rights, the VWAP for each Business Day in the period before the date on which trading is conducted ex-rights, ex-options or ex-warrants on ASX shall be adjusted by multiplying the VWAP applicable immediately prior to such issue or grant by the following fraction:

$$\frac{A + B}{A + C}$$

where:

A is the number of Latitude Ordinary Shares on issue immediately before such announcement;

B is the number of Latitude Ordinary Shares which the aggregate amount (if any) payable for the Latitude Ordinary Shares issued by way of rights, or for the options or warrants or other rights issued by way of rights and for the total number of Latitude Ordinary Shares deliverable on the exercise thereof, would purchase at such VWAP per Latitude Ordinary Share; and

C is the number of Latitude Ordinary Shares issued or, as the case may be, the maximum number of Latitude Ordinary Shares which may be issued upon exercise of such options, warrants or rights calculated as at the date of issue of such options, warrants or rights.

5.5 Announcement of adjustments

The Issuer will notify Holders and the Trustee (an **Adjustment Notice**) of any adjustment to the VWAP under this clause 5 within 10 Business Days of the Issuer determining the adjustment.

5.6 Latitude Ordinary Shares

Each Latitude Ordinary Share issued or arising upon Conversion ranks pari passu with all other fully paid Latitude Ordinary Shares.

5.7 Issue of Latitude Ordinary Shares to Nominee

If:

- (a) Capital Notes held by a Foreign Holder are to be Converted (unless the Issuer is satisfied that the laws of the Foreign Holder's country of residence permit the issue of Latitude Ordinary Shares to the Foreign Holder (but as to which the Issuer is not bound to enquire), either unconditionally or after compliance with conditions which the Issuer in its absolute discretion regards as acceptable and not unduly onerous);
- (b) the Issuer has elected or is required to Convert Capital Notes and the Holder has notified the Issuer that it does not wish to receive Latitude Ordinary Shares as a result of Conversion, which notice may be given by the Holder at any time on or after the Issue Date and no less than 15 Business Days prior to the date scheduled for Conversion; or
- (c) the Issuer has elected or is required to Convert Capital Notes and a FATCA Withholding is required to be made in respect of Latitude Ordinary Shares issued on Conversion of the Capital Notes,

then, on the date for Conversion:

- (i) in the case of paragraphs (a) and (b), the number of Latitude Ordinary Shares which the relevant Holder is obliged to accept, will be issued to a nominee appointed by the Issuer (**Nominee**), which Nominee will sell that number of Latitude Ordinary Shares and pay a cash amount equal to the Proceeds to the relevant Holder accordingly; and
- (ii) in the case of a FATCA Withholding, the Latitude Ordinary Shares which the Holder is obliged to accept will be issued to the Holder only to the extent (if at all) that the issue is net of FATCA Withholding, and the number of Latitude Ordinary Shares the subject of the FATCA Withholding will be issued to the Nominee and dealt with in accordance with FATCA.

5.8 No duty on sale

For the purposes of clause 5.7:

- (a) the issue of Latitude Ordinary Shares to the Nominee satisfies all obligations of the Issuer in connection with the Conversion, the Capital Notes will be deemed Converted and will be dealt with in accordance with clause 5.1 and, on and from the issue of those Latitude Ordinary Shares, the rights of a Holder the subject of clause 5.7 in respect of those Latitude Ordinary Shares are limited to its rights in respect of the Latitude Ordinary Shares or the Proceeds as provided in clause 5.7; and
- (b) neither the Issuer nor the Nominee owes any obligations or duties to the Holders in relation to the price for which, or other terms on which, Latitude Ordinary Shares are sold nor has any liability for any loss suffered by a Holder as a result of the sale of Latitude Ordinary Shares.

5.9 Listing Latitude Ordinary Shares issued on Conversion

The Issuer shall use all reasonable endeavours to list the Latitude Ordinary Shares issued upon Conversion of Capital Notes on ASX.

5.10 Failure to Convert

If the Issuer fails to Convert Capital Notes on or within 5 Business Days of the Exchange Date the Exchange Notice shall be taken to be revoked and the Capital Notes remain on issue until such time as they are Redeemed or Converted in accordance with these Terms.

Appendix A. Capital Notes Terms

6 Redemption mechanics

6.1 Redemption mechanics

If the Issuer elects to Redeem Capital Notes in accordance with these Terms, the provisions of this clause 6 apply to that Redemption.

6.2 Redemption

A Capital Note will be Redeemed by payment on the Exchange Date of the Face Value to the relevant Holder (**Redemption Price**), together with the Distribution scheduled to be paid on the Exchange Date and any Unpaid Distribution Amount determined as at the Exchange Date.

6.3 Effect of Redemption on Holders

Upon payment of the Redemption Price, together with the Distribution scheduled to be paid on the Exchange Date and any Unpaid Distribution Amount determined as at the Exchange Date, all other rights conferred, or restrictions imposed, by Capital Notes will no longer have effect.

6.4 Failure to pay Redemption Price

If the Issuer fails to pay the Redemption Price on or within 5 Business Days of the Exchange Date the Exchange Notice shall be taken to be revoked and the Capital Notes remain on issue until such time as they are Redeemed or Converted in accordance with these Terms.

7 General rights

7.1 Power of attorney

- (a) Each Holder appoints each of the Issuer, its officers and any External Administrator of the Issuer (each an **Attorney**) severally to be the attorney of the Holder with power in the name and on behalf of the Holder to sign all documents and transfers and do any other thing as may in the Attorney's opinion be necessary or desirable to be done in order for the Holder to observe or perform the Holder's obligations under these Terms including, but not limited to, effecting any Conversion, Redemption or making any entry in the Register or the register of any Latitude Ordinary Shares.
- (b) The power of attorney given in this clause 7.1 is given for valuable consideration and to secure the performance by the Holder of the Holder's obligations under these Terms and is irrevocable.

7.2 Consent to receive Latitude Ordinary Shares and other acknowledgements

Each Holder irrevocably:

- (a) upon receipt of the Conversion Number of Latitude Ordinary Shares following Conversion of Capital Notes, consents to becoming a member of the Issuer and agrees to be bound by the constitution of the Issuer, in each case in respect of Latitude Ordinary Shares issued on Conversion;
- (b) acknowledges and agrees that it is obliged to accept Latitude Ordinary Shares on Conversion notwithstanding anything that might otherwise affect a Conversion of Capital Notes including:
 - (i) any change in the financial position of the Issuer or any member of the Latitude Group since the Issue Date;
 - (ii) any disruption to the market or potential market for Latitude Ordinary Shares or capital markets generally; or
 - (iii) any breach by the Issuer of any obligation in connection with the Capital Notes;
- (c) agrees to provide to the Issuer any information necessary to give effect to a Conversion; and

(d) acknowledges and agrees that:

- (i) a Holder has no right to request a Conversion or Redemption of any Capital Note or to determine the Exchange Method;
- (ii) a Holder has no right to apply for the Issuer to be wound up, or placed in administration, or to cause a receiver, or a receiver and manager, to be appointed in respect of the Issuer merely on the grounds that the Issuer does not or is or may become unable to pay a Distribution when scheduled in respect of Capital Notes;
- (iii) these Terms contain no events of default. Accordingly (but without limitation) failure to pay in full, for any reason, a Distribution on a scheduled Distribution Payment Date, or a failure by the Issuer to comply with any of its obligations, will not constitute an event of default; and
- (iv) it has no remedy on account of a failure by the Issuer to issue Latitude Ordinary Shares to a Holder or a Nominee in accordance with these Terms other than to seek specific performance of the obligation to issue Latitude Ordinary Shares.

8 Title and transfer of Capital Notes

8.1 Title

Title to Capital Notes passes when details of the transfer are entered in the Register.

8.2 Effect of entries in Register

Each entry in the Register in respect of a Capital Note constitutes a separate and independent acknowledgement to the relevant Holder of the obligations of the Issuer to the relevant Holder.

8.3 Register conclusive as to ownership

Entries in the Register in relation to a Capital Note constitute conclusive evidence that the person so entered is the absolute owner of the Capital Note subject to correction for fraud or error.

8.4 Non-recognition of interests

- (a) Except as required by law and as provided by these Terms, the Issuer, the Trustee and the Registrar must treat the person whose name is entered in the Register as the Holder of a Capital Note as the absolute owner of that Capital Note. This clause 8.4 applies whether or not a payment has been made as scheduled in respect of a Capital Note and despite any notice of ownership, trust or interest in the Capital Note.
- (b) No notice of any trust, Encumbrance or other interest in, or claim to any Note will be entered in the Register.

Encumbrance means any mortgage, pledge, charge, lien, assignment by way of security, hypothecation, security interest, title retention, preferential right or trust arrangement, any other security agreement or security arrangement (including any security interest under the *Personal Property Securities Act 2009* (Cth)) and any other arrangement of any kind having the same effect as any of the foregoing other than liens arising by operation of law.

