Condensed consolidated interim financial report

31 December 2022

Insignia Financial Ltd

ABN 49 100 103 722

Insignia™
Financial

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About Insignia Financial Ltd

Insignia Financial Ltd is listed on the Australian Securities Exchange (ASX: IFL). The Insignia Financial Ltd consolidated group includes the Company and its controlled entities (the Group or Insignia Financial).

The Insignia Financial Group has been helping Australians secure their financial future since 1846. During that time, Insignia Financial has grown substantially to become one of the largest groups in the financial services industry.

Purpose

Insignia Financial's purpose is to:

- understand me;
- look after me; and
- secure my future.

Insignia Financial's ambition is to create financial wellbeing for every Australian.

Insignia Financial intends to achieve this through

- delivering what matters to clients;
- continuing to promote a ClientFirst culture; and
- building a better tomorrow for the community and shareholders.

Principal activities

The principal activities of the Group are:

- **Platforms:** Offering a wide range of financial services solutions on superannuation and investments to clients including investors, members, employers and advisers.
- **Advice:** Providing quality financial advice that is accessible, affordable and engaging for Australians; helping clients navigate their way through a range of financial products and services and educating clients to improve their financial literacy.
- **Asset Management:** Delivering strong and consistent returns to clients with access to world-leading investment managers across a broad range of highly rated single and multi-manager capabilities and other attractive investment opportunities.

Strategy and outlook

Insignia Financial has been helping Australians secure their financial future for 176 years. During that time, the Group has grown substantially to become a leading provider of quality financial advice, products and services with more than $285.1b in funds under management and administration (FUMA) as at 31 December 2022 and over 2 million clients throughout Australia. Insignia Financial's ambition is to create financial wellbeing for all Australians, which is founded upon its purpose of 'understand me, look after me, secure my future' and its ClientFirst thinking, principles and ways of working whereby Insignia Financial places clients at the centre of everything it does.

As a client-led organisation, Insignia Financial believes that success only emanates from caring about people, providing outstanding service and delivering consistent performance and further, that by exceeding the needs of its clients, Insignia Financial can build an enduring and trusted institution that is capable of creating wealth for shareholders on an ongoing basis. Accordingly, Insignia Financial views client value creation and shareholder wealth creation as joint and mutually reinforcing objectives. By acting in clients' best interests and improving outcomes for clients, Insignia Financial can reward shareholders for their investment.

Directors' Report

Operating and financial review

The Group's commitment to improve client outcomes is underpinned by:

- an ability to leverage its scale and manage ongoing operational efficiency to allow for continued investment in new products and services;
- ownership of multiple elements of the wealth value chain to efficiently and seamlessly deliver the needs of clients, from early accumulation through to drawdown in retirement;
- providing advice, in the appropriate form and at the appropriate juncture, to help Australians achieve their financial wellbeing and retirement objectives;
- a contemporary, flexible and competitive suite of offerings supported by choice to efficiently address clients' evolving needs over time;
- differentiated service focusing on 'what matters' to clients, delivered through ClientFirst;
- consistent and sustainable investment performance;
- ensuring a trusted partner status underpinned by robust governance, compliance and risk management frameworks and a commitment to integrating environmental, social and governance factors into strategic and investment decisions and operational processes; and
- an open architecture approach which actively promotes and supports not only the Group's products but also those products offered by competitors. If the Group does not have the best solutions, the Group partners with other experts who do.

In pursuit of its ambition, the Group has formulated a three-stage program designed to enable it to stabilise, simplify and prosper. Execution of the strategic initiatives associated with each of those stages will assist the Group in realising its ambition.

The Group now has an integration and simplification strategic focus and expects that this current phase will continue to FY25. Refer to page 6 for further updates on the integration and simplification stage.

The Group's pursuit of its ambition is underpinned by a strong balance sheet and a commitment to deliver further growth and synergies in its operating segments. The Group will continue to provide quarterly business performance updates along with progress of executing its strategic initiatives.

FY19 to FY20

Stabilise

- Purpose driven culture
- Uplift governance capabilities
- Capital management

FY21 to FY25

Integrate & simplify

Simplification across platforms, products, investments, entities and enablers is the key to unlocking benefits of scale for clients by:

- Reducing cost to serve and fees
- Simplifying and uplifting products and investments
- Reducing risk by reducing complexity and adopting best practices
- Uplifting foundational enabling capabilities

FY25/26 and beyond

Prosper

- Best in class capabilities for clients
- Low cost to serve for clients
- Scalable, efficient model
- Advice advocacy and trusted reputation

Directors' Report

Operating and financial review

The Group's strategy on a page sets out the outcomes which it is seeking to achieve for its key stakeholders and during the simplification phase, the key strategic priorities to deliver those outcomes.

Environmental, social and governance (ESG)

At Insignia Financial, we understand that driving better ESG practices not only delivers better outcomes for the planet and community, but strengthens the sustainability of our business, enabling us to continue to deliver on our ambition to create financial wellbeing for all Australians.

The Group has continued to build its ESG capability throughout the period. In our ongoing commitment to improving our environmental impact, Insignia Financial was recognised in September 2022 as a certified Climate Active organisation, endorsing our carbon-neutral status.

The Group is currently working with our external climate consultant to calculate our FY22 greenhouse gas emissions. Once this calculation is complete, we will use this as our base year for a further 2030 emissions reduction commitment.

To help guide our responsible investment practices, the Group is a member of the Investor Group on Climate Change (IGCC) and a member of Responsible Investment Association of Australia (RIAA) through the Asset Management business. We have also commenced work to become a signatory to the Principles of Responsible Investment (PRI).

The Group is building stronger community connections through workplace giving, the IOOF Foundation and engaging with First Nations Australians. The Group has launched it's new online giving portal, which connects our people to the Group's aligned charities, as well as facilitating our employee charitable giving and fundraising efforts.

The Group's latest ESG report, released in October 2022 provides detailed information on our ESG material matters and how we are progressing towards our United Nations Sustainable Development Goals. The ESG report also contains our first climate risk report, using the Task Force on Climate-related Financial Disclosures (TCFD) reporting framework.

Directors' Report

Operating and financial review

Integration and simplification

During the period, the Group made further progress in executing its integration and simplification priorities, as described below.

Strategic priority reaffirmation

As part of enterprise strategic, business and financial planning for FY23, the Group reaffirmed its strategic ambition, being to provide financial wellbeing to every Australian, which is consistent with the Group's purpose and ClientFirst thinking, principles and ways of working. In pursuit of that ambition, the Group reaffirmed its prioritisation of strategic initiatives focused on integration and operating model simplification, client engagement and financial wellbeing, platform, product and entity simplification, Advice 2.0, ESG uplift and culture and engagement.

Separation of the ex-ANZ Pensions and Investments business

In October 2022, the Group completed the separation of the P&I business from ANZ and the exit from all transitional services provided by ANZ, which has been a multi-year program of work. The successful separation is a significant milestone in the Group's separation and simplification programs. It also represents a landmark achievement for the financial services industry, being the first time an organisation has completed the separation of a superannuation business from a big four bank in Australia. The Group now has full control and management of the systems which support the P&I business, which enables the Group to unlock benefits of scale for its clients and people, aligned to the enterprise priority of simplification.

Separation of the MLC business

Following the separation of the P&I business from ANZ in October 2022, the Group has applied the learnings from the separation of the P&I business, and pivoted the people who contributed to its success, to the separation of the MLC Wealth business from NAB which remains on track. During the six months ended 31 December 2022, the Group completed the transition of MLC employees within the Company Secretariat, Finance, Legal, Member Office, People & Culture and Transform business units from the NAB environment to the Group's environment and progressed the transition of MLC employees in the remaining business units. The Group further progressed the design of the technology approach for separating from NAB the systems which support the MLC business, a key element of which is the convergence of separation activities with platform, product and entity simplification activities. NAB continues to provide services to the Group under a transitional services agreement.

Platform simplification

Platform, product and entity simplification ('platform simplification') is one of the Group's key strategic priorities and is central to unlocking benefits of scale for all stakeholders by creating opportunities for growth by investing in and focusing on what matters to clients, reducing risk by reducing complexity and cost to serve, thereby allowing the Group to create improved outcomes for clients that are economically sustainable. A fundamental part of this simplification is Evolve, a cross-functional program of work focused on the delivery of a contemporary integrated platform.

The Group plans to converge certain activities relating to the separation of the MLC business with certain platform simplification activities. As part of this approach, the next major phase of platform simplification is focused on the execution of Evolve23, following the completion of Evolve21 in December 2021 where all the heritage Group proprietary platforms were migrated on to the Evolve platform. Evolve23 is expected to be completed by 31 December 2023 and will reduce the number of platforms supporting the MLC business from three to two.

Simplifying and enhancing the platform suite is a key enabler of the Group's strategy to reduce cost-to-serve, while improving outcomes to clients. As part of its simplification strategy, the Group has explored options to complement the continued investment in its proprietary, contemporary Evolve wrap platform technology. Following a full market review of Master Trust software solutions, the Group expects a two-platform ecosystem to optimise client and member outcomes, reducing risk and delivering greater functionality more quickly.

Directors’ Report

Operating and financial review

Integration and simplification (continued)

Advice sustainability

The financial advice offering continues to transform under the new sustainable advice model to improve client engagement and the efficiency of advice practices, reduce our cost-to-serve and support the path to financial break-even of the Advice business.

Wealth Central, the Group’s digital engagement platform designed to help advisers deliver advice in a more efficient and engaging way, continues to be embedded into the newly combined Bridges business, as well as Shadforth. This makes it a unique differentiator and an advantage for our adviser network. The adoption and implementation program for self-employed practices also continues.

Sale of AET

In November 2022, the Group completed the sale of AET to EQT Holdings Limited. The proceeds of $135 million from the sale have been used to reduce debt. As part of the sale, the Group and EQT Holdings Limited have entered into a Strategic Alliance Agreement as well as a Transitional Services Agreement under which the Group will continue to provide a number of services to AET.

Synergy program

The Group’s synergy program includes the following key activities: organisational design, procurement savings, property consolidation and external investment manager fee reviews.

During the six months to 31 December 2022, the Group achieved run rate synergies of $38m per annum (31 December 2021: $66m per annum), resulting in cumulative run rate synergies of $218m per annum against the target of $218m ($68m from ex-ANZ P&I acquisition and $150m from MLC acquisition). Accordingly, the Group has now achieved the synergy run rate target and has done so within an accelerated timeframe, with in-year benefits flowing through to all future years. In particular, the synergies associated with the MLC acquisition were completed 18 months ahead of the original plan of three years from 1 June 2021.

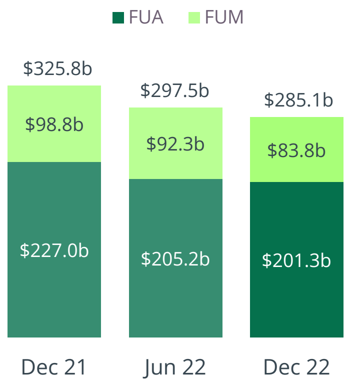
The Group expects to achieve further synergies beyond the original $218m target, primarily as a result of platform simplification and operating model optimisation opportunities.

Directors' Report

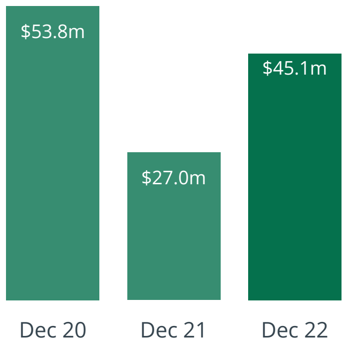
Operating and financial review

Financial highlights (including discontinued operations)

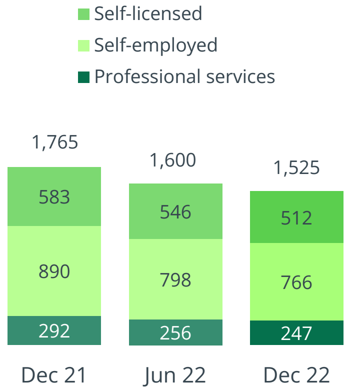
FUMA (funds under management and administration)
Improved net outflows, combined with market performance and relationship resets



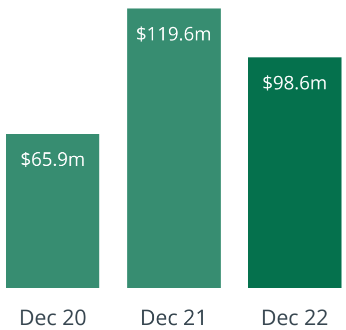
NPAT (net profit after tax)[2]
Driven by AET sale and lower costs, partially offset by lower revenue and higher transformation costs



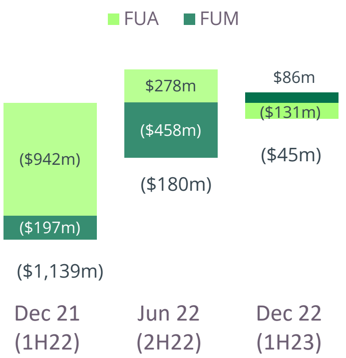
Number of advisers
Adviser number decline moderating as part of the journey to Advice sustainability



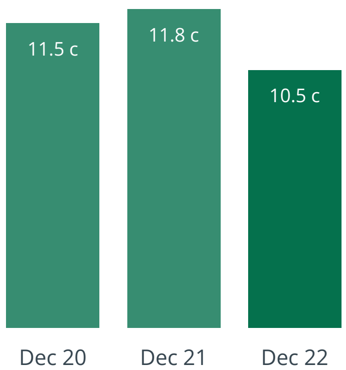
UNPAT (underlying net profit after tax)[2]
Market-driven revenue decline partially offset by expense savings from delivery of synergies



Net flows[1]
Improvement in Platforms net flows offsetting client rebalancing in Asset Management



Dividends (cents per share)[2]
Dividend underpinned by earnings growth



[1] For the 6 months ended 31 Dec 2021, 30 Jun 2022 and 31 Dec 2022. JANA net flows excluded across all periods.

[2] For the 6 months ended 31 Dec 2020, 31 Dec 2021 and 31 Dec 2022.

Directors' Report

Operating and financial review

Financial performance

Net profit after tax

NPAT for the half year ended 31 December 2022 was $45.1m (half year ended 31 December 2021: $27.0m). The increase in NPAT has been driven by the gain on the sale of the AET business and lower service fees and operating expenses, partially offset by lower management and service fees revenue and higher finance costs.

