Insignia Financial Ltd

(previously IOOF Holdings Ltd)

ABN 49 100 103 722

31 December 2021

Condensed Consolidated Interim Financial Report

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About Insignia Financial Ltd

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

The Insignia Financial Group has been helping Australians secure their financial future since 1846. During that time, the Insignia Financial Group has grown substantially to become one of the largest groups in the financial services industry. The Insignia Financial Group provides advisers and their clients with the following services: Platforms for advisers, their clients and hundreds of employers in Australia; Advice services via an extensive network of financial advisers; and Asset Management products that are designed to suit any investor's needs.

Effective 9 December 2021, the Company changed its name to Insignia Financial Ltd and commenced rebranding the corporate entity to Insignia Financial. The Insignia Financial name is a unifying brand for our people and represents our shared ambition of creating financial wellbeing for all Australians.

Financial highlights

Underlying net profit after tax for the half year ended 31 December 2021 was $117.9m (half year ended 31 December 2020: $65.9m), an increase of $52.0m driven by the inclusion of the MLC business, strong market performance as well as realisation of benefits and synergies from strategic initiatives. Net profit after tax was $36.2m for the half-year ended 31 December 2021 (half year ended 31 December 2020: $53.8m) a decrease of $17.6m driven by higher integration and simplification costs as synergy realisation accelerated, increase in provision for historical remediation costs and the inclusion in 1H21 of a one-off BT settlement ($59.2m pre-tax), partially offset by the inclusion of MLC.

Funds Under Management and Administration (FUMA)

At 31 December 2021, FUMA was $325.8 billion (30 June 2021: $318.7 billion). The growth is supported by targeted product enhancements and strong investment performance. FUMA includes $227.0 billion Funds under Administration (FUA) and $98.8 billion Funds under Management (FUM). FUA increased by $6.0 billion as a result of positive market movements and improved netflows into advised platforms. This was partially offset by pension payments and stabilising net outflows from the acquired MLC and ex-ANZ platforms which are showing signs of reducing following the delivery of product enhancements and strategic repricing initiatives. FUM increased by $1.1 billion driven by market gains, partially offset by mandate losses in MLC's global listed property capability.

Following the completion of the MLC acquisition, the Insignia Financial Group has revised the methodology used across the Group to calculate FUMA in order to ensure consistency of reporting across the business. In addition to consistency, the new methodology is to better align recognition of FUMA with the recognition of revenues. Under the previous FUMA methodology, the FUMA balance at 30 June 2021 was $453.4 billion[1].

Advice

The total number of advisers in the Insignia Financial network was 1,765 at 31 December 2021, a decrease of 183 since 30 June 2021. The decrease arose primarily through the loss of smaller practices in the self-employed channel that are not able to transition to the new sustainable model.

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[1] FUMA has decreased by $134.7 billion to remove the impact of client monies being recognised as Master Trust FUA or Investment FUM and again as Portfolio Management FUM.

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Significant changes in the state of affairs

In the opinion of the Directors, aside from matters as disclosed in this half year financial report, there were no significant changes in the state of affairs of the Insignia Financial Group that occurred during the half year.

Principal activities

The principal activities of the Insignia Financial Group are:

- **Platforms:** Offering a wide range of financial services solutions on superannuation, investments, and trustee and estate management services to clients including investors, members, employers and advisers.
- **Advice:** Providing quality financial advice that is accessible, affordable and engaging for Australians, and 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 funds and other attractive investment opportunities.

Purpose and strategy

The purpose of the Insignia Financial Group is to understand clients' needs, look after clients and secure the financial future for clients. The Insignia Financial Group intends to achieve this through delivering what matters to clients, continuing to promote a ClientFirst culture amongst our people and building a better tomorrow for the community and shareholders.

Key strategic initiatives

Progress against the Insignia Financial Group's key strategic initiatives is set out below:

Evolve 21

In December 2021, the Insignia Financial Group reached an important milestone in simplifying its platform suite with the completion of the Evolve21 programme, migrating $22.1 billion of FUA and 93,000 client accounts to the contemporary, client centred Evolve platform.