8.5 Joint Holders

Where two or more persons are entered in the Register as the joint Holders of a Capital Note then they are taken to hold the Capital Note as joint tenants with rights of survivorship, but the Registrar is not bound to register more than four persons as joint Holders of any Capital Note.

8.6 Transfers in whole

Capital Notes may be transferred in whole but not in part.

Appendix A. Capital Notes Terms

8.7 Transfer

A Holder may, subject to this clause 8.7, transfer any Capital Notes:

- (a) by a proper Transfer according to the ASX Settlement Operating Rules;
- (b) by a proper transfer under any other computerised or electronic system recognised by the Corporations Act;
- (c) under any other method of transfer which operates in relation to the trading of securities on any securities exchange outside Australia on which Capital Notes are quoted; or
- (d) by any proper or sufficient instrument of transfer of marketable securities under applicable law.

The Issuer must not charge any fee on the transfer of a Capital Note.

8.8 Market obligations

The Issuer must comply with all Applicable Regulations and any other relevant obligations imposed on it in relation to the transfer of a Capital Note.

8.9 Issuer may request holding lock or refuse to register transfer

If Capital Notes are quoted on ASX, and if permitted to do so by the ASX Listing Rules and the Corporations Act, the Issuer may:

- (a) request the CS Facility Operator or the Registrar, as the case may be, to apply a holding lock to prevent a transfer of Capital Notes approved by and registered on the CS Facility's electronic sub-register or Capital Notes registered on an issuer-sponsored sub-register, as the case may be; or
- (b) refuse to register a transfer of Capital Notes.

8.10 Issuer must request holding lock or refuse to register transfer

- (a) The Issuer must request the CS Facility Operator or the Registrar, as the case may be, to apply a holding lock to prevent a transfer of Capital Notes approved by and registered on the CS Facility's electronic sub-register or Capital Notes registered on an issuer-sponsored sub-register, as the case may be, if the Corporations Act, the ASX Listing Rules or the terms of a Restriction Agreement require the Issuer to do so.
- (b) The Issuer must refuse to register any transfer of Capital Notes if the Corporations Act, the ASX Listing Rules or the terms of a Restriction Agreement require the Issuer to do so.
- (c) During a breach of the ASX Listing Rules relating to Restricted Securities, or a breach of a Restriction Agreement, the Holder of the Restricted Securities is not entitled to any Distribution (or other distribution on), or voting rights in respect of, the Restricted Securities.

8.11 Notice of holding locks and refusal to register transfer

If, in the exercise of its rights under clauses 8.9 and 8.10, the Issuer requests the application of a holding lock to prevent a transfer of Capital Notes or refuses to register a transfer of Capital Notes, it must, within five Business Days after the date the holding lock is requested or the refusal to register a transfer, give written notice of the request or refusal to the Holder, to the transferee and the broker lodging the transfer, if any. Failure to give such notice does not, however, invalidate the decision of the Issuer.

8.12 Delivery of instrument

If an instrument is used to transfer Capital Notes according to clause 8.7, it must be delivered to the Registrar, together with such evidence (if any) as the Registrar reasonably requires to prove the title of the transferor to, or right of the transferor to transfer, the Capital Notes.

8.13 Refusal to register

The Issuer may only refuse to register a transfer of any Capital Notes if such registration would contravene or is forbidden by Applicable Regulations or the Terms.

If the Issuer refuses to register a transfer, the Issuer must give the lodging party notice of the refusal and the reasons for it within five Business Days after the date on which the transfer was delivered to the Registrar.

8.14 Transferor to remain Holder until registration

A transferor of a Capital Note remains the Holder in respect of that Capital Note until the transfer is registered and the name of the transferee is entered in the Register.

8.15 Effect of transfer

Upon registration and entry of the transferee in the Register the transferor ceases to be entitled to future benefits under the Trust Deed in respect of the transferred Capital Notes and the transferee becomes so entitled in accordance with clause 8.2.

8.16 Estates

A person becoming entitled to a Capital Note as a consequence of the death or bankruptcy of a Holder or of a vesting order or a person administering the estate of a Holder may, upon producing such evidence as to that entitlement or status as the Registrar considers sufficient, transfer the Capital Note or, if so entitled, become registered as the Holder of the Capital Note.

8.17 Transfer of unidentified Capital Notes

Where the transferor executes a transfer of less than all Capital Notes registered in its name, and the specific Capital Notes to be transferred are not identified, the Registrar may register the transfer in respect of such of the Capital Notes registered in the name of the transferor as the Registrar thinks fit, provided the aggregate of the Face Value of all the Capital Notes registered as having been transferred equals the aggregate of the Face Value of all the Capital Notes expressed to be transferred in the transfer.

9 Payments

9.1 Payments subject to law

All payments are subject to applicable law, but without prejudice to the provisions of clause 10.

9.2 Payments on Business Days

If a payment in respect of a Capital Note:

- (a) is due on a day which is not a Business Day, then the due date for payment will be postponed to the first following day that is a Business Day; or
- (b) is to be made to an account on a Business Day on which banks are not open for general banking business in the place in which the account is located, then the due date for payment to that Holder will be the first following day on which banks are open for general banking business in that place and the Holder is not entitled to any additional payment in respect of that delay.

Nothing in this clause applies to any payment referred to in clause 5.1(b), which occurs on the date of Conversion as provided in clause 5.1.

9.3 Payment of Redemption Price

Payments of the Redemption Price will be made to each person registered at the Relevant Time on the payment date as the Holder of a Capital Note.

9.4 Payment of Distribution

Payments of Distributions will be made to each person registered at the Relevant Time on the Record Date as the Holder of a Capital Note.

9.5 Payments to accounts

Monies payable by the Issuer to a Holder in respect of a Capital Note may be paid in any manner in which cash may be paid as the Issuer decides, including by any method of direct credit determined by the Issuer to the Holder or Holders shown on the Register or to such person or place directed by them.

Appendix A. Capital Notes Terms

9.6 Unsuccessful attempts to pay

Subject to applicable law and the ASX Listing Rules, where the Issuer:

- (a) decides that an amount is to be paid to a Holder by a method of direct credit and the Holder has not given a direction as to where amounts are to be paid by that method;
- (b) attempts to pay an amount to a Holder by direct credit, electronic transfer of funds or any other means and the transfer is unsuccessful;
- (c) has made reasonable efforts to locate a Holder but is unable to do so; or
- (d) has issued a cheque which has not been presented within six months of its date, then the Issuer may cancel such cheque,

then, in each case, the amount is to be held by the Issuer for the Holder in a non-interest bearing deposit account with a bank selected by the Issuer until the Holder or any legal personal representative of the Holder claims the amount or the amount is paid by the Issuer according to the legislation relating to unclaimed monies.

When this clause 9.6 applies, the amount payable in respect of the Capital Notes shall be taken to have been paid on the date scheduled for payment and no interest is payable in respect of any delay in payment.

9.7 Payment to joint Holders

A payment to any one of joint Holders will discharge the Issuer's liability in respect of the payment.

9.8 Time limit for claims

A claim against the Issuer for a payment under a Capital Note is void unless made within 10 years (in the case of the Redemption Price) or five years (in the case of Distributions and other amounts) from the date on which payment first became due.

9.9 Determination and calculation final

Except where there is fraud or a manifest error, any determination or calculation which the Issuer makes in accordance with these Terms is final and binds the Issuer, the Registrar and each Holder.

10 Taxation

10.1 No set-off, counterclaim or deductions

All payments in respect of the Capital Notes must be made in full without set-off or counterclaim, and without any withholding or deduction in respect of Taxes, unless prohibited by law.

10.2 Withholding tax

- (a) If a law requires the Issuer to withhold or deduct an amount in respect of Taxes from a payment in respect of the Capital Notes such that the Holder would not actually receive on the due date the full amount provided for under the Capital Notes, then the Issuer agrees to deduct the amount for the Taxes.
- (b) If any deduction is required, the Issuer must pay the full amount required to be deducted to the relevant revenue authority within the time allowed for such payment without incurring a penalty under the applicable law.
- (c) If:
 - (i) a deduction is made;
 - (ii) the amount of the deduction is accounted for by the Issuer to the relevant revenue authority; and
 - (iii) the balance of the amount payable has been paid to the Holder,

then the Issuer's obligation to make the payment to the Holder is taken to have been satisfied in full by the Issuer.

10.3 FATCA

- (a) If requested by the Issuer, each Holder agrees to provide certain information required by it or the Trustee to comply with any applicable law, including FATCA and the OECD Common Reporting Standard.
- (b) The Issuer may withhold or make deductions from payments or from the issue of Latitude Ordinary Shares to a Holder where it is required to do so under or in connection with FATCA, or where it has reasonable grounds to suspect that the Holder or a beneficial owner of Capital Notes may be subject to FATCA, and may deal with such amount deducted or withheld, and any Latitude Ordinary Shares deducted or withheld, in accordance with FATCA and, in the case of Latitude Ordinary Shares, clause 5.7(c) of these Terms. If any withholding or deduction arises under or in connection with FATCA, the Issuer will not be required to pay any further amounts and the Issuer will not be required to issue any further Latitude Ordinary Shares on account of such withholding or deduction or otherwise reimburse or compensate, or make any payment to, a Holder or a beneficial owner of Capital Notes for or in respect of any such withholding or deduction. A dealing with such payment and any Latitude Ordinary Shares in accordance with FATCA satisfies the Issuer's obligations to that Holder to the extent of the amount of that payment or issue of Latitude Ordinary Shares.