Underlying net profit after tax

UNPAT is a non-International Financial Reporting Standards (IFRS) metric that is used by management to monitor the performance of the Group. In calculating UNPAT, the Group reverses the impact on profit of certain, predominantly non-recurring items, to enable a better understanding of its underlying operational result. It is the UNPAT result that will be analysed in detail in this section of the Directors' Report.

UNPAT for the half year ended 31 December 2022 was $98.6m (half year ended 31 December 2021: $119.6m), a decrease of $21.0m driven by unfavourable market performance and margin decline from product simplification, partially offset by a decline in operating expenses reflecting the realisation of benefits and synergies from strategic initiatives.

Funds under management and administration

As at	31 Dec 22	30 Jun 22
Funds under administration (FUA)	$201.3b	$205.2b
Funds under management (FUM)	$83.8b	$92.3b
FUMA	**$285.1b**	**$297.5b**

The reduction in FUMA is driven by the $16.1b outflows associated with AET and JANA and $1.5b of pension payment, offset by $3.7b favourable market performance and $1.5b transfers into Asset Management FUM.

Advice

At 31 December 2022, there were 1,525 advisers in the Insignia Financial network (30 June 2022: 1,600). The reduction in adviser numbers is consistent with broad industry decline and was further impacted by the Group's focus on advice sustainability. The reduction is mainly across the self-licensed and self-employed channels showing a moderation in decline over recent periods. This was driven in part by the expiry of the FASEA exam deadline on 30 September 2022. Declines are consistent with slowing reductions across the industry.

Reconciliation of UNPAT to NPAT

The following table, which has not been reviewed by the external auditor, provides a reconciliation between the UNPAT and NPAT of the continuing operations of the Group, excluding the results of the statutory funds.

Shareholders can access the more detailed results presentation by visiting the Company website at www.insigniafinancial.com.au.

For the six months ended	31 Dec 22	31 Dec 21*
	$m	$m
Profit for the period	45.1	27.0
Profit from discontinued operations	(48.4)	(5.0)
(Loss)/Profit from continuing operations	(3.3)	22.0
UNPAT adjustments:		
Transformation and integration costs	57.6	47.2
Amortisation of intangible assets	40.8	42.0
Remediation costs	17.9	27.5
Evolve21 costs	-	7.5
Evolve23 costs	8.7	-
Legal settlement	-	5.0
Net fair value losses/(gains) on financial instruments	10.2	(4.9)
Income tax attributable	(37.5)	(32.4)
Total UNPAT adjustments	**97.7**	**91.9**
UNPAT from continuing operations	**94.4**	**113.9**
UNPAT from discontinued operations	4.2	5.7
UNPAT	**98.6**	**119.6**

*Restated due to finalisation of purchase price allocation accounting in connection with the MLC acquisition.

Transformation and integration costs: Transaction costs associated with external advisers, internal staff and specialist contractor costs relating to the acquisition and integration of the MLC and ANZ P&I businesses. Also includes project labour costs, redundancy and termination costs, information technology (IT) and other consultancy fees, and outsourced hosting services directly related to transformation and integration of those businesses.

Directors' Report

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Reconciliation of UNPAT to NPAT (continued)

Amortisation of intangible assets: Amortisation of acquired intangible assets over their useful lives. This excludes amortisation of internally developed software.

Remediation costs: Expenses recognised in the Group's structured remediation provisions including client compensation and associated costs.

Evolve21 and Evolve23 costs: Project labour costs and IT consultancy fees associated with development and transformation of the Group's proprietary Evolve platform. The program is bringing multiple heritage platforms together for simplification through Evolve21 and Evolve23.

Legal settlement: HY22 included costs associated with settlement of legal matters.

Net fair value losses/(gains) on financial instruments: Includes (gains)/losses from fair value movements on financial instruments held at fair value through profit and loss.

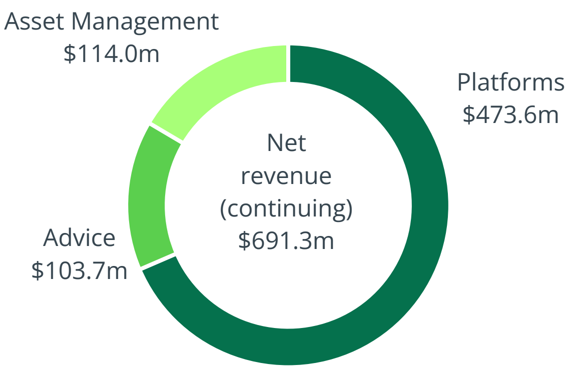
Income tax attributable: Income tax applied against certain items that are UNPAT adjusted.

Discontinued operations: Results of the AET business including Australian Executor Trustees Limited and AET PAF Pty Ltd (collectively AET), and the gain on sale recognised by the Group on divestment of AET.

Key financial results – continuing operations

For the six months ended	31 Dec 22	31 Dec 21	Movement	
	$m	$m	$m	%
Net revenue	691.3	758.8	(67.5)	(8.9%)
Operating expenses	(517.7)	(558.5)	40.8	(7.3%)
Net financing costs	(18.3)	(12.9)	(5.4)	41.9%
Net non-cash items	(25.5)	(30.6)	5.1	(16.7%)
Income tax expense	(35.4)	(42.9)	7.5	(17.5%)
UNPAT from continuing operations	94.4	113.9	(19.5)	(17.1%)
UNPAT adjustments	(97.7)	(91.9)	(5.8)	6.3%
(Loss)/Profit from continuing operations	(3.3)	22.0	(25.3)	(115.0%)

Net revenue



Decrease in net revenue is primarily driven by the reduction in management and service fee revenue due to market performance and lower average FUMA. This was partially offset by a reduction in service fees and other direct costs, and an increase in other revenue.

Operating expenses

Decrease in operating expenditure is primarily due to lower employee costs and professional fees.

Net financing costs

Increase in net financing costs is driven by the increase in market interest rate during the period.

Net non-cash items

Decrease in net non-cash items is largely driven by the reduction in impairment expenses, partially offset by higher depreciation and amortisation expenses.

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Shareholder returns

The Group's dividend is determined based on financial performance and the Group seeks to offer an attractive yield. The Board also understands that dividend payments should not hinder future organisational plans. The Board has therefore determined that a pay-out ratio range of 60% to 90% of UNPAT is generally appropriate, but not binding, in relation to ordinary dividends.

Total Shareholder Return (TSR) measures the change in share value over a specified period together with the return by way of dividends received. The Group's TSR in the 5-year period from 1 January 2018 was (54.2%) in total and (14.5%) on a compounding annualised basis. The TSR for the 12 months to 31 December 2022 was (1.3%) with a share price decrease of 7.5% partially offset by a dividend yield on the opening share price of 6.2%.

For the six months ended	31 Dec 22	31 Dec 21	% change
Profit after tax attributable to owners of the Company ($m) (1)	45.2	27.1	66.8%
(Loss)/Profit after tax from continuing operations ($m)	(3.3)	22.0	(115.0%)
Basic EPS (cents per share)	6.9	4.2	64.3%
Diluted EPS (cents per share)	6.9	4.2	64.3%
UNPAT ($m)	98.6	119.6	(17.6%)
UNPAT EPS (cents per share)	15.0	18.4	(18.5%)
Dividends declared ($m) (2)	69.1	76.6	(9.8%)
Dividends per share (cents per share) (2)	10.5	11.8	(11.0%)
Opening share price at 1 July	$2.69	$4.27	(37.0%)
Closing share price at 31 December	$3.35	$3.62	(7.5%)
Return on equity (statutory measure) (3)	3.77%	2.18%	72.9%
Return on equity (non-statutory measure) (3)	8.23%	9.60%	(14.3%)

(1) Profit attributable to owners of the Company has been calculated in accordance with Australian Accounting Standards.

(2) Dividends declared and dividends per share are those paid or declared from the relevant financial period's profits.

(3) Return on equity is calculated by dividing NPAT (statutory) and UNPAT (non-statutory) by average equity during the period on an annualised

Directors' Report

Operating and financial review

Financial position

	Dec 22	Jun 22	Change
	$m	$m	%
Assets			
Financial assets including cash	2,166.6	2,443.1	(11.3%)
Assets classified as held for sale	28.6	76.6	(62.7%)
Other assets	178.4	179.8	(0.8%)
Property and equipment	186.7	208.1	(10.3%)
Intangible assets including goodwill	2,569.6	2,606.7	(1.4%)
Total assets	**5,129.9**	**5,514.3**	**(7.0%)**
Liabilities			
Financial liabilities	1,344.4	1,575.4	(14.7%)
Liabilities associated with assets classified as held for sale	-	10.2	(100.0%)
Provisions	386.8	545.7	(29.1%)
Lease liabilities	177.6	189.4	(6.2%)
Borrowings	781.2	771.3	1.3%
Net deferred tax liabilities	59.0	21.4	175.7%
Total liabilities	**2,749.0**	**3,113.4**	**(11.7%)**
Net assets	**2,380.9**	**2,400.9**	**(0.8%)**
Number of ordinary shares (million)	658.4	653.9	0.7%
Net assets per ordinary share ($ per share)	**3.62**	**3.67**	**(1.5%)**

Financial assets (including cash) decreased $276.5m mostly due to the net settlement of the $300.0m ex-ANZ remediation receivables and $49.0m reduction in dividends and distribution receivables held by the statutory funds, partially offset by $73.0m increase in unlisted unit trusts held by the statutory funds.

Other assets decreased by $1.4m driven by the classification of $27.0m investment in JANA Investment Advisers Pty Ltd from associates to assets classified as held for sale, partially offset by $29.0m increase in current tax receivable.

Assets and liabilities classified as held for sale have decreased by $48.0m and $10.2m respectively. During the period, the sale of the AET business was completed, reducing the balance to nil. The Group subsequently classified $27.0m investment in JANA Investment Advisers Pty Ltd and $1.6m land and buildings to held for sale.

Property and equipment decreased by $21.4m which was driven by $23.2m depreciation expenses, $1.6m classification to held for sale and $0.9m impairment charge, offset by the recognition of $1.5m net right-of-use assets and $2.8m other assets.

Intangibles (including goodwill) decreased by $37.1m due to amortisation expenses.

Financial liabilities decreased by $231.0m due to the net settlement of $300.0m ex-ANZ AL remediation payables, partially offset by increases in trade payables and investment contract liabilities in the statutory funds.

Provisions decreased by $158.9m due to payments of $135.0m remediation provision and $100.6m payments for employee entitlements provision, partially offset by net $76.7m of additional provisions made and $1.4m employee entitlement provision acquired.

Lease liabilities decreased $11.8m primarily due to lease payments made during the period.

Borrowings have increased by $9.9m due to $15.5m accrued interest and borrowing costs, offset by net $5.6m repayments.

Net deferred tax liabilities have increased $37.6m due to decreases in deferred tax assets in line with decline in provision balances.

Directors' Report

Operating and financial review

Capital and liquidity management

Capital and liquidity positions are assessed on a monthly basis to ensure license requirements and lending covenants are met at all times. As part of this process any capital or liquidity surplus/needs are identified across the Group. Existing balance sheet capacity is expected to remain sufficient for the near future.

Capital management

The Group's capital management principles are to maximise returns to shareholders through enabling the execution of the Group's strategy whilst remaining compliant with the Group's risk appetite statement and regulatory requirements.

As part of its capital management strategy, the Group continually assesses whether it is optimising its use of capital and may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or adjust debt levels. The Group monitors capital through the Group's risk appetite framework, managing it as investment, working or regulatory capital.

The Group has maintained its focus on balance sheet strength by:

- refinancing a new syndicated facility agreement, supported by a group of six new and existing lenders; and
- continued expense management across the Group.

Liquidity management

The Group actively manages liquidity risk by preparing cash flow forecasts for future periods and through periodic review by senior management and the Board actively assessing options to ensure that internal liquidity requirements are met at all times. During the period, cash decreased by $5.1m driven by debt repayments, cash outflows associated with remediation and transformation programs and dividends paid to shareholders. These outflows were largely offset by cash inflows from the sale of the AET business and earnings from investments.

Borrowings

During the period, the syndicated facilities agreement (SFA) initially entered into in September 2018 was terminated and the Group entered into a new $955m SFA with six new and existing lenders. The new SFA is comprised of

- a 3-year $340m revolving credit facility. During the period, the Group made $340.0m drawdown under this facility and made a principal repayment of $12.0m. As at 31 December 2022, $12.0m of this facility was available;
- a 4-year $290m revolving credit facility. During the period, the Group made $118.3m drawdown under this facility and repaid it in full. At 31 December 2022, $290.0m of this facility was available;
- a 4-year $270m term loan. During the period, the Group made $270.0m drawdown under this facility and as at 31 December 2022, this facility was fully utilised; and
- a 3-year $55m multi-option facility. As at 31 December 2022, $24.0m of this facility was available. Utilisation of this facility is in the form of rental bond guarantees included in Note 21 *Commitments and contingent liabilities*.

The Group's senior corporate debt as at 31 December 2022 is $598m (30 June 2022: $590m). $302m of debt facilities remained undrawn at 31 December 2022 (30 June 2022: $275m). In addition, $30.5m of bank guarantees have been issued as part of the debt facilities (30 June 2022: $31.5m). Bank guarantees are not shown on the statement of financial position.

The Group is subject to certain financial covenants as part of its debt agreement, including a maximum ratio of net debt to EBITDA (leverage ratio) and a minimum interest cover (interest cover ratio). The Group complied with all these covenants throughout the period.

Dividends

The Group has a policy of paying dividends of 60-90% of UNPAT on an annualised basis. The Group has developed significant current and deferred tax assets as a result of remediation and transformation expenditure and as a result does not expect to pay income tax over the 2024 financial year. Consequently, dividends are expected to be unfranked for 30 June 2023 and FY24.

Directors' Report

Operating and financial review

Platforms (continuing operations)

Closing FUA

$201.3 billion

(30 Jun 2022: $198.2 billion
31 Dec 2021: $219.4 billion)

UNPAT

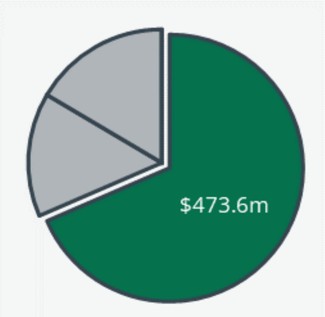
$118.3 million

(HY22: $141.5 million)

Net revenue

$473.6 million

(HY22: $521.1 million)



Operating expenses

$295.1 million

(HY22: $310.4 million)

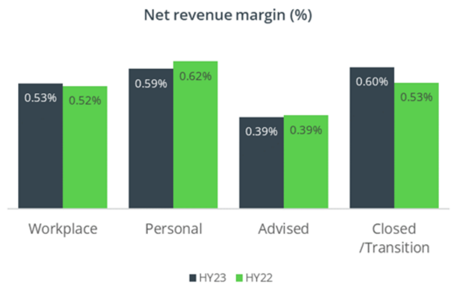
NPAT

$65.4 million

(HY22: $110.0 million)

The Platforms segment offers a wide range of financial services solutions on superannuation and investments to clients including investors, members, employers and advisers.