Evolve is Insignia Financial Group's proprietary, scalable technology platform that is well positioned to continue to adapt and support the changing needs of clients, advisers and employers, helping transform the wealth management industry. It now administers over $42 billion of client assets across 298,000 accounts and enables the ClientFirst service proposition across adviser, employer, member and investor segments.

Evolve Next migration project has been established to deliver next phase of platform consolidation.

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Advice 2.0

The key strategic priority to make advice more affordable, accessible and engaging for Australians while helping businesses become more sustainable and profitable. It consists of three pillars:

- **Client Engagement** includes goals-based advice that is accessible, affordable and engaging to Australians supported by clear and relevant client value propositions.
- **Adviser efficiency** includes market leading, next generation best practice advice models that streamlines advice generation, servicing and governance making advisers more efficient while uplifting advice quality.
- **AFSL (Australian Financial Services Licence) sustainability** involves offering compelling discrete value propositions across each advice channel, which are profitable without the need for cross-subsidisation, and provide advisers with choice reflecting value and risk.

Progress during the period against Advice 2.0 includes:

- The financial advice offering continues to transform under the new sustainable advice model to improve the efficiency of advice practices, reduce our cost-to-serve and support the path to break-even of the Advice business. As at 31 December 2021, the Insignia Financial Group holds active advice service relationships with 1,765 financial advisers, a reduction of 183 advisers from 30 June 2021, mainly from the self-employed channel. Adviser departures in the self-employed channel largely came from small practices that were not able to transition to the new sustainable model. The reduction in adviser numbers reflects the necessary changes required to ensure the financial advice profession can prosper after a period of change, while supporting continued investment in technology and process improvements.
- Integration between Bridges and MLC Advice is well underway for implementation of better ways of working (simplified and enhanced) for the combined business in FY22. This includes the go forward brand strategy for the new combined business, being the Bridges brand, which is most aligned to our future vision and strategy and will resonate most strongly with our current and future clients.
- Wealth Central is the digital engagement platform that is designed to help advisers deliver advice in a more efficient and engaging way, making it a unique differentiator and advantage for our adviser network. Wealth Central has now been rolled out to the employed channel (Shadforth and Bridges) and for self-employed practices in RI Advice, Millennium 3, Lonsdale and Consultum via a comprehensive adoption and implementation program. Plans are also underway to commence roll out to MLC Advice, TenFifty and the Godfrey Pembroke Group in the second half of FY22.

Integration, simplification and synergies

The Insignia Financial Group made further progress in 1H22 executing its integration and simplification priorities and synergy realisation, including the following:

- **Strategic priority refresh:** Articulation of the Insignia Financial Group's strategic ambition which is to provide financial wellbeing to every Australian. This is consistent with the Insignia Financial Group's purpose and ClientFirst foundation and aligned to the pursuit of that ambition. During the period, the Insignia Financial Group conducted a refresh of the governance model to oversee the execution of the strategic priorities: integration and operating model simplification, client engagement and financial wellbeing, product simplification, Advice 2.0, ESG uplift and cultural integration.
- **Organisational design:** Continued work to simplify and optimise the organisational structure. As part of this work, the Technology division was repointed to the Chief Operating & Technology Officer. This new operating model more closely aligns technology with the integration and simplification agenda and allows

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technology capabilities to be more deeply embedded in Insignia Financial Group's ClientFirst thinking, principles and ways of working.

- **Separation:** Continued progress on the separation of the ex-ANZ Pensions and Investments (P&I) and MLC businesses, which the Insignia Financial Group is managing as a single program of work. Separation of the P&I business is expected to be completed in 2022, and until this milestone is achieved, ANZ will continue to provide services to Insignia Financial Group under a transitional services agreement. The Insignia Financial Group expects to finalise, by 30 June 2022, plans and timeframes for the separation of the MLC business and until that separation milestone is achieved, NAB will continue to provide services to the Insignia Financial Group under a transitional services agreement.
- **Product simplification:** Platform, product and entity simplification ('product simplification') is one of the Insignia Financial Group's strategic priorities and the key 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 Insignia Financial 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 single contemporary integrated platform for all products. As described above, the first phase of this work, Evolve21, which involved the integration of all heritage Insignia Financial Group proprietary products into Evolve, was completed on schedule in December 2021. During the six months to 31 December 2021, the Insignia Financial Group continued its work to simplify governance structures and processes which will provide a foundation for future production.
- **Synergy targets:** During the interim period to 31 December 2021, the Insignia Financial Group achieved in-period synergies of $22m and annualised savings of $66m. The Insignia Financial Group is ahead of its original plan to achieve the previously announced synergy goal of $218m per annum with cumulative run-rate savings of $122m achieved in the period. Having identified the next platform simplification opportunity, the Insignia Financial Group is continuing to invest in our technology with a new $40-$50 million investment to support planned future platform simplification initiatives and to enhance functionality, expected to be complete by the end of FY23.