11 Winding-up and Subordination

11.1 Winding-up

If an order of a court of competent jurisdiction is made (other than an order successfully appealed or permanently stayed within 30 days), or an effective resolution is passed, for the winding-up of the Issuer in Australia (a **Winding-up Event**), the Issuer is liable to Redeem each Capital Note in accordance with, and subject to, this clause 11.

11.2 Subordination

In a winding-up of the Issuer:

- (a) a Holder (and the Trustee) shall be entitled to prove for the Liquidation Amount in respect of a Capital Note only subject to, and contingent upon, the prior payment in full of, the Senior Creditors; and
- (b) the Holder's (and the Trustee's) claim for payment of the Liquidation Amount ranks equally with, and shall be paid in proportion to, the claims of holders of Equal Ranking Obligations,

so that the Holder receives, for the Capital Note, an amount equal to the amount it would have received if, in the winding-up of the Issuer, it had held an issued and fully paid Preference Share.

11.3 Agreements of Holders and Trustee as to subordination

Each Holder (and the Trustee) irrevocably agrees:

- (a) that clause 11.2 is a debt subordination for the purposes of section 563C of the Corporations Act;
- (b) that it does not have, and waives to the maximum extent permitted by law, any entitlement to interest under section 563B of the Corporations Act to the extent that a holder of a Preference Share would not be entitled to such interest;
- (c) that it shall not have, and is taken to have waived, to the fullest extent permitted by law, any right to prove in a winding-up of the Issuer as a creditor in respect of the Capital Notes so as to diminish any distribution, dividend or payment that any Senior Creditor would otherwise receive;
- (d) not to exercise any voting rights as a creditor in the winding-up or administration of the Issuer:
 - (i) until after all Senior Creditors have been paid in full; or
 - (ii) otherwise in a manner inconsistent with the ranking and subordination contemplated by clause 2 and clause 11.2;
- (e) that it must pay or deliver to the liquidator or administrator any amount or asset received on account of its claim in the winding-up or administration of the Issuer in respect of the Capital Notes in excess of its entitlement under clause 2 and clause 11.2;
- (f) that it must pay in full all liabilities it owes the Issuer before it may receive any amount or asset on account of its claim in the winding-up or administration in respect of a Capital Note;

Appendix A. Capital Notes Terms

- (g) that the debt subordination effected by clause 2 and clause 11.2 is not affected by any act or omission of the Issuer or a Senior Creditor which might otherwise affect it at law or in equity; and
- (h) that it has no remedy for the recovery of the Liquidation Amount or any other amount other than to prove in the winding-up in accordance with this clause 11.

11.4 No further rights

A Capital Note does not confer on the Holders any further right to participate in the winding-up of the Issuer beyond payment of the Liquidation Amount.

11.5 No set-off

Neither the Issuer nor any Holder shall be entitled to set-off any amounts, merge accounts or exercise any other rights the effect of which is or may be to reduce any amount payable by the Issuer in respect of the Capital Notes held by the Holder or by the Holder to the Issuer (as applicable).

11.6 No consent of Senior Creditors

Nothing in clause 2 or this clause 11 shall be taken:

- (a) to require the consent of any Senior Creditor to any amendment of these Terms; or
- (b) to create a charge or security interest over any right of the Holder or the Trustee.

12 General

12.1 Enforcement by Trustee

Subject to clause 12.2, only the Trustee may enforce the provisions of the Trust Deed or these Terms and only in accordance with their terms and subject to the limitation and to the protections of the Trustee set out in the Trust Deed.

12.2 Holder's right to take action

No Holder shall be entitled to proceed directly against the Issuer to enforce any right or remedy under or in respect of any Capital Note or the Trust Deed unless the Trustee, being entitled, and having become bound, to proceed, fails to do so within 21 days and such failure is continuing, in which case any Holder may itself institute proceedings against the Issuer for the relevant remedy to the same extent (but not further or otherwise) that the Trustee would have been entitled to do so.

12.3 Voting

- (a) The Trust Deed contains provisions for convening meetings of the Holders to consider any matter affecting their interests including certain variations of these Terms which require the consent of the Holders.
- (b) A Holder has no right to attend or vote at any general meeting of the shareholders of the Issuer.

12.4 Amendments without consent

At any time and from time to time, but subject to compliance with the Corporations Act and all other applicable laws, the Issuer may, with the approval of the Trustee (such approval not to be unreasonably withheld or delayed), but without the consent of the Holders, alter these Terms if the Issuer is of the opinion that such amendment is:

- (a) of a formal, technical or minor nature;
- (b) made to cure any ambiguity or correct any manifest error;
- (c) necessary or expedient for the purpose of enabling the Capital Notes to be:
 - (i) listed for quotation, or to retain quotation, on any securities exchange; or
 - (ii) offered for subscription or for sale under the laws for the time being in force in any place;

- (d) necessary to comply with:
 - (i) the provisions of any statute or the requirements of any statutory authority; or
 - (ii) the ASX Listing Rules or the listing or quotation requirements of any securities exchange on which the Issuer may propose to seek a listing or quotation of the Capital Notes;
- (e) made in accordance with the Issuer's adjustment rights in clause 5;
- (f) in respect of any date or time period stated, required or permitted in connection with any Exchange in a manner necessary or desirable to facilitate the Exchange (including without limitation where in connection with a Redemption the proceeds of Redemption are to be reinvested in a new security to be issued by the Issuer or another member of the Latitude Group);
- (g) made to:
 - (i) amend the terms of any Capital Notes to align them with any Equal Ranking Obligations issued after the date of such Capital Notes; or
 - (ii) amend the definition of "Equal Ranking Obligations" on account of the issue (after the date of any Capital Notes) of capital instruments of the Latitude Group; or
- (h) in any other case, not materially prejudicial to the interests of the Holders as a whole.

For the purposes of determining whether an amendment is not materially prejudicial to the interests of Holders as a whole, the taxation and regulatory capital consequences to a Holder (or any class of Holders) and other special consequences or circumstances which are personal to a Holder (or any class of Holders) do not need to be taken into account by the Issuer or its legal advisers.

12.5 Amendment with consent

At any time and from time to time, but subject to compliance with the Corporations Act and all other applicable laws, the Issuer may, with the approval of the Trustee (such approval not to be unreasonably withheld or delayed), amend these Terms:

- (a) except as otherwise provided in paragraphs (b), (c) and (d) below, if such amendment is authorised by a Special Resolution;
- (b) in the case of an amendment to this clause 12.5 or any clause of the Trust Deed providing for Holders to give a direction to the Trustee by a Special Resolution, if a Special Resolution is passed in favour of such alteration;
- (c) in the case of an amendment to the Meeting Provisions and to which clause 12.4 does not apply, if a Special Resolution is passed in favour of such alteration; and
- (d) otherwise in accordance with the Trust Deed.

12.6 Consents

Prior to any amendment under this clause 12, the Issuer must obtain any consent needed to the alteration.

12.7 Interpretation

In this clause 12, **amend** includes modify, cancel, alter, waive or add to, and **alteration** has a corresponding meaning.

12.8 Notices

The Trust Deed contains provisions for the giving of notices.

12.9 Further issues and dealings

- (a) The Issuer may from time to time, without the consent of any Holder, issue any securities ranking equally with the Capital Notes (on the same terms or otherwise) or ranking in priority or junior to the Capital Notes, or incur or guarantee any indebtedness upon such terms as it may think fit in its sole discretion.
- (b) Nothing in these Terms limits the ability of the Issuer or any other member of the Latitude Group, in its discretion from time to time, from redeeming, converting, buying back, returning or distributing capital in respect of any share capital or any other securities of any kind, whether ranking behind, equally with or in priority to the Capital Notes.

Appendix A. Capital Notes Terms

12.10 Purchase by agreement

The Issuer or any member of the Latitude Group may purchase Capital Notes at any time and at any price. Any Capital Note purchased by or on behalf of the Issuer shall be cancelled.

12.11 Governing law

These Terms and the Capital Notes are governed by the laws in force in New South Wales.

12.12 Rounding

For the purposes of any calculations required under these Terms:

- (a) all percentages resulting from the calculations must be rounded, if necessary, to the nearest ten-thousandth of a percentage point (with 0.00005% being rounded up to 0.0001%);
- (b) all figures must be rounded to four decimal places (with 0.00005 being rounded up to 0.0001); and
- (c) all amounts that are due and payable must be rounded to the nearest one Australian cent (with 0.5 of a cent being rounded up to 1 cent).