Financial performance



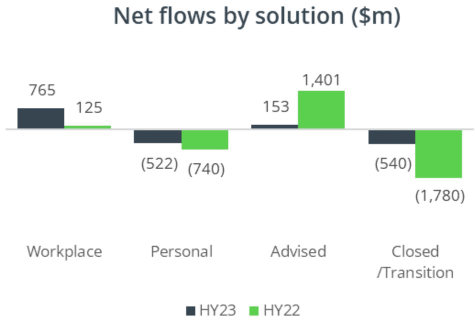
Net revenue has decreased predominantly as a result of equity market performance, resulting in a reduction in average FUA. The decline in net revenue margin % from 48bps to 47bps is the outcome of a number of strategic re-pricing initiatives, along with the transition of clients moving from legacy products to contemporary products, which all form part of the overall Platform Simplification program. These initiatives include:

- repricing of OneAnswer index options in September 2021;
- revenue impact from the completion of the Evolve21 Platform Simplification in December 2021;
- Choice admin fee reprice in MLC Workplace from July 2022;
- the transition of Integra members to Smart Choice in June 2022; and
- repricing from the new Expand relaunch in November 2022.

Decreased operating expenses is largely driven by synergies achieved across the Group.

Refer to Note 2 *Operating Segments* for details.

FUA net flows



Net flows improved significantly due to realisation of benefits from the delivery of product simplification, product enhancements, member engagement and strategic repricing initiatives. The Platforms business won 11 new employer relationships within the Workplace channel and retained all major existing clients.

Strategy and outlook

The next major phase of platform simplification, Evolve23, will see the transition of the MLC wrap products from the Star platform to the Evolve platform, which the Group expects to complete in calendar year 2023. This will see the number of platforms supporting the MLC business reduce from 3 to 2. These platform migrations are key to unlocking benefits of scale and reducing risk for all stakeholders, by reducing complexity and cost to serve.

Running in parallel with the product simplification program is the branding launch of the Advised Wrap products under the one platform identity on 14 November 2022. This sees Expand Extra as the go forward "Full menu" option and Expand Essential as the go forward "Core menu" option.

Directors' Report

Operating and financial review

Advice

Number of advisers

1,525

(30 Jun 2022: 1,600
31 Dec 2021: 1,765)

UNPAT

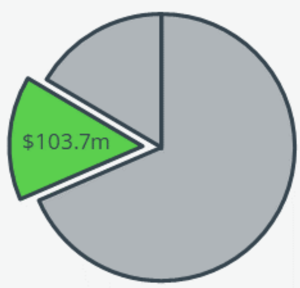
$21.9 million loss

(HY22: $28.3 million loss)

Net revenue

$103.7 million

(HY22: $114.2 million)



Operating expenses

$128.5 million

(HY22: $145.2 million)

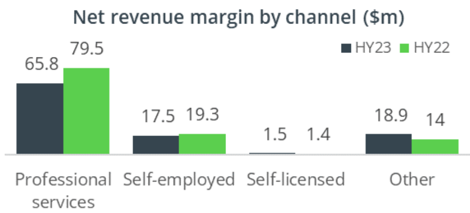
NPAT

$42.5 million loss

(HY22: $64.0 million loss)

The Advice segment provides quality financial advice that is accessible, affordable and engaging for Australians. The business helps clients navigate their way through a range of financial services and solutions and educates clients to improve their financial wellbeing.

Financial performance



Net revenue has decreased due to the following:

- reshaping of the service proposition of the Bridges business following consolidation with MLC Advice, as low fee-paying clients are moved off fixed-term services;
- lower asset-based fee income in Shadforth Financial Planning reflecting market movements; and
- a decrease in self-employed revenue from a decline in adviser numbers and practice turnover, typically from smaller practices.

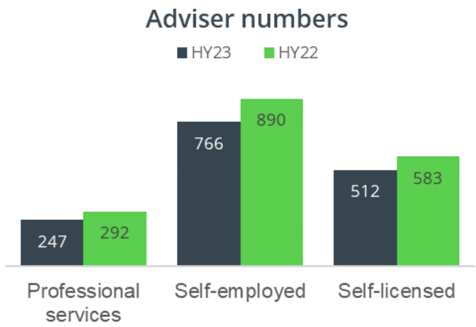
Other revenue has increased due to the reclassification of paraplanning fees for consistent treatment across advice professional services businesses. This is a net nil impact at the Advice segment level.

Operating expenses reduced due to the realisation of synergy benefits from Advice 2.0 strategic initiatives.

Increase in NPAT was primarily driven by realisation of synergy benefits from the Advice 2.0 strategic initiatives.

Refer to Note 2 *Operating Segments* for details.

Number of advisers



The number of advisers decreased by 240 for the year ended 31 December 2022, primarily through the loss of smaller practices in the self-employed channel (124), self-licensed channel (71) and professional services (45).

Adviser departures in the self-employed channel followed from the reset of management fees charged by the Group from 1 October 2021. The departures in the Self-Licensed channel were largely from two member practices following reviews of their adviser base. Departures from the Professional Services channel were primarily due to the reshaping of the Bridges business following consolidation with MLC Advice in June 22, resulting in 30 less adviser roles and creating improved efficiencies.

Strategy and outlook

The Advice business remains focused on building a financially sustainable operating model to achieve financial break-even.

Directors' Report

Operating and financial review

Asset Management

Closing FUM

$83.8 billion

(30 Jun 2022: $92.3 billion
31 Dec 2021: $98.8 billion)

UNPAT

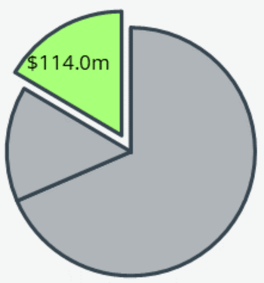
$34.8 million

(HY22: $38.2 million)

Net revenue

$114.0 million

(HY22: $123.0 million)



Operating expenses

$62.3 million

(HY22: $69.1 million)

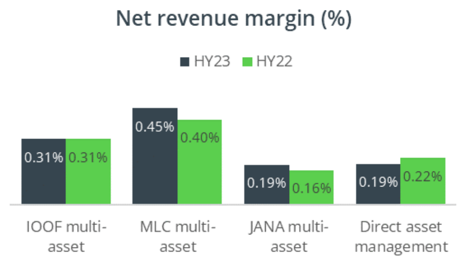
NPAT

$26.0 million

(HY22: $31.0 million)

The Asset Management segment provides investment management services on behalf of institutional, retail and direct clients across a diverse range of asset classes and product constructs.

Financial performance



Net revenue declined by $9.0m compared to HY22 primarily as result of lower average FUM, a reduction in performance fee revenue and the divestment of Presima in June 2022.

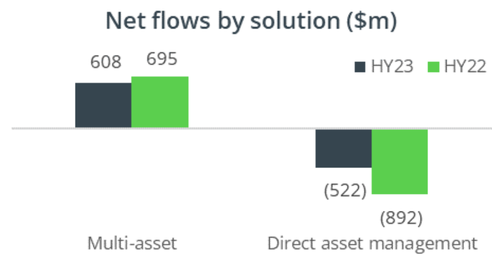
Throughout the period, macroeconomic headwinds across major global economies resulted in a rising inflationary environment and a gradual increasing of interest rates, negatively impacting asset valuations across most asset classes and resulting in lower FUM and consequently management fee revenue. In addition, market conditions have impacted liquidity and lowered the availability of capital which has been a significant driver in a reduction in the number of private equity exit events compared to prior comparative periods resulting in lower private equity performance fees in HY23.

Net revenue margin has remained consistent at 25bps which reflects the relatively stable nature of the Asset Management client base, the fixed bps nature of most fee structures and the minimal change in product mix between the periods.

Operating expenses continued to see further declines as synergy benefits were realised.

Refer to Note 2 *Operating Segments* for details.

FUM net flows[3]



Excluding JANA, net flows for the period were $86m in net inflows compared to $197m net outflows for HY22, largely driven by the improvement in direct asset management.

Multi-asset retail offerings continued to see strong uptake with net inflows of $608m. This was however $87m lower than HY22 as the macroeconomic environment resulted in a general slowdown in flows activity across the industry.

Direct asset management experienced attrition in its Antares Fixed Income capability as underlying institutional clients rebalanced and managed their liquidity needs in response to a rising inflationary and cost of capital environment. These outflows were partially offset by strong net inflows into Intermede through a combination of new institutional clients and existing clients allocating further capital through rebalancing and tilts in asset allocation.

Strategy and outlook

Asset Management continues to be an integral contributor to the wider transformation and simplification strategy whilst continuing to execute on individual capabilities. The business continues to broaden the distribution reach of the MLC managed accounts capability with the addition of the multi-asset SMA offerings onto new platforms. The MLC Global Private Equity Fund was also launched as a way to package up MLC's leading private equity capability to a broader client base.

[3] JANA net flows excluded.

Directors' Report

Operating and financial review

Corporate

Operating expenses

$31.8 million

(HY22: $33.8 million)

UNPAT

$36.8 million loss

(HY22: $37.5 million loss)

NPAT

$52.2 million loss

(HY22: $55.0 million loss)

The Corporate segment comprises group functions required to support the Group and operating segments. Activities performed by the segment are of a strategic, shareholder or governance nature and reflect centralised corporate expenses.

Financial performance

Decrease in operating expenditure is primarily driven by synergies.

The improvement in the net loss after tax is driven by lower operating expenses partially offset by the increase in financing costs due to higher interest rates on the Group's debt facilities.

Refer to Note 2 *Operating Segments* for details.

Directors' Report

Operating and financial review

Risk management

The Board is responsible for establishing and overseeing the Group's Risk Management Framework (RMF) and has delegated authority for the oversight and monitoring of the Framework to the Group Risk and Compliance Committee and the Chief Executive Officer (or their delegate). The key pillars of the RMF include:

- the Group Risk Management Strategy (RMS) which sets out the Board's expectations regarding the consistent approach to develop and implement different strategies, policies, procedures and controls to appropriately manage different types of material risk. The RMS includes a description of each material risk, including key roles and responsibilities for managing the risk, outlines the risk governance structure and promotes a proactive risk culture. Risk management strategies are further defined in each regulated entity's RMS that reflect individual entity material risks in line with their business plans. The Group maintains a risk taxonomy in line with the material risks defined in the RMS, with the purpose of providing a consistent language and consistent way to categorise risks;
- the Group Risk Appetite Statement (RAS), which sets out the Board's expectations regarding the degree of risk that the Group is prepared to accept in pursuit of strategic and business objectives, giving consideration to the interests of clients and shareholders. Risk appetite and tolerances are further defined in each regulated entity's RAS that reflects individual entity risk management strategies and material risks or exposures, in line with their business plans (within the appetites set for the Group);
- the Group Risk Management Policy (RMP) which sets out the methodology to identify, assess, manage, analyse, monitor and report on those risks that could impact the achievement of strategic objectives, impact core processes and/or result in non-compliance with obligations; and
- a three lines of defence governance model to govern risk management and compliance activities across the Group. The three lines of defence model is the foundation for effective risk management. The overarching principle is that risk management capability must be embedded into the business to be effective.

In November 2022, APRA imposed additional licence conditions on the Registrable Superannuation Entity Licensees (RSELs). These conditions included:

- Enhancement of the RSELs governance in relation to member outcomes, oversight of service providers, risk, compliance and managing conflicts of interest;
- Appointment of an independent expert to examine the operational effectiveness of their governance, accountability and risk management frameworks and practices; and
- Rectification of areas of concern with input from the independent expert.

Additionally, APRA required:

- IOOF Investment Management Limited (IIML) to comply with its legal obligation in relation to the transfer of member benefits; and
- OnePath Custodians Pty Limited (OPC) to appoint an independent expert to provide root cause analysis and assurance in relation to the breach of APRA's direction.

The Group is committed to supporting and working with the RSELs to satisfactorily address all the Licence Conditions and to rectify any and all areas of concern identified by the independent expert.

Directors' Report

Operating and financial review

The Group manages a number of risks in conducting its operations and implementing its strategy. Material risks faced by the Group include, but may not be limited to those shown in the following table.

Material risk	Risk description	Our response to manage this risk
Strategic and tactical		
Changes in external business environment risk	The risk of changes in business environment, including changes in market conditions (management and services fee revenue is driven by % of FUMA) and sentiments, actions of competitors, evolving regulatory landscape, social influences and public perception, that could adversely impact the delivery of the Group's business objectives and threaten the operational resilience and sustainability of the business.	The Group is continuously investing in client service, product design, stakeholder relationships, market research, participation in consultation processes and other continuous improvement initiatives.
Contagion risk	The risk arising from the activities and events of an associated entity that could adversely impact the reputation and delivery of business objectives of other entities within the Group, either directly or indirectly.	This risk is monitored and managed by: • Each APRA regulated entity's Board composition of Independent Non-Executive Directors; • Consideration of contagion risk in the setting of risk tolerances and risk appetites across the Group; and • The Group's compliance framework focuses on addressing the obligations of each entity including the risk of any potential conflicts of interest between parties.
Environmental, social and governance (ESG) and culture risk	The risk of inadequate consideration of ESG factors including failure to seek to minimise the impact the business has on climate and society and/or failure to live up to the Group's culture and purpose.	To ensure the Group fulfils its purpose, the Group considers a broad range of ESG risks and opportunities. This includes not conducting business or maintaining relationships with members or suppliers known to be involved in modern slavery, money laundering or terrorism financing, or human rights violators, as well those operating in industries with unacceptable ESG risks.
Strategic, business planning and execution risk	The risk that the Group fails to set and implement appropriate and clear business objectives and strategies.	The Group has a robust planning process in place for setting, monitoring and executing business plans, objectives and strategies.
Governance		
Conflict of Interest risk	The risk that the Group fails to identify and/or appropriately manage an actual conflict, potential conflict or perceived conflict, that could prevent the organisation, its Board members, management, employees (including representatives) or authorised representatives from performing their duties effectively.	The Group has in place the Conflicts Management Framework to identify, assess, mitigate, manage and monitor conflicts.