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Key performance indicators

Underlying net profit after tax

The following table, which has not been audited, provides a reconciliation between the reported results of the Insignia Financial Group and underlying net profit after tax (UNPAT). UNPAT is a non-IFRS metric that is used by management to monitor the performance of the Insignia Financial Group. In calculating UNPAT, the Insignia Financial Group reverses the impact on profit of certain, predominantly non-recurring, items to enable a better understanding of its operational result. It is the UNPAT result which will be analysed in detail in this section of the Directors' Report. During the period, the Insignia Financial Group implemented new principles governing which items qualify for reversing their financial impact on profit. These changes have been implemented prospectively from 1 July 2021. To simplify presentation and improve comparison, certain items have been grouped together in the 31 December 2020 period. There is no change to total UNPAT in the prior comparative period. The items reversed, and the rationale for the reversal, is addressed below.

The current period result includes the performance of the MLC businesses acquired on 31 May 2021. MLC businesses were not part of the Insignia Financial Group for the comparative period.

Shareholders can review the more detailed results presentation by visiting the Company website.

For the six months ended	Note	31 Dec 21	31 Dec 20
		$'m	$'m
Profit for the period		**36.2**	**53.8**
UNPAT adjustments:			
Amortisation of intangible assets		30.0	28.8
Unwind of deferred tax liability recorded on intangible assets		(7.7)	(7.6)
Transformation and integration costs	1-2	47.2	21.8
Project Evolve costs	1-2	7.5	6.4
BT settlement income	1-1	-	(59.2)
Remediation costs	1-2	27.5	-
Legal expenses	1-2	5.0	22.0
Unrealised gain on revaluation of financial instruments		(4.9)	-
Other		-	3.9
Income tax attributable		(22.9)	(4.0)
UNPAT		**117.9**	**65.9**

UNPAT adjustments:

Amortisation of intangible assets: Intangible assets are recognised upon acquisition and other than goodwill are amortised over the expected useful life of the asset. The amortisation of acquired software development costs is not reversed in calculating UNPAT.

Unwind of deferred tax liability recorded on intangible assets: Acquired intangible asset valuations have a higher accounting base than the tax cost base. A deferred tax liability (DTL) is recognised as there is an embedded capital gain should the assets be divested which represents the difference between accounting values and tax bases at 30%. The recognition of DTL and subsequent reductions are not part of recurring operating activities and are regarded as highly unlikely to be realised due to the Insignia Financial Group's intention to hold these assets long term.

Transformation and integration costs: As the Insignia Financial Group implements its transformation agenda post completion of the MLC and ANZ P&I acquisitions, this category includes transaction costs associated with external advisers, upfront costs of securing finance and internal staff and specialist contractor

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costs relating to integration. Costs include project labour costs, redundancy and termination costs, IT and other consultancy fees, outsourced hosting services and Adviser recognition program costs which are not part of recurring operating activities.

Project Evolve: Project labour costs and IT consultancy fees associated with the Insignia Financial Group's proprietary Evolve platform project. It is considered to be a one-off cost to bring multiple heritage platforms together in preparation for integration and simplification of acquisitions.

BT settlement income: One-off settlement revenue in connection with the termination of the platform relationship with BT Portfolio Services Ltd in the first half of FY21.

Remediation costs: Movements in remediation provisions relating to the Insignia Financial Group's various remediation programs other than payments to customers or external providers.

Legal expenses: Expenditure relating to defending and settlement of judgments from legal proceedings.