13 Interpretation and definitions

13.1 Interpretation

In these Terms, except where the context otherwise requires:

- (a) the singular includes the plural and vice versa, and a gender includes other genders;
- (b) another grammatical form of a defined word or expression has a corresponding meaning;
- (c) a reference to a document includes all schedules or annexes to it;
- (d) a reference to a clause or paragraph is to a clause or paragraph of these Terms;
- (e) a reference to a document or instrument includes the document or instrument as novated, altered, supplemented or replaced from time to time;
- (f) a reference to **Australia** includes any political sub-division or territory in the Commonwealth of Australia;
- (g) a reference to **Australian dollars, A\$** or **Australian cent** is a reference to the lawful currency of Australia;
- (h) a reference to time is to Sydney, Australia time;
- (i) other than where a contrary intention is expressed if an event under these Terms must occur on a stipulated day which is not a Business Day, then the stipulated day will be taken to be the next Business Day;
- (j) a reference to a person includes a reference to the person's executors, administrators, successors and permitted assigns and substitutes;
- (k) a reference to a person includes a natural person, partnership, body corporate, association, governmental or local authority or agency or other entity;
- (l) a reference to a statute, ordinance, code, rule, directive or law (however described) includes regulations and other instruments under it and consolidations, amendments, re-enactments or replacements of any of them;
- (m) the meaning of general words is not limited by specific examples introduced by "including", "for example" or similar expressions;
- (n) any agreement, representation or warranty by two or more parties (including where two or more persons are included in the same defined term) binds them jointly and severally;
- (o) headings (including those in brackets at the beginning of paragraphs) are for convenience only and do not affect the interpretation of these Terms; and
- (p) if the principal securities exchange on which Latitude Ordinary Shares are listed becomes other than ASX, unless the context otherwise requires, a reference to ASX shall be read as a reference to that principal securities exchange and a reference to the ASX Listing Rules, ASX Settlement Operating Rules or any term defined in any such rules, shall be read as a reference to the corresponding rules of that exchange or corresponding defined terms in such rules (as the case may be);

13.2 Definitions

In these Terms, these meanings apply unless the contrary intention appears:

Accounting Event means the Capital Notes on issue cease to be treated to the full extent of the accounting carrying value attributable to them as equity for the purposes of the Financial Statements.

Adjustment Notice has the meaning given in clause 5.5.

Applicable Franking Period has the meaning given in clause 3.3.

Applicable Regulations means such provisions of the ASX Listing Rules, the ASX Settlement Operating Rules, the ASX Operating Rules, the Corporations Act and any regulations or rules pursuant under or pursuant to any such provisions as may be applicable to the transfer.

ASX means ASX Limited (ABN 98 008 624 691) or the securities market operated by it, as the context requires.

ASX Listing Rules means the listing rules of ASX.

ASX Operating Rules means the market operating rules of ASX as amended, varied or waived (whether in respect of the Issuer or generally) from time to time.

ASX Settlement Operating Rules means the settlement operating rules of ASX as amended, varied or waived (whether in respect of the Issuer or generally) from time to time.

Attorney has the meaning given in clause 7.1.

Bookbuild means the process conducted prior to the opening of the Offer whereby certain investors and brokers lodge bids for Capital Notes and, on the basis of those bids, the Issuer determines the Margin and announces its determination of the Margin prior to the opening of the Offer.

Business Day means:

- (a) a day which is a business day within the meaning of the ASX Listing Rules; and
- (b) for the purposes of calculation or payment of Distributions or any other amount, a day on which banks are open for business in Sydney, New South Wales.

Buy-Back means a transaction involving the acquisition by the Issuer of Latitude Ordinary Shares pursuant to an offer made at the Issuer's discretion in any way permitted by the provisions of Part 2J of the Corporations Act.

Capital Note has the meaning given in clause 1.1.

Capital Reduction means a reduction in capital initiated by the Issuer in its discretion in respect of Latitude Ordinary Shares in any way permitted by the provisions of Part 2J of the Corporations Act.

Change of Control Event means:

- (a) either:
 - (i) a takeover bid is made to acquire all or some Latitude Ordinary Shares and the offer is, or becomes, unconditional and:
 - (A) the bidder has a relevant interest in more than 50% of the Latitude Ordinary Shares on issue; or
 - (B) the Directors issue a statement that at least a majority of the Directors who are eligible to do so recommend acceptance of the offer (which may be stated to be in the absence of a higher offer); or
 - (ii) a court approves a scheme of arrangement which, when implemented, will result in a person other than the Issuer having a relevant interest in more than 50% of Latitude Ordinary Shares; and
- (b) all regulatory approvals necessary for the acquisition to occur have been obtained.

CHESS means the Clearing House Electronic Subregister System operated by ASX Settlement Pty Limited (ABN 49 008 504 532) or any system that replaces it and which is relevant to the Capital Notes (including in respect of the transfer or Conversion of the Capital Notes).

Change of Control Step-up Date has the meaning given in clause 3.2.

Control has the meaning given in the Corporations Act.

Controlled Entity means, in respect of the Issuer, an entity the Issuer Controls.

Appendix A. Capital Notes Terms

Conversion means, in relation to a Capital Note, the conversion of the Capital Note into a Latitude Ordinary Share in accordance with and subject to clause 5 as it may be amended. Convert, Converting and Converted have corresponding meanings.

Conversion Number has the meaning given in clause 5.1.

Corporations Act means the *Corporations Act 2001* (Cth).

CS Facility has the same meaning as “prescribed CS Facility” in the Corporations Act.

CS Facility Operator means the operator of a CS Facility.

Cum Value has the meaning given in clause 5.2(a).

Current Franking Adjustment Factor has the meaning given in clause 3.9.

Directors means some or all of the directors of the Issuer acting as a board.

Distribution has the meaning given in clause 3.1.

Distribution Payment Date has the meaning given in clause 3.6.

Distribution Period means in respect of:

- (a) the first Distribution Period, the period from (and including) the Issue Date until (but not including) the first Distribution Payment Date after the Issue Date; and
- (b) each subsequent Distribution Period, the period from (and including) the preceding Distribution Payment Date until (but not including) the next Distribution Payment Date.

Distribution Rate has the meaning given in clause 3.1.

Dividend means any interim, final or special dividend payable in accordance with the Corporations Act and the Issuer’s constitution in relation to Latitude Ordinary Shares.

Equal Ranking Obligation means any security or obligation (whether in the form of a note, preference share or other security or obligation):

- (a) issued by the Issuer which ranks or is expressed to rank equally as to dividends or other income distributions with the Capital Notes; or
- (b) issued by a Subsidiary of the Issuer which benefits from a guarantee or other contractual support undertaking of the Issuer which guarantee or contractual support undertaking ranks or is expressed to rank equally as to dividends, interest or other income distributions with the Capital Notes.

Exchange means:

- (a) Conversion in accordance with and subject to clause 5; or
- (b) Redemption in accordance with and subject to clause 6,

and **Exchanged** has a corresponding meaning.

Exchange Date has the meaning given in clause 4.2(b).

Exchange Method has the meaning given in clause 4.3.

Exchange Notice has the meaning given in clause 4.1.

External Administrator means, in respect of a person:

- (a) a liquidator, a provisional liquidator, an administrator or a statutory manager of that person; or
- (b) a receiver, or a receiver and manager, in respect of all or substantially all of the assets and undertakings of that person,

or in either case any similar official.

Face Value means the principal amount of a Capital Note, being A\$100.

FATCA means the Foreign Account Tax Compliance Act provisions, being Sections 1471 through 1474 of the *United States Internal Revenue Code of 1986*, as amended (or any consolidation, amendment, re-enactment or replacement of those sections and including any current or future regulations or official interpretations issued, agreements entered into or non-US laws enacted with respect to those provisions).

FATCA Withholding means any withholding or deduction imposed or required pursuant to FATCA.

Financial Statements means the consolidated financial statements of the Issuer and the Latitude Group, duly prepared in accordance with applicable accounting standards.

Foreign Holder means a Holder whose address in the Register is a place outside Australia or who the Issuer otherwise believes may not be a resident of Australia.

Franking Period means the franking period within the meaning of Part 3-6 of the Tax Act or any provisions that revise or replace that part applicable to the Issuer.

Franking Rate (expressed as a decimal) means the franking percentage (within the meaning of Part 3-6 of the Tax Act or any provisions that revise or replace that Part) applicable to the franking account of the Issuer at the relevant Distribution Payment Date or date for payment or other calculation of an Unpaid Distribution Amount, as determined by the Issuer in accordance with clause 3.3 or by the liquidator where clause 11 applies.

Grossed Up Unpaid Distribution Amount has the meaning given in clause 3.9.

Holder means, in respect of a Capital Note, the person whose name is entered on the Register as the holder of that Capital Note.