Directors' Report

Operating and financial review

Material risk	Risk description	Our response to manage this risk
Governance (continued)		
Governance principles and obligations risk	The risk of inappropriate performance by members of the Board or its committees, or entities' boards or committees, and/or ineffective processes to support sound and transparent decision-making and in accordance with: • ASX Corporate Governance Principles and Recommendations; • Trustee obligations; • Responsible Entity's obligations; and • discharging of fiduciary duties in good faith and in the best interests of clients.	The Group continues to strengthen the quality of its governance frameworks. This is supported by corporate structures with independent boards and committees aligned with their regulatory obligations. The Member Office (MO) and Office of the Responsible Entity (ORE) act independently to the Enterprise Risk and Compliance (ERC) function to set expected standards of governance and to oversee adherence to those standards by the Group in respect to advocating for member outcomes and investors' best interests.
Financial and liquidity		
Interest rate risk	The risk that arises for the Group from the fluctuation of the fair value or future cash flows of financial instruments due to changes in market interest rates. Financial instruments that may be impacted by interest rate risk include cash and cash equivalents, financial assets, certificates of deposit, loans and borrowings. Short and long-term investment mixes and loans to related entities are influenced by liquidity policy requirements.	This risk is managed by holding diversified short and long- term investment mixes and loans in accordance with the Group capital management policy. Where appropriate interest rate derivatives are also used to manage the exposures. The interest rate risk is monitored and managed on a regular basis by the related entities and group treasury.
Liquidity risk	Liquidity risk relates to the Group having insufficient liquid assets to cover cash flow requirements.	This risk is managed by maintaining sufficient liquid assets and an ability to access a committed line of credit. The liquidity requirements of the Group's licensed entities are regularly reviewed and carefully monitored in accordance with their licence requirements, including regulatory capital requirements.

Directors' Report

Operating and financial review

Material risk	Risk description	Our response to manage this risk
Financial and liquidity (continued)		
Capital management and financing risk	Capital management and financing risk refers to the Group's inability to meet regulatory capital requirements and refinance debt facilities or to secure new financing on satisfactory terms which could adversely affect the Group's financial performance and prospects.	This risk is minimised through oversight by a dedicated finance and treasury function with established policies and procedures which are subject to continuous monitoring and review. The Group has a syndicated facility agreement providing diversity of funding and flexibility to manage working capital needs across the Group. Capital requirements and banking covenants are monitored monthly to ensure any potential issues are identified and mitigated to the extent necessary well in advance.
Investment governance		
Inappropriate investment valuation and unit pricing risk	The risk of investment valuations and unit pricing being performed with incorrect application of methodology and/or insufficient frequency by the Group.	To manage this risk, the Unit Pricing and Valuation Forum is in place to promote and enhance good unit pricing and investment valuation practices within the Group and to support management in fulfilling their management accountabilities in relation to the management of unit pricing and investment valuation risks and controls.
Ineffective investment governance risk	The risk of the Group not having an effective investment governance framework to ensure investment decisions are made in accordance with investment strategies and objectives and in the best interest of clients, including appropriate use of derivative instruments.	This risk is managed through established investment governance frameworks and committees that provide continuous oversight and monitoring of investments and underlying investment managers.
Investment liquidity risk	The risk of insufficient cash flow to meet benefit payments and/or settlements on clients' investments.	This risk is managed through the Liquidity Management Policy. The Policy outlines: • liquidity management governance; • ongoing liquidity measurement and management; • liquidity stress scenarios; • liquidity events; and • crisis management planning.

Directors' Report

Operating and financial review

Material risk	Risk description	Our response to manage this risk
Conduct		
Improper business and market practices	The risk that employees act in an inappropriate, unlawful or unethical manner.	The Group's management of this risk is supported by the Group Code of Conduct and Managing Performance and Conduct policy, which set out the values of professional and personal conduct applicable to all Group's people. These include acting within the law and in the best interests of members, clients, shareholders and the Group at all times. Employees are required to complete an assigned 'Code of Conduct' training module annually which sets the standards of behaviour expected of everyone at Insignia Financial.
Poor quality of advice risk	The risk of failure to provide quality, appropriate and adequate financial advice in the best interests of clients.	This risk is managed by having high professional, educational, compliance, assurance and training standards in place for the Group's advisers and authorised representatives. The Group also undertakes a rolling program of compliance reviews of advisers. The potential financial impact is mitigated by appropriate levels of insurance cover.
Client disclosure and communication failure risk	The risk of inadequate, inaccurate and/or ineffective disclosure and communication of required information to clients pre and post-sales of products and services.	This risk is managed by: • having an established due diligence process in place for preparing, reviewing and approving documents, including the need to obtain sign off requirements from appropriate stakeholders; • consideration of complaints feedback; and the requirement for a review of all key external communications by stakeholders including member office, office of the responsible entity, legal, risk and compliance.
Operational		
Business disruption risk	The risk of a disruption event such as loss of access to business premises, loss of key IT systems, telecommunication and utilities failure, or a natural disaster that could disrupt day-to-day operations and threaten the operational resilience of the Group.	This risk is managed by the application of controls, established business continuity policy plans and procedures (including disaster recovery testing) which are subject to continuous monitoring and oversight, while ensuring there are experienced employees and specialist IT advisers across the Group.

Directors' Report

Operating and financial review

Material risk	Risk description	Our response to manage this risk
Operational (continued)		
Employee fatigue and competency risk	The risk of employee fatigue, excessive reliance on key persons and/or failure to attract and retain the level of talents and skills required to support business operations.	The Group undertakes succession planning, offers competitive employment conditions and benefits and promotes fair remuneration. This risk is also managed by: • having established recruitment processes in place to ensure employees meet competency requirements; • monitoring of employee performance; • monitoring of employee turnover; and • providing employees with wellbeing education and support.
Fraud, money laundering, sanctions, bribery and corruption risk	The risk of acts by employees or external parties intended to defraud and misappropriate assets and funds, and circumvent the law including money laundering, bribery and corruption.	This risk is managed by having an appropriate Group Fraud Policy and anti-money laundering (AML) and counter-terrorism financing (CTF) Program in place to protect the business from fraudulent activity and financial crime. Employees are required to complete assigned training modules annually covering fraud awareness; AML and CTF; and bribery and corruption topics.
Outsourcing and third-party failure risk	The risk of failure to effectively manage third party selection and due diligence process, and to monitor third party performance against the required standards and agreed service levels.	This risk is managed by having an appropriate Outsourcing Policy and a Procurement Policy, as well as documented procedures in place for appointing outsourced business functions and monitoring performance against agreed service standards and contractual requirements.
Technology, cyber and information security		
Infringement of system security and inadequate cyber resilience risk	The risk of internal or external compromise on systems and data, and/or failure to respond to a cyber threat or attack and recover within an acceptable recovery time frame could materially affect the Group's operations, which could impact future profitability and financial position.	This risk is managed by : • providing system access based on appropriate authorisation and segregation of duties, with periodic system access reviews; • having an established Information Technology security control program including software patching, anti-virus software and firewalls to manage the threat of cyber-crime, with monitoring and management of attacks and vulnerabilities; and • regular monitoring and reporting regarding effectiveness of information security controls to protect information assets, including those managed by related parties and third parties.

Directors' Report

Operating and financial review

Material risk	Risk description	Our response to manage this risk
Legal and compliance		
Complaints handling failure risk	The risk of failure in handling client complaints in a timely, consistent, fair and reasonable manner and/or failure to resolve complaints to client's satisfaction	This risk is managed by having; • an established Complaints Framework and Complaints Handling Policy in place; • a Complaints Officer role appointed; and • documented processes in place for receiving and responding to complaints.
Legal and compliance risk	The risk of the Group failing to comply with legal and regulatory obligations.	This risk is managed by the Group developing and implementing policies and frameworks to ensure compliance and reporting of any incidents, exceptions or breaches; reporting to the delegated Committee and Board detailing compliance breaches, incidents and complaints to meet APRA and ASIC and other regulatory requirements. A Compliance Obligation Framework has been developed covering a consistent set of principles and processes to help us manage and comply with obligations as set out by regulators.
Regulatory change risk	The Group is required to implement large volumes of complex regulatory changes, at times within relative short time frames. Failure to respond and implement regulatory changes in a timely manner could give rise to non-compliance with regulations, financial penalties and adverse impact on Group's reputation.	This risk is managed by a dedicated team within Enterprise Risk & Compliance to oversee all regulatory change activities. This team operates under a documented and understood Regulatory Change Model to mitigate this risk. Support is provided by a dedicated team within Enterprise Risk & Compliance to oversee all regulatory change activities. This team is supported by the Corporate Affairs teams for change activities as well as Transformation Office and dedicated business implementation teams.
Remediation failure risk	The risk of ineffective, inappropriate and/or untimely execution of remediation activity, as well as an inconsistent remediation approach to deliver the appropriate outcome for the impacted client(s).	To manage this risk, remediation activities are adequately resourced and conducted in line with the remediation policy. Governance structures are in place to consider and manage the issues and risks of remediation delivery. Regular updates are provided to regulators.
Insurance		
Insurance risk	The risk of loss to the Group arising from the provision of insurance benefits. The risk of loss due to failure to develop and implement an appropriate insurance strategy or effectively manage claims.	This risk is managed and monitored at the subsidiary company level by implementing and complying with the Board approved Insurance Management Framework, Insurance Strategies and related procedures.

Directors' Report

Operating and financial review

Dividends

In respect of the six months ended 31 December 2022, the Directors declared an interim dividend of 9.3 cents per ordinary share and a special dividend of 1.2 cents per ordinary share. The dividends are franked to 50% at the corporate income tax rate of 30%. The dividends will be paid on 3 April 2023 to all shareholders recorded on the Register of Members on 13 March 2023.

In respect of the financial year ended 30 June 2022, the Directors declared the payment of a final dividend of 11.8 cents per share franked to 100% at 30% corporate income tax rate to the holders of fully paid ordinary shares, which was paid on 29 September 2022. In October 2022, 4.5m shares were issued pursuant to the Company's dividend reinvestment plan (DRP) at an issue price of $3.16 per share. A discount of 1.5% was applicable. The take-up of the DRP was 19.0%.

Impact of COVID-19 and other macroeconomic conditions

In preparing the financial report, the Group has considered the ongoing impact of COVID-19 and other macroeconomic conditions in its adoption of significant assumptions and market inputs used in:

- valuing the Group's financial instruments; and
- preparing disclosures for the fair value of financial assets and liabilities and financial risk management.

The Group has reviewed the appropriateness of inputs to the valuation of financial instruments and the disclosures for the fair value of financial instruments. The fair value of the Group's financial instruments may have been impacted by a variety of factors arising from changed business conditions as a result of COVID-19 and other macroeconomic conditions. As a general principle, quoted prices in active markets provide the best available evidence of fair value. The Group's financial instruments are valued using directly observable inputs whenever possible as these are considered to be the most reliable and appropriate evidence of fair value.

Non-financial risks emerging from global inflation hikes, tightening monetary policies, global geopolitical tension and global movement restrictions including remote working for staff, counterparties and service providers have been identified, assessed, managed and governed through timely application of the Group's risk management policies.

Management continues to monitor the impact of global economic uncertainty and further waves of the COVID-19 pandemic to the business environment including ongoing assessment of market risk, credit risk and liquidity risk associated with the business.

Directors' Report

The Directors present their report together with the interim financial report of the Insignia Financial Group for the six months ended 31 December 2022 and the independent auditor's review report thereon. The Operating and financial review is part of the Directors' report.

Directors

The names and details of the Directors of Insignia Financial Ltd holding office during the six months to 31 December 2022 and as at the date of this report are listed below. Directors were in office for this entire period unless otherwise stated.

Name	Role
Mr Allan Griffiths	Independent Chair
Mr Renato Mota	Managing Director and Chief Executive Officer
Ms Elizabeth Flynn	Independent Non-Executive Director
Mr John Selak	Independent Non-Executive Director
Mr Andrew Bloore	Independent Non-Executive Director
Ms Michelle Somerville	Independent Non-Executive Director

The Group People & Remuneration and the Nominations committees review the balance of skills, experience, independence, knowledge and diversity of Directors. This involves the creation of a board skills matrix setting out the mix of skills and diversity that the Board currently has or is looking to achieve in its membership.

Each Board member completes a skills matrix annually. The Board is satisfied that the skills matrix results demonstrate that the Board has the appropriate skills and experience necessary to oversee the operations and governance of the Group. The Board skills matrix is available as part of our Corporate Governance Statement which is available on the Company's website.

Events occurring after balance date

On 31 January 2023, the Group completed the sale of its shareholding in JANA Investment Advisers Pty Ltd for cash consideration of $30.1m. The sale was in accordance with the Share Sale Agreement executed in December 2022.

The Directors have declared the payment of an interim dividend of 9.3 cents per share and a special dividend of 1.2 cents per share. The dividends are franked to 50% at 30% corporate income tax rate, and will be paid on 3 April 2023 to all shareholders recorded on the Register of Members on 13 March 2023.

The Directors are not aware of any other matter or circumstance not otherwise dealt with in this report, or the accompanying financial statements and notes thereto, that has arisen since 31 December 2022 that has significantly affected, or may significantly affect:

- the Group's operations in future financial periods; or
- the results of those operations in future financial periods; or
- the Group's state of affairs in future financial periods.

Lead auditor's independence declaration

The lead auditor's independence declaration is included on page 27 of the interim financial report and forms part of the Directors' Report for the six months ended 31 December 2022.

Rounding off of amounts

The Company is a company of the kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*, dated 24 March 2016, and in accordance with that instrument amounts in the financial report are rounded off to the nearest one hundred thousand dollars, unless otherwise stated.

Authorisation

The Directors' Report is signed in accordance with a resolution of the Directors made pursuant to s.306(3) of the *Corporations Act 2001*.