Unrealised (gains)/losses on revaluation of financial instruments: Movements in the valuation of the embedded derivative that forms part of the Subordinated Loan Notes, and other financial instruments that have derivative components.

Other: In the prior period, includes Advice 2.0 costs, regulatory and governance costs, impairment losses and non-recurring professional fees paid.

Income tax attributable: This represents the income tax applicable to certain adjustment items outlined above.

Key financial results

For the six months ended	31 Dec 21	31 Dec 20	Movement	
	$'m	$'m	$'m	%
Gross margin	778.4	350.8	427.6	121.9%
Operating expenditure	(569.2)	(239.8)	(329.4)	137.4%
Net financing	(15.2)	(3.4)	(11.8)	347.1%
Net non-cash items	(28.9)	(15.0)	(13.9)	92.7%
Income tax expense and non-controlling interest	(47.2)	(26.7)	(20.5)	76.8%
UNPAT	**117.9**	**65.9**	**52.0**	**78.9%**

Gross margin

Increase in gross margin is primarily driven by the inclusion of the MLC business, further supported by the growth in FUMA underpinned by market performance and re-pricing initiatives.

Operating expenditure

Increase in operating expenditure is due to the inclusion of MLC business, partially offset by the emergence of synergy benefits.

Net financing costs

Increase in net financing costs is largely driven by the funding costs as a result of the MLC acquisition.

Net non-cash items

Increase in net non-cash items is largely driven by an increase in amortisation of right of use assets associated with the MLC acquisition and a $7.8m impairment of assets in the first half of FY22.

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Shareholder returns

The Insignia Financial Group dividend is determined based on financial performance. The Insignia Financial Group seeks to offer an attractive yield when assessed against other investment options. 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% - 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 Insignia Financial Group's TSR in the 5 year period from 1 January 2017 was -40.3% in total and -9.8% on a compounding annualised basis. The TSR for the 12 months to 31 December 2021 was 9.4% with a share price increase of 2.8% and a dividend yield of 6.6%.

	Six months ended		
	31 Dec 21	31 Dec 20	% change
Profit after tax attributable to owners of the Company ($'m) [(1)]	36.3	53.8	(32.5%)
Profit after tax for the period ($'m)	36.2	53.8	(32.7%)
Basic EPS (cents per share)	5.6	10.1	(44.6%)
Diluted EPS (cents per share)	5.6	10.1	(44.6%)
UNPAT ($'m)	117.9	65.9	78.9%
UNPAT EPS (cents per share)	18.2	12.4	46.8%
Dividends declared ($'m) [(2)]	76.6	74.7	2.5%
Dividends per share (cents per share) [(2)]	11.8	11.5	2.6%
Opening share price	$4.27	$4.53	(5.7%)
Closing share price	$3.62	$3.52	2.8%
Return on equity (non-statutory measure) [(3)]	9.44%	5.70%	65.6%

[(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 on an accruals basis.

[(3)] Return on equity is calculated by dividing UNPAT by average equity during the period on an annualised basis.

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Segment analysis

For the six months ended	31 Dec 21	31 Dec 20	Movement	
Platforms	**$'m**	**$'m**	**$'m**	**%**
Gross margin	540.7	227.4	313.3	137.8%
Operating expenditure	(321.1)	(136.9)	(184.2)	134.6%
Net financing	(1.0)	0.5	(1.5)	(300.0%)
Net non-cash items	(8.1)	(8.8)	0.7	(8.0%)
Income tax expense and non-controlling interest	(63.2)	(24.9)	(38.3)	153.8%
UNPAT	**147.3**	**57.3**	**90.0**	**157.1%**

- Gross margin increased as a result of inclusion of the MLC platform business. Excluding MLC, the increase was driven by improved market performance over the last 18 months and an uplift from Smart Choice re-pricing. These were partially offset by re-pricing of OneAnswer Frontier index options in September 2021.
- Operating expenditure increased as a result of inclusion of the MLC business, partially offset by the realisation of synergy benefits.