Holder Resolution means a resolution passed:

- (a) at a meeting of Holders of the Capital Notes, duly called and held under the Meeting Provisions:
 - (i) by at least 50% of the persons voting on a show of hands (unless paragraph (b) below applies); or
 - (ii) if a poll is duly demanded, by a majority consisting of at least 50% of the votes cast; or
- (b) by postal ballot or written resolution under the Meeting Provisions by Holders representing (in aggregate) at least 50% of the aggregate Face Value of the outstanding Capital Notes.

Issue Date means the date on which the issue and allotment of Capital Notes to successful applicants is completed, in accordance with these Terms.

Issuer means Latitude Group Holdings Limited (ACN 604 747 391).

Latitude Group means the Issuer and its Controlled Entities.

Latitude Ordinary Share means a fully paid ordinary share in the capital of the Issuer.

Liquidation Amount means the aggregate of:

- (a) the Redemption Price;
- (b) an amount of Distribution for the period since the last Distribution Payment Date, calculated as if the date of commencement of the winding-up was a Distribution Payment Date; and
- (c) any Unpaid Distribution Amount, calculated as if the date of commencement of the winding-up was the date determined for payment of such an amount,

and in the case of paragraph (b) and paragraph (c), disregarding clause 3.5 and with the applicable Franking Rate determined by the liquidator where clause 11 applies.

Margin has the meaning given in clause 3.1 and is subject to being increased in accordance with clause 3.2.

Meeting Provisions means the provisions for meetings of the Holders set out in schedule 2 to the Trust Deed.

Nominal Amount has the meaning given in clause 5.1(a).

Nominee has the meaning given in clause 5.7.

Offer means the invitation under the Prospectus made by the Issuer for persons to subscribe for Capital Notes.

Optional Exchange Date means 27 October 2026.

Preference Share means a notional cumulative preference share in the capital of the Issuer conferring a claim in the winding-up of the Issuer equal to the Liquidation Amount and ranking in respect of return of capital in the winding-up ahead only of Latitude Ordinary Shares and equally with Equal Ranking Obligations.

Appendix A. Capital Notes Terms

Proceeds means the net proceeds of a sale of Latitude Ordinary Shares attributable to the Holder actually received by the Nominee calculated after deduction of any applicable brokerage, stamp duty and other taxes and charges, including the Nominee's reasonable out of pocket costs, expenses and charges properly incurred by it or on its behalf in connection with such sale from the sale price of the Latitude Ordinary Shares.

Prospectus means the prospectus relating to the Offer dated on or about 2 September 2021 published by the Issuer and any supplementary or replacement prospectus.

Publication Time has the meaning given in clause 3.1.

Rate Disruption Event has the meaning given in clause 3.1.

Record Date means, for payment of a Distribution:

- (a) the date which is eight calendar days before the Distribution Payment Date for that Distribution (or, in the case of the first Distribution Payment Date, if the Issue Date is less than eight calendar days before the first Distribution Payment Date, the Issue Date); or
- (b) such other date as is determined by the Issuer in its absolute discretion, subject to compliance with any relevant requirements under the ASX Listing Rules and provided that such new date is communicated to ASX not less than seven Business Days before the specified Record Date,

or in either case such other date as may be required by ASX.

Redemption means the redemption of a Capital Note in accordance with clause 6 and the words **Redeem**, **Redeemable** and **Redeemed** have corresponding meanings.

Redemption Price has the meaning given in clause 6.2.

Register means the register of Holders (established and maintained under clause 8 of the Trust Deed) and, where appropriate, the term Register includes:

- (a) a sub-register maintained by or for the Issuer under the Corporations Act, the ASX Listing Rules or the ASX Settlement Operating Rules; and
- (b) any branch register.

Registrar means Computershare Investor Services Pty Limited (ABN 48 078 279 277) or any other person appointed by the Issuer to maintain the Register and perform any payment and other duties as specified in that agreement.

Regulatory Event means the receipt by the Directors of an opinion from a reputable legal counsel that, as a result of any amendment to, clarification of or change (including any announcement of a change that will be introduced) in any law or regulation or any official administrative pronouncement or action or judicial decision interpreting or applying such laws or regulations which amendment, clarification or change is effective, or pronouncement, action or decision is announced, on or after the Issue Date (and which the Issuer does not expect, as at the Issue Date, may come into effect) (a **Change in Law**), additional requirements would be imposed on the Issuer by a prudential regulator in relation to or in connection with the Capital Notes which the Directors determine, in their absolute discretion, would have a not insignificant adverse impact on it.

Relevant Distribution Payment Date has the meaning given in clause 3.9.

Relevant Time means, in the case of:

- (a) payment of a Distribution, 7:00pm (or such other time as may be prescribed by ASX or, if not prescribed by ASX, a time determined by the Issuer and notified to ASX); and
- (b) payments of the Redemption Price, a time determined by the Issuer and notified to ASX (or such other time as may be prescribed by ASX).

Reorganisation means, in relation to the Issuer, a division, consolidation or reclassification of the Issuer's share capital not involving any cash payment or other distribution to or by holders of Latitude Ordinary Shares.

Replacement Rate has the meaning given in clause 3.1.

Restricted Securities has the same meaning as in the ASX Listing Rules and extends to Capital Notes which are subject to voluntary restrictions by agreement between the Issuer and one or more Holders.

Restriction Agreement means an agreement which is required to be concluded under Chapter 9 of the ASX Listing Rules or is voluntarily concluded between the Issuer and one or more Holders.

Senior Creditors means all creditors of the Issuer (present and future), including all holders of the Issuer's senior or subordinated debt whose claims:

- (a) are admitted in a winding-up of the Issuer; and
- (b) are not in respect of an Equal Ranking Obligation.

Special Resolution means:

- (a) a resolution passed at a meeting of the Holders duly called and held under the Meeting Provisions:
 - (i) by at least 75% of the persons voting on a show of hands (unless paragraph (b) below applies); or
 - (ii) if a poll is duly demanded, then by a majority consisting of at least 75% of the votes cast; or
- (b) a resolution passed by postal ballot or written resolution under the Meeting Provisions by Holders representing (in aggregate) at least 75% of the aggregate Face Value of the outstanding Capital Notes.

Step-up Date has the meaning given in the final paragraph of clause 3.1.

Tax Act means:

- (a) the *Income Tax Assessment Act 1936* (Cth) or the *Income Tax Assessment Act 1997* (Cth) as the case may be and a reference to any section of the *Income Tax Assessment Act 1936* (Cth) includes a reference to that section as rewritten in the *Income Tax Assessment Act 1997* (Cth); and
- (b) any other law setting the rate of income tax payable; and
- (c) any regulation made under any of those laws.

Tax Event means the receipt by the Directors of an opinion from a reputable legal counsel or other tax adviser in Australia experienced in such matters to the effect that, as a result of any change in, or amendment to, the laws in force in Australia affecting taxation (or any change in their application or official or judicial interpretation) which change or amendment becomes effective on or after the Issue Date and which was not expected by the Issuer on the Issue Date, there is more than an insubstantial risk which the Issuer determines at its absolute discretion to be unacceptable that:

- (a) any Distribution would not be a frankable distribution within the meaning of Division 202 of the Tax Act; or
- (b) the Issuer would be exposed to a more than insignificant increase in its costs, charges and expenses (including without limitation through the imposition of any Taxes or assessments) in relation to Capital Notes.

Tax Rate has the meaning given in clause 3.1 (subject to clause 3.9).

Taxes means taxes, levies, imposts, charges and duties (including stamp and transaction duties) imposed by any authority together with any related interest, penalties, fines and expenses in connection with them, except if imposed on, or calculated having regard to, the net income of the Holder.

Terms means these terms and conditions.

Transfer has the meaning given in the ASX Settlement Operating Rules.

Trust Deed means the deed entitled "Latitude Capital Notes Trust Deed" between the Issuer and the Trustee and dated on or about 2 September 2021.

Trustee means Equity Trustees Limited (ABN 46 004 031 298) or any replacement trustee under the Trust Deed from time to time.

Unpaid Distribution has the meaning given in clause 3.5.

Unpaid Distribution Amount has the meaning given in clause 3.9.

VWAP means, subject to any adjustments under clause 5, the average of the daily volume weighted average sale prices (such average being rounded to the nearest full cent) of Latitude Ordinary Shares sold on ASX during the relevant period or on the relevant days but does not include any "Crossing" transacted outside the "Open Session State" or any "Special Crossing" transacted at any time, each as defined in the ASX Operating Rules, or any overseas trades or trades pursuant to the exercise of options over Latitude Ordinary Shares.

VWAP Period means the period of 20 Business Days on which trading in Latitude Ordinary Shares took place immediately preceding (but not including) the date on which Conversion is to occur in accordance with these Terms.

Winding-up Event has the meaning given in clause 11.1.



B | Appendix B. Glossary

Appendix B. Glossary

This Appendix provides a glossary of key terms and abbreviations used throughout this Prospectus and the attached, or accompanying, Application Forms. There is also a list of further defined terms in Clause 13.2 of the Capital Notes Terms immediately prior to this Glossary.