Mr Allan Griffiths

Chairman

Melbourne

23 February 2023

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Insignia Financial Ltd

I declare that, to the best of my knowledge and belief, in relation to the review of Insignia Financial Ltd for the half-year ended 31 December 2022 there have been:

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

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

KPMG

KPMG

Chris Wooden

Partner

Melbourne

23 February 2023

Condensed consolidated statement of comprehensive income

For the six months ended 31 December 2022

For the six months ended	Note	31 Dec 22 $m	31 Dec 21** $m
Continuing operations			
Revenue	3	972.1	1,119.6
Expenses	4	(954.5)	(1,070.1)
Impairment expense		(1.2)	(7.8)
Share of profits of associates accounted using the equity method		4.7	6.1
Finance costs		(26.5)	(15.3)
(Loss)/Profit before tax and statutory funds from continuing operations		**(5.4)**	**32.5**
Income tax benefit/(expense)	6	2.1	(10.5)
Profit after tax before statutory funds from continuing operations		**(3.3)**	**22.0**
Statutory funds revenue*	23	27.3	28.5
Statutory funds expenses*	23	(13.5)	(16.2)
Income tax expense - statutory funds*	23	(13.8)	(12.3)
Statutory funds contribution to profit, net of tax		**-**	**-**
(Loss)/Profit after tax for the period from continuing operations		**(3.3)**	**22.0**
Discontinued operations			
Profit from discontinued operations, net of tax	5	48.4	5.0
Profit for the period		**45.1**	**27.0**
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Change in fair value of financial assets through other comprehensive income		-	0.8
Remeasurements of defined benefit asset		0.6	4.5
Income tax expense on other comprehensive income		(0.2)	(1.6)
		0.4	**3.7**
Items that may be reclassified to profit or loss			
Exchange differences on translating foreign operations		0.2	0.3
Income tax expense on other comprehensive income		(0.1)	(0.1)
		0.1	**0.2**
Other comprehensive income for the period, net of tax		**0.5**	**3.9**
Total comprehensive income for the period		**45.6**	**30.9**
Profit attributable to:			
Owners of the Company		45.2	27.1
Non-controlling interest		(0.1)	(0.1)
Profit for the period		**45.1**	**27.0**
Total comprehensive income attributable to:			
Owners of the Company		45.7	31.0
Non-controlling interest		(0.1)	(0.1)
Total comprehensive income for the period		**45.6**	**30.9**
Earnings per share			
Basic earnings per share (cents per share)	8	6.9	4.2
Diluted earnings per share (cents per share)	8	6.9	4.2
Earnings per share - continuing operations			
Basic earnings per share (cents per share)	8	(0.5)	3.4
Diluted earnings per share (cents per share)	8	(0.5)	3.4

Notes to the condensed consolidated financial statements are included on pages 32 to 51.

*A subsidiary of the Company, IOOF Ltd, is a friendly society in accordance with the *Life Insurance Act 1995*. The funds operated by IOOF Ltd, and any trusts controlled by those funds, are treated as statutory funds in accordance with the *Life Insurance Act 1995*. These statutory funds are required to be consolidated in accordance with accounting standards.

**Restated. Refer to Note 24 Acquisition and disposal of subsidiaries.

Condensed consolidated statement of financial position

As at 31 December 2022

		31 Dec 22	30 Jun 22
	Note	$m	$m
Assets			
Cash and cash equivalents	9	512.9	518.0
Receivables	10	331.8	685.3
Other financial assets	11	1,321.9	1,239.8
Current tax assets		72.2	43.2
Other assets		26.0	28.0
Assets classified as held for sale*		28.6	76.6
Net defined benefit asset		20.6	20.1
Associates		59.6	88.5
Property and equipment	12	186.7	208.1
Intangible assets	13	765.1	802.2
Goodwill	14	1,804.5	1,804.5
Total assets		**5,129.9**	**5,514.3**
Liabilities			
Payables	15	227.4	467.2
Other financial liabilities	16	1,117.0	1,108.2
Provisions	17	386.8	545.7
Liabilities associated with assets classified as held for sale		-	10.2
Lease liabilities		177.6	189.4
Borrowings	18	781.2	771.3
Net deferred tax liabilities	6	59.0	21.4
Total liabilities		**2,749.0**	**3,113.4**
Net assets		**2,380.9**	**2,400.9**
Equity			
Share capital	19	3,027.1	3,013.6
Reserves	20	2.3	5.0
Accumulated losses		(648.2)	(617.5)
Total equity attributable to equity holders of the Company		**2,381.2**	**2,401.1**
Non-controlling interest		(0.3)	(0.2)
Total equity		**2,380.9**	**2,400.9**

Notes to the condensed consolidated financial statements are included on pages 32 to 51.

*Assets classified as held for sale for 31 December 2022 relate to investment in JANA Investment Advisers Pty Ltd and other non-related land and buildings.

Condensed consolidated statement of changes in equity

For the six months ended 31 December 2022	Ordinary shares	Treasury shares	Reserves	Accumulated losses	Total	Non-controlling interest	Total equity
	$m	$m	$m	$m	$m	$m	$m
Balance at 1 July 2022	3,017.2	(3.6)	5.0	(617.5)	2,401.1	(0.2)	2,400.9
Total comprehensive income for the period							
Profit for the period	-	-	-	45.2	45.2	(0.1)	45.1
Other comprehensive income for the period	-	-	0.1	0.4	0.5	-	0.5
Total comprehensive income for the period	**-**	**-**	**0.1**	**45.6**	**45.7**	**(0.1)**	**45.6**
Transactions with owners directly in equity							
Contributions by and (distributions to) owners							
Issue of shares under dividend reinvestment plan	14.4	-	-	-	14.4	-	14.4
Purchase of treasury shares	-	(2.1)	-	-	(2.1)	-	(2.1)
Dividends paid	-	-	-	(77.1)	(77.1)	-	(77.1)
Release on disposal of subsidiaries	-	-	(2.7)	-	(2.7)	-	(2.7)
Share-based payments expense	-	-	1.9	-	1.9	-	1.9
Transfer from employee equity-settled benefits reserve on exercise of performance rights	1.2	-	(1.2)	-	-	-	-
Treasury shares transferred to recipients during the period	(1.2)	1.2	-	-	-	-	-
Transfer of lapsed performance rights to retained earnings	-	-	(0.8)	0.8	-	-	-
Total transactions with owners	**14.4**	**(0.9)**	**(2.8)**	**(76.3)**	**(65.6)**	**-**	**(65.6)**
Balance at 31 December 2022	**3,031.6**	**(4.5)**	**2.3**	**(648.2)**	**2,381.2**	**(0.3)**	**2,380.9**

For the six months ended 31 December 2021							
Balance at 1 July 2021	3,000.6	(4.6)	3.8	(507.5)	2,492.3	(0.2)	2,492.1
Total comprehensive income for the period							
Profit for the period	-	-	-	27.1	27.1	(0.1)	27.0
Other comprehensive income for the period	-	-	0.8	3.1	3.9	-	3.9
Total comprehensive income for the period	**-**	**-**	**0.8**	**30.2**	**31.0**	**(0.1)**	**30.9**
Transactions with owners directly in equity							
Contributions by and (distributions to) owners							
Dividends paid	-	-	-	(74.7)	(74.7)	-	(74.7)
Share-based payments expense	-	-	1.0	-	1.0	-	1.0
Disposal of non-controlling interest	-	-	-	-	-	0.3	0.3
Total transactions with owners	**-**	**-**	**1.0**	**(74.7)**	**(73.7)**	**0.3**	**(73.4)**
Balance at 31 December 2021	**3,000.6**	**(4.6)**	**5.6**	**(552.0)**	**2,449.6**	**-**	**2,449.6**

Notes to the condensed consolidated financial statements are included on pages 32 to 51.

Condensed consolidated statement of cash flows

For the six months ended 31 December 2022

For the six months ended	Note	31 Dec 22 $m	31 Dec 21 $m
Cash flows from operating activities			
Receipts from customers		970.4	1,193.3
Payments to suppliers and employees		(826.3)	(1,052.5)
Dividends from associates		6.5	3.3
Remediation costs		(96.5)	(97.8)
Transformation and integration costs		(66.3)	(52.3)
Legal settlements paid		(1.4)	-
Income taxes paid - corporate		(26.1)	(33.4)
Net cash used in operating activities for the corporate group		(39.7)	(39.4)
Receipts from customers - statutory funds		1.6	1.5
Payments to suppliers and employees - statutory funds		(4.3)	(4.2)
Contributions received - statutory funds		37.5	61.7
Withdrawal payments - statutory funds		(63.6)	(70.9)
Dividends and distributions received - statutory funds		0.2	0.1
Proceeds from divestment of financial instruments - statutory funds		61.3	70.2
Payments for financial instruments - statutory funds		(35.8)	(58.7)
Amounts advanced to other entities - statutory funds		5.5	3.8
Income taxes paid - statutory funds		(2.9)	(3.6)
Net cash used in operating activities from the statutory funds		(0.5)	(0.1)
Net cash used in operating activities		(40.2)	(39.5)
Cash flows from investing activities			
Dividends and distributions received		0.2	0.2
Interest received		8.3	2.5
Proceeds on divestment of subsidiaries		135.0	-
Payments for financial assets		(9.6)	0.5
Payments for property and equipment		(2.8)	(12.2)
Payments for intangible assets		(12.4)	(18.5)
Net cash provided by/(used in) provided by investing activities		118.7	(27.5)
Cash flows from financing activities			
Drawdown of borrowings		753.3	170.0
Repayment of borrowings		(745.3)	(31.0)
Payments on lease liabilities		(18.3)	(11.0)
Interest and other costs of finance paid		(21.5)	(12.0)
Dividends paid		(62.7)	(74.7)
Payments for treasury shares		(2.1)	-
Net cash (used in)/provided by financing activities		(96.6)	41.3
Net decrease in cash and cash equivalents		(18.1)	(25.7)
Cash and cash equivalents at the beginning of the period	9	518.0	670.7
Cash divested on assets classified as held for sale at the beginning of the period		12.8	-
Effects of exchange rate movements		0.2	-
Cash and cash equivalents at the end of the period	**9**	**512.9**	**645.0**

Notes to the condensed consolidated financial statements are included on pages 32 to 51.

Notes to the financial statements

For the six months ended 31 December 2022

Section 1 - Basis of preparation

This section sets out the Group's accounting policies that relate to the financial statements as a whole. This section also shows new accounting standards, amendments and interpretations, and whether they are effective in 2023 or later reporting periods. The expected impact of these changes to the financial position and performance of the Group is explained in this section.

1 Basis of preparation

Reporting entity

Insignia Financial Ltd (the 'Company') is a public company listed on the Australian Stock Exchange (trading under the symbol 'IFL'), domiciled in Australia. The interim financial report for the six months ended 31 December 2022 comprise the Company and its controlled entities (collectively, the Group).

The Group is a for-profit entity. The principal activities of the Group are:

- **Platforms:** Offering a wide range of financial services solutions on superannuation and investments to clients including investors, members, employers and advisers.
- **Advice:** Providing quality financial advice that is accessible, affordable and engaging for Australians; helping clients navigate their way through a range of financial products and services and educating clients to improve their financial literacy.
- **Asset Management:** Delivering strong and consistent returns to clients with access to world-leading investment managers across a broad range of highly rated single and multi-manager capabilities and other attractive investment opportunities.

The annual financial report of the Group for the year ended 30 June 2022 is available upon request from the Company’s registered office or at www.insigniafinancial.com.au.

The Company's registered office and its principal place of business are Level 1, 800 Bourke Street, Docklands Victoria 3008.

Basis of preparation

(a) Statement of compliance

The condensed consolidated interim financial report for the half-year reporting period ended 31 December 2022 has been prepared in accordance with *AASB 134 Interim Financial Reporting* and the *Corporations Act 2001*. This interim report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2022.

This interim financial report was approved by the Board of Directors on 23 February 2023.

(b) Use of estimates and judgements

Management is required to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimates are revised and in any future years affected.

In preparing the condensed consolidated interim financial report the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 30 June 2022.

(c) Rounding of amounts

The Company is a company of the kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* and in accordance with that instrument amounts in the Directors' report and the interim financial report are rounded off to the nearest $100,000, unless otherwise stated.

Other significant accounting policies

The accounting policies applied in this condensed consolidated interim financial report are consistent with those applied in the Group’s annual financial report for the year ended 30 June 2022, except as detailed below.

Restatement of prior period information

As detailed in Note 24 Acquisition and disposal of subsidiaries, the purchase price allocation of the MLC business acquired on 31 May 2021 was finalised during

Notes to the financial statements

For the six months ended 31 December 2022

the second half of the 2022 financial year. The results for the six-months ended 31 December 2021 have been restated and the impact of the adjustments relating to comparative period is detailed in Note 24 Acquisition and disposal of subsidiaries.

On 30 November 2022, the Group completed the sale of Australian Executor Trustees Limited and AET PAF Pty Ltd to EQT Holdings Limited (Equity Trustees). Revenue and expenses relating to the disposed operations are presented as discontinued operations. Prior period comparatives have been restated to align with this presentation as outlined in Note 24 Acquisition and disposal of subsidiaries.

Adoption of new and revised Standards

A number of new standards and amendments to standards are effective for annual reporting periods beginning after 1 July 2022 and earlier application is permitted:

New standards or amendments	Effective first financial year ending
AASB 17 *Insurance Contracts*	30 June 2024
AASB 2020-1 *Amendments to Australian Accounting Standards - classification of liabilities as current or non-current*	30 June 2024
AASB 2021-2 *Amendments to Australian Accounting Standards - disclosure of accounting policies and definition of accounting estimates*	30 June 2024
AASB 2021-5 *Amendments to Australian Accounting Standards - deferred tax related to assets and liabilities arising from a single transaction*	30 June 2024

The Group has not early adopted these new or amended standards in preparing these condensed consolidated interim financial statements. These new or amended standards are not expected to have a significant impact on the Group's consolidated financial statements, except as noted below:

AASB 17 Insurance Contracts

AASB 17 *Insurance Contracts* replaces AASB 4 *Insurance Contracts* and similarly applies to insurance contracts. The classification of insurance contracts is similar to AASB 4 *Insurance Contracts* however unbundling rule changes may mean some contract components now need to be measured under AASB *17 Insurance Contracts*.

AASB 17 *Insurance Contracts* establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued and reinsurance contracts held. It requires similar principles to be applied to investment contracts with discretionary participation features if the entity issues insurance contracts. AASB 17 *Insurance Contracts* impacts the operations and financial position of IOOF Ltd only.

The Group is finalising its assessment of the likely impact of AASB17 *Insurance Contracts* on its financial statements. The Group's intention is to exit existing insurance products and customers prior to 30 June 2023, and therefore AASB17 is not expected to have a material impact on the consolidated financial statements.