For the six months ended	31 Dec 21	31 Dec 20	Movement	
Advice	**$'m**	**$'m**	**$'m**	**%**
Gross margin	114.2	91.5	22.7	24.8%
Operating expenditure	(145.2)	(74.4)	(70.8)	95.2%
Net financing	(0.7)	(0.3)	(0.4)	133.3%
Net non-cash items	(10.2)	(5.1)	(5.1)	100.0%
Income tax expense and non-controlling interest	13.6	(3.8)	17.4	(457.9%)
UNPAT	**(28.3)**	**7.9**	**(36.2)**	**(458.2%)**

- Gross margin increased as a result of inclusion of the MLC Advice businesses and re-pricing in the self-employed channel. Excluding MLC Advice businesses, net operating revenue reduced slightly due to the termination of the BT contract in December 2020 and the cessation of grandfathered commissions.
- Operating expenditure increased as a result of inclusion of the MLC business, partially offset by synergy benefits realised from the Advice 2.0 strategic initiative, largely attributable to rationalisation of back-office functions and licensees.
- Net non-cash items increased as a result of $4.4m impairment of assets.

For the six months ended	31 Dec 21	31 Dec 20	Movement	
Asset Management	**$'m**	**$'m**	**$'m**	**%**
Gross margin	123.0	30.8	92.2	299.4%
Operating expenditure	(69.1)	(7.0)	(62.1)	887.1%
Net financing	(0.2)	-	(0.2)	large
Net non-cash items	(1.8)	(0.7)	(1.1)	157.1%
Income tax expense and non-controlling interest	(13.7)	(7.0)	(6.7)	95.7%
UNPAT	**38.2**	**16.1**	**22.1**	**137.3%**

- Gross margin increased as a result of inclusion of the MLC business which includes performance fees and share of associates profits. Excluding MLC, increase in gross margin is driven by a higher FUM due to strong investment markets.
- Operating expenditure increased as a result of the inclusion of the MLC business. Excluding MLC, operating expenditure remains broadly in line with prior comparative period.

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For the six months ended	31 Dec 21	31 Dec 20	Movement	
Corporate	**$'m**	**$'m**	**$'m**	**%**
Gross margin	0.5	1.1	(0.6)	(54.5%)
Operating expenditure	(33.8)	(21.5)	(12.3)	57.2%
Net financing	(13.3)	(3.6)	(9.7)	269.4%
Net non-cash items	(8.8)	(0.4)	(8.4)	2,100.0%
Income tax benefit and non-controlling interest	16.1	9.0	7.1	78.9%
UNPAT	**(39.3)**	**(15.4)**	**(23.9)**	**155.2%**

- Increase in operating expenditure is due to inclusion of the MLC business and an increase in employee expenses.
- Decrease in UNPAT is impacted by the increase in funding costs and as result of the MLC acquisition, depreciation of property and equipment and impairment of investments.

Capital and liquidity management

Capital and liquidity are assessed on a monthly basis to ensure license requirements and lending covenants are currently, and will continue to be, met. As part of this process any capital or liquidity surplus or needs are identified across the Insignia Financial Group. Existing balance sheet capacity is expected to remain sufficient for the near future.

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Risk management

The Insignia Financial Group manages a number of risks in conducting its operations and implementing its strategy. Material risks faced by the Insignia Financial Group include, but may not be limited to:

Key risk categories	Our response to manage this risk
Strategic and tactical	
(i) Competition The risk that the Insignia Financial Group does not keep pace with developments in the markets in which we operate may result in competitive conditions adversely impacting the level of assets managed and earnings available to us.	Continuously investing in client service, product design and stakeholder relationships, among other improvements.
(ii) Dependence on key personnel The risk that the Insignia Financial Group's continued ability to compete effectively is impacted by our capacity to attract, retain and motivate our people. The loss of key personnel without suitable replacement could disrupt our operations in the short term.	Undertake succession planning and offer competitive employment conditions and benefits to manage this risk.
(iii) Dependence on financial advisers The success of the Insignia Financial Group's advice and platform business is dependent on the quality of our relationships with financial advisers and, in turn, the quality of their relationships with their clients.	Monitor and, where necessary, enhance our service levels, technological capability, product offerings and professional training.
(iv) Acquisitions The risk that any acquired business is not effectively managed which may negatively impact the potential benefits of the new business and adversely affect the Insignia Financial Group 's financial position.	We have a significant complement of people experienced in acquisitions and specialist advisers to support the assessment and management of the acquisition and implementation risks.
(v) Environmental, social and governance (ESG) ESG risks can have a material impact on our ability to deliver sustainable long-term outcomes for our clients, investors and the community.	To ensure we fulfil our purpose, we consider a broad range of ESG risks and opportunities. Our ESG activities are discussed in the ESG section of the 2021 annual report.
(vi) Integration of P&I and MLC businesses - Successful integration of the P&I and MLC businesses to realise the synergies and create an efficient business for the future. Failure to successfully integrate could give rise to unnecessary costs, increased complexity and regulatory burden and higher risks.	The Chief Transformation Officer role, as a direct report of the CEO, and the integrations will be managed as one joint program of work with appropriate governance structures. Detailed Integration plan with sufficient resourcing assigned to all business functions.