Term	Meaning
2021 Half Year Financial Statements	Latitude's interim statutory consolidated financial statements for the half year ended 30 June 2021 (with comparative financial information).
ABN	Australian Business Number.
ABS	An arrangement where a pool of financial assets (i.e. receivables) is sold to a Funding Vehicle which funds those financial assets in the capital markets through an issue of limited-recourse debt securities either with a defined maturity or having a legal final maturity similar to the expected term of the financial assets in the pool.
ACCC	Australian Competition and Consumer Commission.
Accounting Event	Occurs when the Capital Notes on issue cease to be treated to the full extent of the aggregate Face Value attributable to them as equity for the purposes of the Financial Statements of the Company and its Controlled Entities. For the full definition—see Clause 13.2 of the Capital Notes Terms.
AFCA	Australian Financial Complaints Authority.
AFSL	Australian financial services licence issued under the Corporations Act.
AGC	Australian Guarantee Corporation.
AML	Anti-money laundering.
Amortisation of Acquisition Intangibles	Reflects the amortisation of customer lists and distribution agreements recognised as part of the acquisition accounting. Intangible customer lists and distribution agreements are amortised on a straight-line basis over nine years in Australia and seven years in New Zealand (ending in 2024 and 2022 respectively).
Amortisation of Legacy Transaction Costs	Reflects the amortisation of capitalised costs for the original establishment of the warehouse funding program and historical hedging arrangements settled as a direct result of Latitude's proposed 2019 IPO.
Apple	Apple Pty Ltd (ABN 46 002 510 054).
Applicant	A person who submits an Application.
Application	A valid application for a specified number of Capital Notes made: <ul style="list-style-type: none"> • in respect of the Broker Firm Offer, through a Syndicate Broker (including on an Application Form); or • in respect of the Institutional Offer, a duly completed confirmation letter or by such other procedure advised by the Arranger.
Application Form	A paper or electronic application form (which must be accompanied by a copy of this Prospectus) which may be used by Syndicate Brokers for the purposes of accepting Applications under the Broker Firm Offer.
Application Payment	The monies payable on each Application, calculated as the number of Capital Notes applied for multiplied by the Issue Price.
APRA	Australian Prudential Regulation Authority.
Arranger	Insight Capital Advisors Pty Ltd (ACN 609 475 630).
ASIC	Australian Securities and Investments Commission.
ASIC Act	<i>Australian Securities and Investments Commission Act 2001</i> (Cth).

Appendix B. Glossary

Term	Meaning
ASIC Report 622	ASIC Report 622 ("Consumer credit insurance: Poor value products and harmful sales practices").
ASX	ASX Limited (ABN 98 008 624 691) or the securities market operated by it, as the context requires, or any successor.
ASX Listing Rules	The listing rules of ASX, as amended, varied or waived (whether in respect of the Company or generally) from time to time.
ATO	Australian Taxation Office.
Australian Accounting Standards	The accounting standards as developed and issued by the Australian Accounting Standards Board.
Australian IGA	Australia–US FATCA Intergovernmental Agreement dated 28 April 2014.
B2B2C	Business-to-business-to-consumer.
Bank Bill Rate	The three-month benchmark floating interest rate for the Australian money market more particularly described in Clause 3.1 of the Capital Notes Terms.
Banking Royal Commission	The Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry established on 14 December 2017.
Big Ticket	A buy now pay later product enabling purchases of items up to A\$10,000 in select segments.
BNPL	Buy now, pay later.
Board or Board of Directors	The board of directors of the Company.
Bookbuild	The process described in Section 6.6.1 to determine the Margin.
Broker Firm Applicant	An Australian resident retail or high net worth client of a Syndicate Broker (other than a Related Party) invited to participate through the Broker Firm Offer.
Broker Firm Application	The Application made by a Broker Firm Applicant.
Broker Firm Offer	The offer of Capital Notes under this Prospectus to retail and high net worth clients of Syndicate Brokers, resident in Australia who have received a firm allocation from their Syndicate Broker.
Business Day	Generally, a business day as defined in the ASX Listing Rules and, for certain purposes, a day on which banks are open for general business in Sydney, New South Wales. For the full definition – see Clause 13.2 of the Capital Notes Terms.
Buy-Back	A transaction involving the acquisition by the Company of Latitude Ordinary Shares pursuant to an offer made at the Company's discretion in any way permitted by the provisions of Part 2J of the Corporations Act.
Capital Notes	Perpetual, subordinated and unsecured debt obligations in the form of unsecured notes which are to be issued by the Company under this Prospectus.
Capital Notes Terms	Terms and conditions of Capital Notes as set out in Appendix A, as amended from time to time.
Capital Reduction	A reduction in capital initiated by the Company in its discretion in respect of Latitude Ordinary Shares in any way permitted by the provisions of Part 2J of the Corporations Act.
Cash NPAT	Profit/(loss) after income tax after adding back the post-tax impact of Significant Items and Amortisation of Acquisition Intangibles and Amortisation of legacy transaction costs.

Term	Meaning
CCCFA	<i>Credit Contracts and Consumer Finance Act 2003 (NZ).</i>
CCI	Consumer credit insurance.
CEO	Chief Executive Officer.
CGT	Capital gains tax.
Change of Control Event	<p>Broadly, that:</p> <ul style="list-style-type: none"> • an unconditional takeover bid is made to acquire Latitude Ordinary Shares and the bidder has a relevant interest in more than 50% of the Latitude Ordinary Shares on issue; or • a court orders the holding of meetings to approve a scheme of arrangement with respect to the Company, which would result in a person having a relevant interest in more than 50% of the Latitude Ordinary Shares on issue after the scheme is implemented. <p>For the full definition – see Clause 13.2 of the Capital Notes Terms.</p>
Change of Control Step-up	Has the meaning given in Section 1.1.
CHESS	Clearing House Electronic Subregister System operated by ASX Settlement Pty Limited (ABN 49 008 504 532).
Closing Date	The last date by which Applications must be lodged for the Offer, expected to be 10:00am (Sydney time) on 23 September 2021 for the Broker Firm Offer (unless varied).
Company or Issuer or Latitude	Latitude Group Holdings Limited (ACN 604 747 391).
Constitution	The constitution of the Company, as amended from time to time.
Controlled Entities	The entities the Company controls (within the meaning given in the Corporations Act).
Conversion	<p>In relation to a Capital Note, the allotment and issue of Latitude Ordinary Shares and the termination of the Capital Note Holder's rights in relation to that Capital Note, in each case in accordance with the Capital Notes Terms.</p> <p>Convert and Converted have corresponding meanings.</p>
Conversion Number	Has the meaning given in Clause 5.1 of the Capital Notes Terms.
Corporate Borrowing Facility	A multi-currency revolving credit facility maturing 21 April 2024.
Corporations Act	<i>Corporations Act 2001 (Cth).</i>
CRS	The OECD Common Reporting Standard for Automatic Exchange of Financial Account Information.
DDOPIP Legislation	<i>The Treasury Laws Amendment (Design and Distribution Obligations and Product Intervention Powers) Act 2019 (Cth).</i>
Deferred Settlement	The deferred settlement owing to KVDS as part of the Restructure.
Deutsche Bank	Deutsche Bank AG, Sydney Branch (ABN 13 064 165 162).
Directors	Some, or all, of the directors of the Company acting as a board or the individuals who are the directors of the Company (as the context requires).
Distribution	Has the meaning given in Clause 3.1 of the Capital Notes Terms.

Appendix B. Glossary

Term	Meaning
Distribution Payment Date	In respect of a Capital Note, each 27 January, 27 April, 27 July and 27 October, commencing on 27 January 2022, until the date that the Capital Note is Redeemed. For the full definition – see Clause 3.6 of the Capital Notes Terms.
Distribution Period	A period from (and including) the Issue Date until (but not including) the first Distribution Payment Date or from (and including) a subsequent Distribution Payment Date until (but not including) the next Distribution Payment Date. For the full definition – see Clause 13.2 of the Capital Notes Terms.
Distribution Rate	The distribution rate on Capital Notes calculated using the formula described in Section 2.1. For the full definition – see Clause 3.1 of the Capital Notes Terms.
Equal Ranking Obligations	In respect of the repayment or return of capital in a Winding-up any securities or other instruments that rank or are expressed to rank, in respect of repayment or return of capital in a Winding-up, equally with Capital Notes.
Exchange	Conversion in accordance with and subject to clause 5 of the Capital Notes Terms or Redemption in accordance with and subject to clause 6 of the Capital Notes Terms.
Exchange Date	Has the meaning given in Clause 4.2 of the Capital Notes Terms.
Exchange Method	Has the meaning given in Clause 4.3 of the Capital Notes Terms.
Exchange Notice	Has the meaning given in Clause 4.1 of the Capital Notes Terms.
Expiry Date	The date which is 13 months after 2 September 2021.
Exposure Period	The seven day period after the date this Prospectus was lodged with ASIC, during which the Corporations Act prohibits the processing of Applications.
External Administrator	In respect of a person: <ul style="list-style-type: none"> • a liquidator, a provisional liquidator, an administrator or a statutory manager of that person; or • a receiver, or a receiver and manager, in respect of all or substantially all of the assets and undertakings of that person, or in either case any similar official.
Face Value	The principal amount of a Capital Note, being A\$100.
FAR	Financial Accountability Regime.
FATCA	The <i>Foreign Account Tax Compliance Act</i> provisions, being section 1471 through 1474 of the United States Internal Revenue Code of 1986 (including any regulations or official interpretations issued, agreements or intergovernmental agreements entered into or non-US laws enacted with respect to those provisions).
FATCA Withholding	Any deduction or withholding imposed or required pursuant to FATCA.
FFI	Foreign financial institutions.
Financial Statements	The consolidated financial statements of Latitude, duly prepared in accordance with applicable accounting standards.
FMA	Financial Markets Authority of New Zealand.
Foreign Holder	A Holder whose address in the Register is a place outside Australia or who the Company otherwise believes may not be a resident of Australia.
Franking Rate	Has the meaning given in Clause 13.2 of the Capital Notes Terms.