Notes to the financial statements

For the six months ended 31 December 2022

Section 2 – Results for the period

This section focuses on the results and performance of the Group. The following pages explains the Group's results for the period, segment information, dividends, taxation and earnings per share.

2 Operating Segments

The Group has four reportable segments: Platforms, Advice, Asset Management and Corporate. This is determined based on the Group's internal reporting to the chief operating decision maker which is the Group's Chief Executive Officer.

Segment performance is measured on an underlying profit after income tax (UNPAT) basis as discussed in the Operating and Financial Review section of the Directors' Report. Management believes that UNPAT is the most relevant measurement in evaluating the performance of each segment.

On 30 November 2022, the Group completed the sale of Australian Executor Trustees Limited and AET PAF Pty Ltd to EQT Holdings Limited (Equity Trustees). Revenue and expenses relating to the disposed operations are presented as discontinued operations. Prior period comparatives have been restated to align with this presentation.

Platforms

The Platforms segment offers a wide range of financial services solutions on superannuation and investments to clients including investors, members, employers and advisers.

Advice

The Advice segment provides quality financial advice that is accessible, affordable and engaging for Australians. The business helps clients navigate their way through a range of financial services and solutions and educates clients to improve their financial literacy.

Asset Management

Providing investment management services on behalf of institutional, retail and direct clients across a diverse range of asset classes and product constructs.

Corporate

The Corporate segment comprises group functions required to support the Group and operating segments. Activities performed by the segment are of a strategic, shareholder or governance nature and reflect centralised corporate expenses.

Notes to the financial statements

For the six months ended 31 December 2022

Information regarding the results of each reportable segment (excluding the statutory funds) is included below.

	Platforms		Advice		Asset Management		Corporate		Total	
For the six months ended	31 Dec 22 $m	31 Dec 21 $m	31 Dec 22 $m	31 Dec 21 $m	31 Dec 22 $m	31 Dec 21 $m	31 Dec 22 $m	31 Dec 21 $m	31 Dec 22 $m	31 Dec 21 $m
Management and service fees revenue	550.1	626.9	258.8	308.9	122.4	126.1	-	0.1	931.3	1,062.0
Other fee revenue	11.3	11.5	19.0	19.7	0.4	14.5	-	-	30.7	45.7
Share of profits/(losses) of associates	-	-	-	(0.7)	4.7	6.8	-	-	4.7	6.1
Service fees and other direct costs	(84.6)	(92.3)	(177.9)	(216.7)	(24.7)	(52.4)	(0.3)	(0.2)	(287.5)	(361.6)
Other revenue	8.1	3.2	3.7	2.8	-	-	0.3	0.6	12.1	6.6
Inter-segment revenue	5.4	3.3	0.1	0.2	16.7	31.2	-	-	22.2	34.7
Inter-segment expenses	(16.7)	(31.5)	-	-	(5.5)	(3.2)	-	-	(22.2)	(34.7)
Net revenue from continuing operations	**473.6**	**521.1**	**103.7**	**114.2**	**114.0**	**123.0**	**-**	**0.5**	**691.3**	**758.8**
Operating expenses	(295.1)	(310.4)	(128.5)	(145.2)	(62.3)	(69.1)	(31.8)	(33.8)	(517.7)	(558.5)
Finance income	6.4	2.1	0.2	-	0.1	-	1.5	0.3	8.2	2.4
Finance costs	(1.2)	(0.8)	(0.7)	(0.7)	(0.4)	(0.2)	(24.2)	(13.6)	(26.5)	(15.3)
Share-based payments expense	(1.0)	(0.5)	(0.4)	(0.3)	(0.2)	(0.1)	(0.3)	(0.1)	(1.9)	(1.0)
Depreciation of property & equipment	(7.3)	(6.7)	(5.7)	(5.5)	(2.1)	(1.7)	(6.0)	(5.2)	(21.1)	(19.1)
Amortisation of intangible assets	(1.1)	(0.5)	-	-	-	-	(0.2)	(0.2)	(1.3)	(0.7)
(Loss)/Gain on financial instruments	-	(2.1)	-	-	-	-	-	0.1	-	(2.0)
Impairment expenses	(0.4)	-	(0.3)	(4.4)	(0.1)	-	(0.4)	(3.4)	(1.2)	(7.8)
Income tax (expense) / benefit	(55.6)	(60.7)	9.8	13.6	(14.2)	(13.7)	24.6	17.9	(35.4)	(42.9)
UNPAT from continuing operations	**118.3**	**141.5**	**(21.9)**	**(28.3)**	**34.8**	**38.2**	**(36.8)**	**(37.5)**	**94.4**	**113.9**
UNPAT adjustments	(52.9)	(31.5)	(20.6)	(35.7)	(8.8)	(7.2)	(15.4)	(17.5)	(97.7)	(91.9)
Profit/(loss) from continuing operations	**65.4**	**110.0**	**(42.5)**	**(64.0)**	**26.0**	**31.0**	**(52.2)**	**(55.0)**	**(3.3)**	**22.0**
UNPAT from discontinued operations	4.2	5.7	-	-	-	-	-	-	4.2	5.7
UNPAT for the period	**122.5**	**147.2**	**(21.9)**	**(28.3)**	**34.8**	**38.2**	**(36.8)**	**(37.5)**	**98.6**	**119.6**
UNPAT adjustment from discontinued operations	44.2	(0.7)	-	-	-	-	-	-	44.2	(0.7)
Profit/(loss) for the period	**113.8**	**115.0**	**(42.5)**	**(64.0)**	**26.0**	**31.0**	**(52.2)**	**(55.0)**	**45.1**	**27.0**

Notes to the financial statements

For the six months ended 31 December 2022

3 Revenue

For the six months ended	31 Dec 22	31 Dec 21*
	$m	$m
Management and service fees revenue		
Management and administration fees	616.9	712.0
Financial planning revenue	258.8	302.0
Other management and service fees revenue	55.6	48.0
Management and service fees revenue	931.3	1,062.0
Other fee revenue		
Stockbroking revenue	2.5	2.6
Other	28.2	43.1
Other fee revenue	30.7	45.7
Finance income		
Interest income on financial assets measured at fair value	3.4	2.0
Interest income on financial assets measured at amortised cost	4.8	0.4
Finance income	8.2	2.4
Other revenue		
Net fair value (losses)/gain on financial instruments at fair value through profit or loss	(10.2)	2.9
Dividends and distributions received	0.2	0.2
Sundry income	11.9	5.0
Other	-	1.4
Other revenue	1.9	9.5
Total revenue	**972.1**	**1,119.6**

*Restated. Refer to Note 24 *Acquisition and disposal of subsidiaries.*

Notes to the financial statements

For the six months ended 31 December 2022

4 Expenses

For the six months ended	31 Dec 22	31 Dec 21
	$m	$m
Service fees and other direct costs		
Service fee expense	259.1	326.0
Stockbroking service fees expense	0.7	0.7
Other direct costs	27.7	34.9
Service fees and other direct costs	287.5	361.6
Operating expenses		
Salaries and related employee expenses (excluding superannuation)	335.6	354.7
Employee defined contribution plan expense	26.4	26.1
Information technology costs	76.4	93.7
Professional fees	27.0	32.3
Office support and administration	31.5	28.2
Occupancy related expenses	7.4	16.3
Marketing	7.6	5.0
Travel and entertainment	3.8	0.5
Other	2.0	1.7
Operating expenses	517.7	558.5
Other expenses		
Share-based payments expense	1.9	1.0
Transformation and integration costs	57.6	47.2
Legal settlement	-	5.0
Evolve21 costs	-	7.5
Evolve23 costs	8.7	-
Depreciation of property and equipment	21.1	19.1
Amortisation of intangible assets	42.1	42.7
Remediation costs	17.9	27.5
Other expenses	149.3	150.0
Total expenses	**954.5**	**1,070.1**

*Restated. Refer to Note 24 *Acquisition and disposal of subsidiaries.*

Notes to the financial statements

For the six months ended 31 December 2022

5 Discontinued operations

Australian Executor Trustees Limited and AET PAF Pty Ltd

On 30 November 2022, the Group completed the sale of the AET businesses to EQT Holdings Limited (Equity Trustees). The AET businesses includes Australian Executor Trustees Limited and AET PAF Pty Ltd (collectively AET).

Net proceeds from the sale have been used to reduce debt.

For financial reporting purposes, the results of the AET businesses are presented as discontinued operations.

Analysis of profit from discontinued operations

In the prior comparative period, revenue, expenses and associated income tax in the financial statements and notes have been restated to a continuing basis, where applicable, and therefore exclude the below results of the discontinued operations. Refer to Note 24 *Acquisition and disposal of subsidiaries*.

	31 Dec 22	31 Dec 21
	$m	$m
Results of discontinued operations		
Revenue	17.9	19.6
Expenses	(12.6)	(12.5)
Profit before tax from discontinued operations	5.3	7.1
Income tax expenses	(1.5)	(2.1)
Profit after tax from discontinued operations	**3.8**	**5.0**
Gain on sale of discontinued operations	68.6	-
Income tax on gain on sale of discontinued operations	(24.0)	-
Gain on disposal of discontinued operation, net of tax	**44.6**	**-**
Profit from discontinued operations	**48.4**	**5.0**
Profit from discontinued operations attributable to:		
Owners of the entity	48.4	5.0
Non-controlling interest	-	-
Profit from discontinued operations	**48.4**	**5.0**
Earnings per share from discontinued operations		
Basic earnings per share (cents per share)	7.4	0.8
Diluted earnings per share (cents per share)	7.4	0.8
Cash flows from discontinued operations		
Net cash provided by operating activities	1.8	5.1
Net cash provided by/(used in) financing activities	129.0	(0.1)
Net cash provided by discontinued operations	**130.8**	**5.0**
UNPAT from discontinued operations		
Profit from discontinued operations	48.4	5.0
UNPAT adjustments		
Profit on divestment of assets	(68.6)	-
Amortisation of intangible assets	0.6	1.0
Income tax attributable	23.8	(0.3)
UNPAT adjustments from discontinued operations	**(44.2)**	**0.7**
UNPAT from discontinued operations	**4.2**	**5.7**

Notes to the financial statements

For the six months ended 31 December 2022

5 Discontinued operations (continued)

Assets and liabilities of discontinued operations

The fair value less costs to sell of the AET businesses was higher than the aggregate carrying amount of the related assets and liabilities. No impairment loss was recognised on reclassification of the assets and liabilities to held for sale.

Major classes of assets and liabilities of the AET businesses at 30 June 2022 were:

	30 Jun 22
	$m
Cash	12.8
Receivables	3.3
Property and equipment	2.4
Intangible assets	11.7
Goodwill	46.4
Assets classified as held for sale	76.6
Payables	0.7
Provisions	5.5
Lease liabilities	2.3
Deferred tax liabilities	1.7
Liabilities associated with assets classified as held for sale	10.2
Net assets classified as held for sale	**66.4**

6 Income taxes

Income taxes

For the six months ended	31 Dec 2022		31 Dec 2021*	
	%	$m	%	$m
Reconciliation of effective tax rate				
(Loss)/Profit before tax and statutory funds from continuing operations		(5.4)		32.5
Tax using the domestic tax rate	30.0	(1.6)	30.0	9.8
Tax effect of:				
Share of tax credits with statutory funds		0.4		0.5
(Non-assessable income)/non-deductible expenses		(1.9)		1.1
Taxable gain on disposal of associate		1.7		-
Impairment of investments		0.4		1.3
Share of net profits of associates		(1.4)		(1.8)
Assessable associate and subsidiary dividends		1.9		1.2
Revenue loss not recognised		-		0.1
Imputation and foreign tax credits		(0.9)		(0.9)
Foreign tax rate differential		(0.9)		(0.3)
Other		(0.6)		(0.5)
Under/(over) provided in prior periods		0.8		-
Income tax (benefit)/expense (excluding statutory funds)	**38.9**	**(2.1)**	**32.3**	**10.5**

*Restated. Refer to Note 24 *Acquisition and disposal of subsidiaries*.

For statutory reporting purposes, the Group had an effective tax rate of 38.9% on its continuing operations for the six months ended 31 December 2022 (2021: 32.3%) compared to a statutory corporate tax rate of 30%, excluding statutory funds. This rate difference for the six months ended 31 December 2022 is primarily due to the impact of taxable gain on disposal of associates and partially offset by share of associates' profit.

Notes to the financial statements

For the six months ended 31 December 2022

6 Income taxes (continued)

Deferred tax assets and liabilities

	31 Dec 22	30 Jun 22
	$m	$m
Deferred tax assets*		
Remediation provision - corporate	64.1	103.4
Lease liabilities - corporate	50.6	54.0
Salaries and related employee expenses - corporate	47.2	56.9
Carry forward capital and revenue losses - corporate	13.8	14.3
Accruals, payables and other provisions - corporate	6.3	1.7
Other - corporate	12.1	15.0
Deferred tax assets	194.1	245.3
Offset against deferred tax liabilities	(194.1)	(245.3)
Net deferred tax assets	-	-
Deferred tax liabilities*		
Customer relationships - corporate	190.4	200.3
Property and equipment - corporate	45.0	51.4
Unrealised gains - corporate	7.1	6.9
Unrealised gains - statutory	3.6	(9.5)
Customer remediation indemnity - corporate	-	12.2
Other - corporate	7.0	5.4
Deferred tax liabilities	253.1	266.7
Offset against deferred tax assets	(194.1)	(245.3)
Net deferred tax liabilities	**59.0**	**21.4**

*Deferred tax assets are expected to be utilised over a shorter time period than deferred tax liabilities due to differences in their tenure.

7 Dividends

Subsequent to 31 December 2022, the following dividends, franked to 50%, were declared by the directors. The dividends have not been provided for at 31 December 2022.

For the six months ended	31 Dec 2022		31 Dec 2021	
	Cents per share	Total $m	Cents per share	Total $m
Interim dividend	9.3	61.2	11.8	76.6
Special dividend	1.2	7.9	-	-

For the six months ended 31 December 2022, the Directors declared the payment of an interim dividend of 9.3 cents per share and a special dividend of 1.2 cents per share. The dividends are franked to 50% at 30% corporate income tax rate, and are to be paid on 3 April 2023. This dividend will be paid to all shareholders recorded on the Register of Members on 13 March 2023.

Dividends for the six months ended 31 December 2021 were franked to 100%. Franked dividends declared or paid during the period were franked at the tax rate of 30 per cent.