Term	Meaning
Funding Vehicle	A special purpose vehicle, typically a trust or an 'orphan' special purpose vehicle, established to fund and hold financial assets as part of the Warehouse Facility or ABS scheme.
FY20	Financial year ended 31 December 2020.
FY21	Financial year ended 31 December 2021.
FY22	Financial year ended 31 December 2022.
FY23	Financial year ended 31 December 2023.
Genoapay	A Latitude Instalments product.
GST	Has the meaning given by section 195-1 of the <i>A New Tax System (Goods and Services Tax) Act 1999</i> (Cth).
Gross Loan Receivables	Represents the total outstanding receivables balance across all products at the end of the period excluding the net fair value unwind and Discontinued operations.
Hallmark Insurance	Hallmark Life Insurance Company Ltd (ABN 87 008 446 884) in respect of the issuance of life insurance or Hallmark General Insurance Company Ltd (ABN 82 008 477 647) in respect of the issuance of other forms of insurance, or both, as the context requires.
Harvey Norman	Harvey Norman Holdings Limited (ABN 54 003 237 545).
Holder	A person whose name is registered in the Register as the holder of a Capital Note.
Holder Resolution	Has the meaning given in Clause 13.2 of the Capital Notes Terms.
Holding Statement	A statement issued to Holders by the Registry, which sets out details of Capital Notes issued to them under the Offer.
HR	Human resources.
Initial Margin	The margin expressed as a percentage per annum determined by the Company (or another party on its behalf) on the basis of the bids made under the Bookbuild.
Insight Capital Advisors Pty Ltd	Insight Capital Advisors Pty Ltd (ABN 55 609 475 630).
Instalments	Where the customer's need is to purchase goods or services and where Latitude provides a payment and finance solution for the merchant and customer to transact either with small purchases and weekly instalments (buy now, pay later ('BNPL')) or bigger purchases and monthly or flexible payments (interest free plans with/without Scheme features).
Institutional Investor	An investor to whom offers or invitations in respect of Capital Notes can be made without the need for a lodged prospectus (or other formality, other than a formality which the Company is willing to comply with), including, in Australia, persons to whom offers or invitations can be made without the need for a lodged prospectus under section 708 of the Corporations Act and who has been invited by the Arranger or Joint Lead Managers to bid for Capital Notes in the Bookbuild, provided that such investor is not in the United States or acting for the account or benefit of a person in the United States.
Institutional Offer	The invitation by the Arranger to Institutional Investors to bid for Capital Notes in the Bookbuild.
Interest Expense	Interest expense incurred by Latitude to finance Latitude's receivable assets inclusive of interest margin, base rate interest, commitment fees, guarantee fees, interest rate swap interest expense and amortisation expenses associated with capitalised costs incurred in the establishment of new trusts.

Appendix B. Glossary

Term	Meaning
Interest Income	Interest income is based on an effective interest rate methodology and comprises interest charged on outstanding customer balances plus fees and charges that are considered an integral part of the loan, net of origination costs. Outstanding customer balances include revolving credit card balances (including interest-bearing sales finance products), personal loan products and auto loan products. Fees and charges include merchant service fees (for sales finance and BNPL) which Latitude earns from retail partners for financing interest free sales, establishment fees, annual fees, account keeping fees, late fees and third-party commission expenses.
Investor	A person considering the Offer.
IPO Prospectus	The prospectus lodged by the Company with ASIC on 30 March 2021 in connection with the initial public offering of fully paid ordinary shares in the capital of the Company.
IPSA	<i>Insurance (Prudential Supervision) Act 2010</i> (NZ).
Issue Date	The date on which Capital Notes are issued, which is expected to be 28 September 2021.
Issue Price	The issue price for each Capital Note under this Prospectus, being \$100 per Capital Note.
Joint Lead Managers	Insight Capital Advisors Pty Ltd, Morgans Financial Limited, National Australia Bank Limited, Ord Minnett Limited and Westpac Institutional Bank.
Kiwibank	Kiwibank Limited.
KKR	KKR Clarendon Holdings L.P., a special purpose vehicle established to hold interests in KVDS, wholly owned by funds and investment vehicles managed and/or advised by Kohlberg Kravis Roberts & Co. L.P. or its affiliates.
KPMG Transaction Services	KPMG Transaction Services (a division of KPMG Financial Advisory Services (Australia) Pty Ltd).
KVDS	KVD Singapore Pte Ltd.
L-Money	Latitude's Lending products.
L-Pay	Latitude's Instalments and BNPL products.
Latitude Group	The Company and its wholly-owned subsidiaries, or the business trading under that name, as the context requires.
Latitude Ordinary Share	A fully paid ordinary share in the capital of the Company.
Latitude Ordinary Share Dividend	Any interim, final or special dividend payable in accordance with the Corporations Act and the Constitution of the Company in relation to Latitude Ordinary Shares.
LatitudePay	A Latitude Instalments product.
Lending	Where customers are directly considering their payments and financing needs for personal loans, motor loans or travel credit cards.
LFSL	Latitude Financial Services Limited.
Listing	The admission of the Company to the official list of the ASX, which occurred on 20 April 2021.
Liquidation Amount	The aggregate of the Redemption Price, any Unpaid Distribution Amount and an amount of Distribution for the period since the last Distribution Payment Date, calculated as if the date of commencement of the Winding-up was a Distribution Payment Date.

Term	Meaning
Loan Impairment Expense	Represents losses from loan receivables charged off in the period and the movement in the provision for impairment losses (estimated in accordance with IFRS 9) (excluding movement in transaction fraud losses), net of recoveries of amounts previously written off.
Luxury Escapes	Luxury Escapes Travel Pty Ltd (ABN 16 150 650 927).
Management	The senior management of the Company.
Margin	Up to and including the Step-up Date, the Initial Margin. From the Step-up Date the Step-up Margin. For the full definition—see Clause 13.2 of the Capital Notes Terms.
Morgans Financial Limited	Morgans Financial Limited (ABN 49 010 669 726, AFSL 235410).
National Australia Bank Limited	National Australia Bank Limited (ABN 12 004 044 937).
NCC	Schedule 1 to the NCCP Act.
NCCP Act	<i>National Consumer Credit Protection Act 2009</i> (Cth).
Net Insurance Income	Represents gross written premium (GWP), movement in unearned premium (UEP) and investment income, offset by claims expenses, refunds (relating to the refund of premiums to customers due to loan refinancing or cancellation), external commissions and acquisition costs.
Net Receivables	Represents Gross loan receivables less loan provisions for impairments, deferred income and customer acquisition costs.
New Zealand Life Insurer Review	The review by the FMA and RBNZ of conduct and culture in New Zealand life insurers.
Nominal Amount	The Face Value of the Capital Note to be Converted as set out in the Exchange Notice, together with, unless the Company has elected to settle such amounts in cash, the amount of the Distribution scheduled to be paid on the Exchange Date together with any Unpaid Distribution Amount in respect of that Capital Note (calculated to (and including) the Exchange Date).
Nominee	Has the meaning given in Clause 5.7 of the Capital Notes Terms.
Non-Executive Directors	Directors who are not executives.
NPAT	Net profit after tax.
NPS	Net Promoter Score.
Offer	The offer by the Company of Capital Notes under this Prospectus to raise \$150 million with the ability to raise more or less and incorporates the Institutional Offer and the Broker Firm Offer.
Offer Management Agreement	The offer management agreement entered into between the Company, Arranger and the Joint Lead Managers, as described in Section 8.7.
Offer Period	The period from the Opening Date to the Closing Date.
Opening Date	The day the Offer opens, being 10 September 2021, unless varied.
Operating Income	Operating Income is calculated as Net interest income plus Other Operating Income.
Optional Exchange Date	27 October 2026.
Ord Minnett Limited	Ord Minnett Limited (ABN 86 002 733 048).