Dividend reinvestment plan

In October 2022, 4.5 million shares were issued pursuant to the Company's dividend reinvestment plan (DRP) at an issue price of $3.16 per share. A discount of 1.5% was applicable. The take-up of the DRP was 19.0%.

Notes to the financial statements

For the six months ended 31 December 2022

7 Dividends (continued)

Dividend franking account

	31 Dec 2022	31 Dec 2021
	$m	$m
Franking credits available for dividends to be declared on profits of the financial year	18.7	72.5
Impact on franking account balance of interim and special dividends	(14.8)	(32.8)
30 per cent franking credits available to shareholders of Insignia Financial Ltd for subsequent financial years	**3.9**	**39.7**

The above available amounts are based on the balance of the dividend franking account at reporting dates adjusted for:

- franking credits or debits that will arise from the payment of the current tax liabilities or the receipt of current tax assets; and
- franking credits that the Group may be prevented from distributing in subsequent years.

The ability to utilise the franking credits is dependent upon there being sufficient available profits to declare dividends. The impact on the dividend franking account of dividends declared after the balance date but not recognised as a liability is to reduce it by $14.8m (31 Dec 21: $32.8m).

8 Earnings per share

For the six months ended	31 Dec 22	31 Dec 21*
	Cents per share	Cents per share
Basic earnings per share		
From continuing operations	(0.5)	3.4
From discontinued operations	7.4	0.8
Total basic earnings per share	**6.9**	**4.2**
Diluted earnings per share		
From continuing operations	(0.5)	3.4
From discontinued operations	7.4	0.8
Total diluted earnings per share	**6.9**	**4.2**

*Restated. Refer to Note 24 *Acquisition and disposal of subsidiaries.*

Basic and diluted earnings per share

The earnings and weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share are as follows:

For the six months ended	31 Dec 22	31 Dec 21*
	$m	$m
Profit for the period attributable to owners of the Company	45.2	27.1
Earnings used in the calculation of basic and diluted EPS	**45.2**	**27.1**
Profit for the period from discontinued operations	48.4	5.0
Earnings used in the calculation of basic and diluted EPS from continuing operations attributable to owners of the Company	**(3.2)**	**22.1**

*Restated. Refer to Note 24 *Acquisition and disposal of subsidiaries.*

For the six months ended	31 Dec 22	31 Dec 21
	No. m	No. m
Weighted average number of ordinary shares		
Weighted average number of ordinary shares (basic)	655.4	648.5
Effect of unvested performance rights	1.6	2.0
Weighted average number of ordinary shares (diluted)	**657.0**	**650.5**

Notes to the financial statements

For the six months ended 31 December 2022

Section 3 - Operating assets and liabilities

This section shows the assets used to generate the Group's operating performance and the liabilities incurred as a result. Liabilities relating to the Group's financing activities are addressed in Section 4.

9 Cash and cash equivalents

	31 Dec 22	30 Jun 22
	$m	$m
Cash - corporate	405.7	382.7
Cash - restricted as part of ORFR*	103.5	131.0
Cash - statutory funds	3.7	4.3
Total cash	**512.9**	**518.0**

* Held as part of the operational risk financial requirement (ORFR) on behalf of superannuation funds. The ORFR is not available for distribution to the shareholders of the Company.

10 Receivables

	31 Dec 22	30 Jun 22
	$m	$m
Receivables - corporate		
Trade receivables (net of provisions)	94.3	84.1
Other receivables	176.0	184.4
Ex-ANZ Aligned Licensees (AL) remediation*	-	300.0
Security bonds	0.3	0.3
Receivables - statutory funds		
Trade receivables	-	0.5
Other receivables	1.1	1.4
Dividends and distributions	4.8	53.8
Loans to policyholders	55.3	60.8
Total receivables	**331.8**	**685.3**

* Remediation payable was covered by an arrangement with ANZ and an offsetting receivable. These have been net settled following the completion of the ex-ANZ AL program in October 2022.

11 Other financial assets

	31 Dec 22	30 Jun 22
	$m	$m
Financial assets mandatorily measured at fair value through profit or loss		
Fixed income - corporate*	272.3	267.5
Derivative assets - corporate**	3.9	0.3
Unlisted unit trusts - corporate	1.9	1.1
Unlisted unit trusts - statutory funds	1,037.1	964.1
Financial assets designated at fair value through other comprehensive income		
Equity investments - corporate	6.7	6.8
Total other financial assets	**1,321.9**	**1,239.8**

* Held as part of the ORFR on behalf of superannuation funds. The ORFR is not available for distribution to shareholders of the Company.
**Includes $1.9m (30 June 2022 $0.1m) derivative assets held as part of the ORFR.

Notes to the financial statements

For the six months ended 31 December 2022

12 Property and equipment

	31 Dec 22	30 Jun 22
	$m	$m
Cost	347.7	361.2
Accumulated depreciation	(161.0)	(153.1)
	186.7	**208.1**

	Office equipment	Leasehold improve-ments	IT assets	Land and buildings	Right-of-use assets	Total
	$m	$m	$m	$m	$m	$m
Balance at 1 July 2022	2.7	7.4	32.9	1.6	163.5	208.1
Additions	0.8	-	2.0	-	3.1	5.9
Reduction under sublease	-	-	-	-	(1.6)	(1.6)
Depreciation expense	(0.5)	(0.9)	(6.3)	-	(15.5)	(23.2)
Impairment	-	-	-	-	(0.9)	(0.9)
Reclassification to held for sale	-	-	-	(1.6)	-	(1.6)
Balance at 31 December 2022	**3.0**	**6.5**	**28.6**	**-**	**148.6**	**186.7**

13 Intangible assets (other than goodwill)

	31 Dec 22	30 Jun 22
	$m	$m
Cost	1,257.6	1,262.8
Accumulated amortisation	(492.5)	(460.6)
	765.1	**802.2**

	IT develop-ment	Computer software	Customer relation-ships	Brand names	Other intangibles	Total
	$m	$m	$m	$m	$m	$m
As at 1 July 2022	9.8	43.9	563.0	168.9	16.6	802.2
Additions	-	3.7	-	-	1.6	5.3
Impairment	-	-	-	-	(0.3)	(0.3)
Transfers	(4.1)	4.1	-	-	-	-
Amortisation expense	(1.3)	(8.1)	(31.2)	(0.4)	(1.1)	(42.1)
As at 31 December 2022	**4.4**	**43.6**	**531.8**	**168.5**	**16.8**	**765.1**

14 Goodwill

	31 Dec 22	30 Jun 22
	$m	$m
Cost	2,102.2	2,102.2
Accumulated impairment	(297.7)	(297.7)
Net carrying value of goodwill	**1,804.5**	**1,804.5**
Carrying value at beginning of the period	1,804.5	1,850.9
Reclassified to held for sale	-	(46.4)
Carrying value at end of the period	**1,804.5**	**1,804.5**

Notes to the financial statements

For the six months ended 31 December 2022

14 Goodwill (continued)

CGU impairment testing

The carrying amount of CGUs (including goodwill) is tested for impairment annually or when there is an indication of impairment. The Advice CGU was tested for impairment as at 31 December 2022.

The following assumptions were made in determination of the recoverable amount of the Advice CGU:

- Estimated future cash flows are based on the 3-year business plan approved by the Board of Directors and an estimated long-term growth rate for years 4 and 5. Average growth rates for the 5-year period are 5% for the Advice CGU (30 June 2022: 3%);
- Pre-tax discount rates of 14.3% (30 June 2022: 12.5%); and
- A terminal growth rate of 2.5% (30 June 2022: 2.5%).

The impairment assessment results in headroom in the Advice CGU and there is no impairment of goodwill at 31 December 2022. A change in the following key assumptions could cause the CGU carrying amount to exceed its recoverable amount:

Advice CGU	31 Dec 22
Changes required for carrying amount to equal recoverable amount	
Increase in pre-tax discount rate	1.8%
Decrease in estimated future cash flows	11.1%

15 Payables

	31 Dec 22	30 Jun 22
	$m	$m
Payables - corporate		
Payables	226.2	204.7
Ex-ANZ AL settlement*	-	260.4
Payables - statutory funds		
Payables	1.2	2.1
Total payables	**227.4**	**467.2**

* Remediation payable was covered by an arrangement with ANZ and an offsetting receivable. These have been net settled following the completion of the ex-ANZ AL program in October 2022.

16 Other financial liabilities

	31 Dec 22	30 Jun 22
	$m	$m
Financial liabilities mandatorily measured at fair value through profit or loss		
Deferred purchase consideration - corporate	-	7.3
Derivative liabilities - corporate	36.1	27.1
Investment contract liabilities - statutory funds		
Investment contract liabilities with Discretionary Participation Features (DPF)	148.1	154.8
Other investment contract liabilities	932.8	919.0
Total other financial liabilities	**1,117.0**	**1,108.2**

17 Provisions

	31 Dec 22	30 Jun 22
	$m	$m
Employee entitlements	163.8	195.5
Advice remediation provisions	111.2	196.4
Product remediation provisions	102.5	148.2
Other provisions	9.3	5.6
	386.8	**545.7**

Notes to the financial statements

For the six months ended 31 December 2022

17 Provisions (continued)

	Employee entitlements	Advice remediation	Product remediation	Other provisions	Total
	$m	$m	$m	$m	$m
Balance at 1 July 2022	195.5	196.4	148.2	5.6	545.7
Provisions acquired	1.4	-	-	-	1.4
Provisions made/(reversed)	67.5	26.3	(22.2)	5.1	76.7
Provisions utilised	(100.6)	(111.5)	(23.5)	(1.4)	(237.0)
Balance at 31 December 2022	**163.8**	**111.2**	**102.5**	**9.3**	**386.8**

Advice remediation provisions

In 2019, the Insignia Financial Group engaged an expert consultant to design the review methodology and estimate financial compensation relating to client remediation. This was in response to the Australian Securities and Investments Commission's (ASIC's) investigation as part of its Wealth Management Project, conducting investigations into financial advice fees paid pursuant to ongoing service arrangements. While Insignia Financial Group was not issued a notice under this review, the Group has a significant number of self-employed and salaried financial advisers and is voluntarily undertaking its own review. The review determines whether fee-paying clients under its licences were: a) provided with agreed services and/or advice; b) supported with documentation evidencing appropriate provision of service and/or advice; and c) received advice appropriate to their circumstances.

Where client compensation is probable and able to be reliably estimated, provisions are raised. Compensation costs include return of service fees, estimated client loss as a result of inappropriate advice, interest for time value of money at ASIC's expected rate of RBA cash rate + 6% and committed costs to resource the compensation program.

At 30 June 2022, $39.6m of the advice remediation provision was covered by an arrangement with ANZ and an offsetting receivable. This arrangement has been net settled following the completion of the ex-ANZ AL program in October 2022.

Product remediation provisions

Product remediation provisions include remediation projects acquired as part of the ANZ Pensions and Investments (P&I) and MLC acquisitions. These remediation projects were commenced under ANZ and National Australia Bank Ltd (NAB) ownership. The MLC provisions are a component of the completion net asset process with NAB pursuant to the Share Sale & Purchase Agreement which remains ongoing.

Product remediation provisions are reduced by client remediation payments and program costs paid.

Other provisions

Other provisions have been made for the present value of management's best estimates of legal settlements and other matters. The information usually required by AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* is not disclosed on the grounds that it can be expected to prejudice the outcome of certain other litigation.

Estimation uncertainty

Determining the amount of a provision, which represents management's best estimate of the costs of settling the identified matters, requires the exercise of significant judgement. It will often be necessary to form a view on a number of different assumptions, including the number of impacted clients, the average refund per client, and associated remediation costs. Consequently, the appropriateness of the underlying assumptions is reviewed on a regular basis against actual experience and other relevant evidence, and adjustments are made to the provisions where appropriate.

Notes to the financial statements

For the six months ended 31 December 2022

Section 4 - Capital management and financing

This section outlines how the Group manages its capital structure and related financing costs, including its balance sheet liquidity and access to capital markets.

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

18 Borrowings

The Group's interest-bearing liabilities are measured at amortised cost. Embedded derivatives associated with the subordinated loan notes are measured at fair value and are included in other financial liabilities.

	31 Dec 22	30 Jun 22
	$m	$m
Syndicated facilities agreements	595.4	589.3
Subordinated loan notes	185.8	182.0
Total borrowings	**781.2**	**771.3**

Syndicated Facilities Agreement (SFA)

During the period, the SFA initially entered into in September 2018 was terminated and the Group entered into a new $955m SFA with six new and existing lenders. The new SFA is comprised of

- a 3-year $340m revolving credit facility. During the period, the Group made $340.0m drawdown under this facility and made a principal repayment of $12.0m. As at 31 December 2022, $12.0m of this facility was available;
- a 4-year $290m revolving credit facility. During the period, the Group made $118.3m drawdown under this facility and repaid it in full. At 31 December 2022, $290.0m of this facility was available;
- a 4-year $270m term loan. During the period, the Group made $270.0m drawdown under this facility and as at 31 December 2022, this facility was fully utilised; and
- a 3-year $55m multi-option facility. As at 31 December 2022, $24.5m of this facility was available. Utilisation of this facility is in the form of rental bond guarantees included in *Note 21 Commitments and contingent liabilities*.

At 30 June 2022, the SFA initially entered into in September 2018 consisted of the following facilities:

- $240.0m revolving cash advance facility expiring 27 September 2023. As at 30 June 2022, $25.0m of this facility was available. During the period, the Group made $25m drawdown under this facility and repaid it in full at termination;
- $375.0m revolving cash advance facility expiring 27 September 2023. As at 30 June 2022, this facility was fully utilised. The Group repaid this facility in full at termination; and
- $250.0m revolving cash advance facility expiring 27 September 2023. As at 30 June 2022, $250.0m of this facility was available. During the period, the facility was terminated.

Subordinated loan notes (SLNs)

SLNs are unsecured subordinated debt obligations to NAB issued by the Insignia Financial Group as part of the MLC acquisition in May 2021. For financial reporting purposes, these SLNs contain a host contract and a compound embedded derivative that is required to be recognised separately. The host contract is initially recognised at fair value and subsequently measured at amortised cost, and it will accrete to the face value of the notes using the effective interest rate. The compound embedded derivative is measured at fair value and is included in other financial liabilities.