Appendix B. Glossary

Term	Meaning
Ordinary Resolution	Broadly, a resolution passed at a meeting of Holders by more than 50% of the persons voting on a show of hands (unless a poll is duly demanded, in which case by a majority consisting of more than 50% of the votes cast).
Original Prospectus	The prospectus dated 2 September 2021 that was lodged with ASIC on that date which this Prospectus replaces.
Other Operating Income	Includes interchange income, statement fees and other fees and charges. Other operating income is offset by direct costs including credit card Scheme and related fees, partner loyalty fees, customer loyalty fees. For certain fee categories where fees are a pass through of external costs due to customer channel selection, these costs are netted against the associated fees (e.g. paper statement fees, payment handling fees).
POS Exemption	The exemption from the NCC relating to point of sale introducers contained in sections 23 and 23A of the <i>National Consumer Credit Protection Regulations 2010</i> (Cth), which facilitates the sale of Latitude's products at the stores of its merchant partners without the requirement for its merchant partners to be licensed.
Privacy Act	<i>Privacy Act 1988</i> (Cth).
Pro Forma Balance Sheet	Pro forma historical balance sheet of Latitude as at 30 June 2021 illustrating the impact of both the Symple Group acquisition and the Offer on Latitude's Statutory Historical Balance Sheet as if it had occurred as at that date.
Pro Forma Capital Information	Summary pro forma capital information of Latitude adjusted to present the effect of both the Symple Group acquisition and the Offer on Latitude's capital position as at 30 June 2021.
Prospectus	This document (including the electronic form of this document), and any supplementary or replacement prospectus in relation to this document, including the Capital Notes Terms.
RAFI	Reporting Australian Financial Institutions.
Rate Disruption Event	Has the meaning given in Section 3.1 of the Capital Note Terms.
RBNZ	Reserve Bank of New Zealand.
Redeem	In relation to a Capital Note, redeeming the Capital Note in accordance with Clause 6 of the Capital Notes Terms. Redeemed and Redemption have corresponding meanings.
Redemption Price	Has the meaning given in Clause 6.2 of the Capital Notes Terms.
Register	Has the meaning given in Clause 13.2 of the Capital Notes Terms.
Registrar or Registry	Computershare Investor Services Pty Limited (ABN 48 078 279 277) or any other person appointed by the Company to maintain the Register and perform any payment and other duties as specified in that agreement.
Related Party	Means a person described in ASX Listing Rule 10.11.1-10.11.5 (inclusive), including: <ul style="list-style-type: none"> • a Director, or a spouse, de facto spouse, parent or child of a Director; • KVDs; • Shinsei; and • any associates of one or more of those persons.
Regulatory Event	Has the meaning given in Clause 13.2 of the Capital Notes Terms.
Replacement Rate	Has the meaning given in Clause 3.1 of the Capital Notes Terms.

Term	Meaning
Responsible Lending Code	The Responsible Lending Code issued by the Minister of Commerce and Consumer Affairs under section 9G of the CCCFA and as amended in June 2017.
Restructure	The restructure described in Section 9.4.1 of the IPO Prospectus.
Return On Equity	Calculated as Cash NPAT divided by the average Total Equity.
ROE	Return On Equity.
Samsung	Samsung Electronics Australia Pty Ltd (ABN 63 002 915 648).
Scheme	The credit card scheme for Mastercard or Visa, as applicable.
Senior Creditors	<p>All creditors of the Company (present and future), including all investors in the Company's senior or subordinated debt whose claims are:</p> <ul style="list-style-type: none"> entitled to be admitted in a Winding-up of the Company; and not in respect of Latitude Ordinary Shares or Equal Ranking Obligations.
Shareholder	A holder of any share in the capital of the Company, including any preference share or Latitude Ordinary Share from time to time.
Shares	Fully paid ordinary shares in the capital of the Company.
Shinsei	Shinsei Bank, Limited.
Significant Items	Latitude believes these items are outside the ordinary course of business and temporary in nature or relate to the costs associated with entering new segments and markets where the associated revenues or benefits from that investment will not evolve during the reporting period and where the costs have not been capitalised.
Special Resolution	A resolution passed at a meeting of Holders by a majority of at least 75% of the votes validly cast by Holders in person or by proxy and entitled to vote on the resolution.
Statutory Half Year Cash Flows	Summary statutory historical cash flow statement of Latitude for the interim six month period to 30 June 2021.
Statutory Half Year Income Statements	Summary statutory historical income statement of Latitude for the interim six month period to 30 June 2021.
Statutory Historical Balance Sheet	Summary statutory historical balance sheet of Latitude as at 30 June 2021.
Step-up Date	27 October 2026 or, if that day is not a Business Day, the next Business Day. For the full definition, see clause 13.2 of the Capital Note Terms.
Step-up Margin	The margin which is the Initial Margin plus 3.00% per annum.
Symple	Symple Financial Group Pty Limited (ACN 644 873 049).
Symple Group	Symple and each of its related bodies corporate.
Syndicate Broker	The Joint Lead Managers and brokers appointed by a Joint Lead Manager who have received a firm allocation of Capital Notes under the Bookbuild, for the purposes of accepting Applications under the Broker Firm Offer.
Tax Event	<p>Broadly, occurs when the Directors receive advice that, as a result of a change in Australian tax law (including any announced prospective change) on or after the Issue Date (and which the Company did not expect on the Issue Date), there is a more than insubstantial risk that a Distribution would not be frankable or that the Company would be exposed to a not insignificant increase in its costs in relation to Capital Notes being on issue.</p> <p>For the full definition – see Clause 13.2 of the Capital Notes Terms.</p>

Appendix B. Glossary

Term	Meaning
Tax Rate	The Australian corporate tax rate applicable to the franking account of the Company as at the relevant Distribution Payment Date. As at the date of this Prospectus, the Tax Rate is 30% (but that rate may change).
Tangible Equity	Total Equity less Intangible assets.
TFN	Tax File Number.
The Good Guys	The Good Guys Discount Warehouses (Australia) Pty Ltd (ABN 48 004 880 657).
Total Equity	Contributed equity plus Common control reserve plus Other reserves plus Retained earnings.
Trust	The trust constituted by the Trust Deed.
Trust Deed	The deed entitled Latitude Capital Notes Trust Deed dated on or about the date of this Prospectus between the Company and the Trustee.
Trustee	Equity Trustees Limited (ABN 46 004 031 298) or any replacement trustee under the Trust Deed from time to time.
Unpaid Distribution	Has the meaning given in Clause 3.5 of the Capital Notes Terms.
Unpaid Distribution Amount	Has the meaning given in Clause 3.9 of the Capital Notes Terms.
US Securities Act	US Securities Act of 1933.
Värde Partners	Vatpo Investments Pte. Ltd., a special purpose vehicle established to hold interests in KVDS, wholly owned by funds and investment vehicles for which Värde Partners, Inc is the ultimate general partner.
VFN	Variable Funding Note.
VWAP	Has the meaning given in Clause 13.2 of the Capital Notes Terms.
VWAP Period	The period of 20 Business Days on which trading in Latitude Ordinary Shares took place immediately preceding (but not including) the date on which Conversion is to occur in accordance with the Capital Note Terms.
Warehouse Facility	An arrangement under which financial assets (i.e. receivables) are originated in the name of, or sold to, a Funding Vehicle which funds those financial assets through a limited recourse facility provided by funding banks and/or other investors.
Westpac Institutional Bank	Westpac Institutional Branch, a division of Westpac Banking Corporation (ABN 33 007 457 141, AFSL 233714).
Winding-up	Broadly, involves the winding-up of a company's affairs by way of realising its assets, paying off its creditors and distributing surplus assets (if any) to its members and can occur in several ways under the Corporations Act, including in circumstances of insolvency.

Corporate Directory

Company

Latitude Group Holdings Limited

800 Collins Street
Docklands VIC 3008

Australian legal adviser

King & Wood Mallesons

Level 27, Collins Arch
447 Collins Street
Melbourne VIC 3000

Auditor

KPMG

Tower Two, Collins Square
727 Collins Street
Melbourne VIC 3000

Accounting adviser

KPMG Transaction Services

Tower Two, Collins Square
727 Collins Street
Melbourne VIC 3000

Trustee

Equity Trustees Limited

Level 19, 56 Pitt Street
Sydney NSW 2000

Arranger and Joint Lead Manager

Insight Capital Advisors Pty Ltd

49 Thanet Street
Malvern VIC 3144

Joint Lead Managers

Morgans Financial Limited

Level 29, Riverside Centre
123 Eagle Street
Brisbane QLD 4000

National Australia Bank Limited

Level 6, 2 Carrington Street
Sydney NSW 2000

Ord Minnett Limited

Level 8, 255 George Street
Sydney NSW 2000

Westpac Institutional Bank

Level 2, Westpac Place
275 Kent Street
Sydney NSW 2000

Registry

Computershare Investor Services Pty Ltd

Yarra Falls
452 Johnston Street
Abbotsford VIC 3067

How to contact us

Any Broker Firm Applicant who has any questions in relation to the Offer should contact their Syndicate Broker.



LATITUDE