	SFAs	SLNs	Total
	$m	$m	$m
Opening balance 1 July 2022	589.3	182.0	771.3
Repayments	(757.9)	(1.0)	(758.9)
Drawdowns	753.3	-	753.3
Capitalised borrowing costs	(5.2)	-	(5.2)
Interest expense	15.9	4.8	20.7
Closing balance 31 December 2022	**595.4**	**185.8**	**781.2**

Notes to the financial statements

For the six months ended 31 December 2022

19 Share capital

The Company does not have authorised capital or par value in respect of its issued shares. All issued shares are fully paid. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

	31 Dec 22	30 Jun 22
	$m	$m
658,418,697 fully paid ordinary shares (30 June 2022: 653,860,581)	3,031.6	3,017.2
1,062,317 treasury shares (30 June 2022: 600,203)	(4.5)	(3.6)
	3,027.1	**3,013.6**

For the six months ended	31 December 2022	
	No.m	$m
Ordinary shares		
On issue at 1 July 2022	653.9	3,017.2
Issue of shares pursuant to dividend reinvestment plan	4.5	14.4
Transfer from employee equity-settled benefits reserve on exercise of performance rights	-	1.2
Treasury shares transferred to recipients	-	(1.2)
On issue at 31 December 2022	**658.4**	**3,031.6**
Treasury shares		
On issue at 1 July 2022	(0.6)	(3.6)
Purchase of treasury shares	(0.7)	(2.1)
Treasury shares transferred to recipients	0.2	1.2
On issue at 31 December 2022	**(1.1)**	**(4.5)**
	657.3	**3,027.1**

Dividend reinvestment plan

In October 2022, 4.5 million shares were issued pursuant to the Company's DRP at an issue price of $3.16 per share. A discount of 1.5% was applicable. The take-up of the DRP was 19%.

Issue of performance rights

During the six months to 31 December 2022, the Company issued the following performance rights to employees and executives:

Recipients	No. of rights	Fair value
		$
Managing Director and Chief Executive Officer	527,261	2.45
Senior management	1,045,182	2.45
Other employees	526,292	2.45
Other employees	1,035,450	2.38
Other employees	94,697	2.71
	3,228,882	

20 Reserves

	31 Dec 22	30 Jun 22
	$m	$m
Equity investment revaluation reserve	2.0	2.0
Business combinations reserve	(0.3)	(0.3)
Foreign currency translation reserve	0.1	-
Operating risk financial reserve	-	2.7
Share-based payments reserve	0.5	0.6
	2.3	**5.0**

Notes to the financial statements

For the six months ended 31 December 2022

21 Commitments and contingent liabilities

Commitments

	31 Dec 22	30 Jun 22
	$m	$m
Rental bond guarantees	26.9	27.3
Capital commitment	4.8	-
Other guarantees	0.1	0.6

Contingent liabilities

Contingent liabilities of the Group exist in relation to claims and/or possible claims which, at the date of signing these accounts, have not been resolved. An assessment of the likely loss to the Company and its controlled entities has been made in respect of the identified claims, on a claim-by-claim basis, and specific provision has been made where appropriate. The Group does not consider that the outcome of any other current proceedings, either individually or in aggregate, is likely to materially affect its operations or financial position.

Buyer of Last Resort Facility

Certain subsidiaries in the Group have contractual agreements with its planners to provide a put option 'buyer of last resort facility' should a planner wish to sell their business on the satisfaction of certain specific requirements. The terms and conditions provide that where the specific requirements have been met, a predetermined purchase price will be payable for the business as agreed by all parties over a predetermined period. Where certain terms and conditions have not been met, the predetermined purchase price will be discounted accordingly.

During the period, the Group made a payment of $1.6m in settlement of this obligation. The remaining obligation is not expected to be material.

Class Actions and regulatory actions

Contingent liabilities of the Group exist in relation to claims and/or possible claims which, at the date of signing these accounts, have not been resolved. The Group is currently defending a civil penalty proceeding in the Federal Court of Australia commenced by ASIC against OnePath Custodians Pty Ltd (OPC) in relation to alleged improper communications to members regarding plan service fees. It is also defending the following class actions:

- an action against the Company in the Federal Court in relation to alleged breaches of the continuous disclosure obligation for not disclosing alleged misconduct;
- an action against OPC (and two companies outside the Insignia Financial Group) in the Federal Court in relation to alleged breaches of trustee obligations regarding the investment of cash investment option funds and the charging of fees relating to commissions;
- an action against NULIS Nominees (Australia) Limited (NULIS) in the Federal Court in relation to alleged breaches of trustee obligations in deciding to grandfather commissions; and
- an action against NULIS and MLC Nominees Pty Ltd (MLC Nominees) in the Victorian Supreme Court in relation to alleged breaches of trustee obligations regarding the timing of transfers of accrued default amounts to the MySuper product.

While NULIS and MLC Nominees were acquired from NAB on 31 May 2021, subject to terms, NAB remains liable for, and retains conduct of, the third and fourth of those class actions outlined above pursuant to the terms agreed between NAB and the Company. An assessment of the likely loss to the Company and its controlled entities has been made in respect of the identified claims, on a claim-by-claim basis, and specific provision is made where appropriate.

Based on the current information available, the Group does not consider that the outcome of any other current proceedings, either individually or in aggregate, is likely to materially affect its operations or financial position.

Other remediation matters

There are a number of remediation matters under investigation. The potential outcomes and total costs associated with these matters remain uncertain.

Notes to the financial statements

For the six months ended 31 December 2022

Section 5 – Other disclosures

22 Financial value of assets and liabilities

The fair value of financial assets and liabilities traded in active markets is based on quoted market prices at the reporting date. The quoted market price used for financial assets is the closing price. Where no quoted prices in an active market exist, the Group uses valuation techniques to estimate the fair value of financial assets and liabilities.

Fair value of the compound embedded derivative contained in the SLNs at *Note 18 Borrowings* is determined using a MonteCarlo simulation to simulate different scenarios of the underlying equity prices.

For investments in fixed income and derivatives where no quoted prices in an active market exist, valuation techniques using observable market inputs for financial assets with similar credit risk, maturity and yield characteristics are used.

Units in unlisted trusts are measured at the redemption price.

Fair value hierarchy

The definitions of each level and the valuation techniques used are as follows:

Level 1: quoted closing prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (that is, prices) or indirectly (that is, derived from prices). Fair values are derived from published market indices and include adjustments to take account of the credit risk of the Group entity and counterparty.

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1	Level 2	Level 3	Total
31 Dec 22	$m	$m	$m	$m
Financial assets measured at fair value				
Fair value through other comprehensive income - corporate	6.7	-	-	6.7
Fixed income - corporate	-	272.3	-	272.3
Derivatives - corporate	3.9	-	-	3.9
Unlisted unit trusts - corporate	-	1.9	-	1.9
Unlisted unit trusts - statutory funds	-	1,037.1	-	1,037.1
Financial assets measured at fair value	**10.6**	**1,311.3**	**-**	**1,321.9**
Financial liabilities measured at fair value				
Derivatives - corporate	-	31.0	5.1	36.1
Financial liabilities measured at fair value	**-**	**31.0**	**5.1**	**36.1**
30 Jun 22				
Financial assets measured at fair value				
Fair value through other comprehensive income - corporate	6.8	-	-	6.8
Fixed income - corporate	-	267.5	-	267.5
Derivatives - corporate	0.3	-	-	0.3
Unlisted unit trusts - corporate	-	1.1	-	1.1
Unlisted unit trusts - statutory funds	-	964.1	-	964.1
Financial assets measured at fair value	**7.1**	**1,232.7**	**-**	**1,239.8**
Financial liabilities measured at fair value				
Derivatives - corporate	-	20.6	6.5	27.1
Deferred purchase consideration - corporate	-	6.0	1.3	7.3
Financial liabilities measured at fair value	**-**	**26.6**	**7.8**	**34.4**

There were no transfers between levels of the fair value hierarchy during the six months ended 31 December 2022 (31 December 21: $nil).

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For the six months ended 31 December 2022

22 Financial value of assets and liabilities (continued)

Level 3 financial assets and liabilities

Reconciliation of movements in level 3 financial instruments	Issued investment protection derivatives	Deferred purchase consideration
	$m	$m
Opening balance as at 1 July 2022	6.5	1.3
Fair value movement	(1.4)	-
Settlement of deferred consideration liability	-	(1.3)
Closing balance as at 31 December 2022	**5.1**	**-**

Level 3 financial liabilities consist of the following:

- Deferred purchase consideration in respect of client lists purchased by Group is valued at the best estimate of the amount payable under the relevant contracts. The amount of deferred consideration payable is linked to the retention of clients, which is an unobservable input and may decrease the value of the liability.
- Issued investment protection derivatives are term-based investment protection products issued by the Insignia Financial Group. These products provide protection to investors' capital or a minimum level of income each year for a term of 10 or 20 years. These derivatives are measured using market standard valuation models and assumptions. Significant unobservable inputs include the underlying investments' growth rate and the risk-free interest rate assumptions.
  A 1% (-1%) increase (decrease) in the underlying investments' growth rate assumption would result in a decrease (increase) in fair value by $0.6m (30 June 2022: $0.6m), holding all other variables constant. A 1% (-1%) increase (decrease) in the risk-free interest rate assumption would result in a decrease (increase) in fair value by $1.7m (30 June 2022: $2.5m), holding all other variables constant.

23 Statutory funds

A subsidiary of the Company, IOOF Ltd, is a friendly society in accordance with the *Life Insurance Act 1995*. Details of the assets and liabilities of the statutory funds are included in Section 3. Statutory funds are not available to shareholders.

	31 Dec 22	31 Dec 21
Statutory funds contribution to profit or loss	$m	$m
Statutory funds revenue		
Interest income	0.9	0.3
Dividends and distributions received	9.8	12.5
Net fair value gains on financial assets measured as fair value	39.2	32.4
Investment contracts with Discretionary Participation Features (DPF)		
Contributions received - investment contracts with DPF	1.3	5.0
Increase in DPF policyholder liability	6.7	7.1
Decrease in non-DPF policyholder liability	(31.7)	(30.0)
Other fee revenue	1.1	1.2
Total statutory funds revenue	27.3	28.5
Statutory funds expenses		
Service and marketing fees expense	4.0	4.2
Direct operating expenses		-
Benefits and withdrawals paid	9.4	12.0
Termination bonuses	-	-
Interest	0.1	-
Total statutory funds expenses	13.5	16.2
Income tax expense	13.8	12.3
Statutory funds contribution to profit or loss	**-**	**-**

Notes to the financial statements

For the six months ended 31 December 2022

24 Acquisition and disposal of subsidiaries

Purchase price allocation for MLC acquisition

The purchase price allocation (PPA) for the MLC business acquired on 31 May 2021 was finalised in FY22. The result of this was an increase in identified intangibles acquired, the recognition of amortisation on identified intangibles, the recalculation of goodwill associated with the acquisition and adjustments to related income tax balances. These adjustments have been recognised retrospectively in the comparative reporting period.

Finalisation of the MLC Completion Accounts process following the acquisition from NAB is ongoing.

Discontinued operations

As discussed in note *5 Discontinued operations*, the results of the AET businesses are presented as discontinued operations for financial reporting purposes. In the prior comparative period, revenue, expenses and associated income tax in the financial statements and notes have been restated to a continuing basis, where applicable, and therefore exclude the below results of the discontinued operations.

For the six months ended 31 December 2021	Previously reported	Acquisition accounting	Discontinued operations	Restated
Statement of comprehensive income	**$m**	**$m**	**$m**	**$m**
Continuing operations				
Revenue	1,139.2	-	(19.6)	1,119.6
Expenses	(1,069.3)	(13.2)	12.4	(1,070.1)
Impairment expense	(7.8)	-	-	(7.8)
Share of profits of associates	6.1	-	-	6.1
Finance costs	(15.4)	-	0.1	(15.3)
Profit before tax from continuing operations	52.8	(13.2)	(7.1)	32.5
Income tax expense	(16.6)	4.0	2.1	(10.5)
Profit after tax from continuing operations	36.2	(9.2)	(5.0)	22.0
Discontinuing operations				
Profit from discontinued operations, net of tax	-	-	5.0	5.0
Profit for the period	**36.2**	**(9.2)**	**-**	**27.0**

25 Subsequent events

On 31 January 2023, the Group completed the sale of its shareholding in JANA Investment Advisers Pty Ltd for cash consideration of $30.1m. The sale was in accordance with the Share Sale Agreement executed in December 2022.

The Directors have declared the payment of an interim dividend of 9.3 cents per share and a special dividend of 1.2 cents per share. The dividends are franked to 50% at 30% corporate income tax rate, and will be paid on 3 April 2023 to all shareholders recorded on the Register of Members on 13 March 2023.

The Directors are not aware of any other matter or circumstance not otherwise dealt with in this report, or the accompanying financial statements and notes thereto, that has arisen since 31 December 2022 that has significantly affected, or may significantly affect:

- the Group's operations in future financial periods; or
- the results of those operations in future financial periods; or
- the Group's state of affairs in future financial periods.

Directors' Declaration

For the six months ended 31 December 2022

In the opinion of the Directors of the Company:

a. the condensed consolidated financial statements and notes set out on pages 28 to 51 are in accordance with the *Corporations Act 2001* including:
    i. giving a true and fair view of the Group's financial position as at 31 December 2022 and of its performance for the six months ended on that date; and
    ii. complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and
b. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors:

Mr Allan Griffiths

Chairman

Melbourne

23 February 2023

Independent Auditor's Review Report

To the shareholders of Insignia Financial Ltd

Report on the Interim Financial Report

Conclusion

We have reviewed the accompanying ***Interim Financial Report*** of Insignia Financial Ltd.

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

- giving a true and fair view of the ***Group's*** financial position as at 31 December 2022 and of its performance for the ***Interim Period*** ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The ***Interim Financial Report*** comprises

- Condensed Consolidated Statement of Financial Position as at 31 December 2022.
- Condensed Consolidated Statement of Comprehensive Income, Condensed Consolidated Statement of Changes in Equity and Condensed Consolidated Statement of Cash Flows for the Interim Period ended on that date
- Notes 1 to 25 comprising a summary of significant accounting policies and other explanatory information
- The Directors' Declaration.

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

The ***Interim Period*** is the 6 months ended on 31 December 2022.

Basis for Conclusion

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

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

Responsibilities of the Directors for the Interim Financial Report

The Directors of the Company are responsible for:

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

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

Our responsibility is to express a conclusion on the Interim Financial Report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the Interim Financial Report does not comply with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2022 and its performance for the Interim Period ended on that date, and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

KPMG

KPMG

Chris Wooden

Partner

Melbourne

23 February 2023

Maria Trinci

Partner

Melbourne

23 February 2023