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Key risk categories	Our response to manage this risk
Governance	
(vii) Governance The risk that the governance framework is not adequate to manage conflicts of interest, member interests or our legal and regulatory obligations in line with regulatory and community expectations.	The Insignia Financial 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 and Office of the Responsible Entity aligned with the Insignia Financial Group's RMF's three lines of defence model govern risk management and compliance activities across the Insignia Financial Group.
(viii) Volume and complexity of regulatory change – the Insignia Financial Group is required to implement large volumes of complex regulatory changes, at times within relative short time frames.	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.
Reputation	
(ix) Brand and reputation Actions which damage the Insignia Financial Group's brand and reputation may impact our ability to attract and retain the support of clients, people, financial advisers, and employers, as well as our future profitability and financial position.	We have controls, processes and procedures in place to mitigate this risk. In particular we have a Complaints policy and procedure in place for our clients, and a Whistleblower policy to protect our people. We also proactively promote the value of our services, products and community initiatives and focus on building a ClientFirst culture.
Conduct	
(x) Misconduct The risk of our conduct intentionally or unintentionally delivering poor outcomes for stakeholders (including clients, people and shareholders). It is about how we treat our stakeholders (including fairness of outcomes) and whether our products and services meet our stakeholders' needs and expectations.	Our management of conduct risk is supported by the Insignia Financial Group Code of Conduct, which sets out the values of professional and personal conduct which apply to all our people. These include acting within the law and in the best interests of our members, clients, shareholders and the Insignia Financial Group at all times.
(xi) Provision of investment advice The Insignia Financial Group's financial advisers and authorised representatives provide advice to clients and may be exposed to regulatory action or litigation if the advice is judged to be incorrect, if the authorised representative otherwise becomes liable for client losses, and in certain other circumstances.	This risk is managed by having high professional, educational, compliance, assurance and training standards for our advisers and authorised representatives. The potential financial impact is mitigated by appropriate levels of insurance cover. The Insignia Financial Group also undertakes a rolling program of compliance reviews of advisers.

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Key risk categories	Our response to manage this risk
Financial and liquidity	
(xii) Interest rate and cash flow This is the risk to the Insignia Financial Group's earnings and capital arising from changes in market interest rates. Financial instruments that may be impacted by interest rate risk include cash and cash equivalents, certificates of deposit, loans and borrowings. Short and long-term investment mixes and loans to related entities are influenced by liquidity policy requirements.	Interest rates (both charged and received) are based on market rates and are closely monitored by management. They are primarily at variable rates of interest and may expose the Insignia Financial Group to cash flow interest rate risk.
(xiii) Liquidity Liquidity risk relates to the Insignia Financial Group having insufficient liquid assets to cover cash flow requirements.	We manage liquidity risk by maintaining sufficient liquid assets and an ability to access a committed line of credit. The liquidity requirements of our licensed entities are regularly reviewed and carefully monitored in accordance with their licence requirements.
(xiv) Financing Financing risk refers to the Insignia Financial Group's inability to refinance debt facilities or to secure new financing on satisfactory terms which could adversely affect our financial performance and prospects. To the extent that this occurs, we may not be able to take advantage of acquisition and other growth opportunities, develop new ideas or respond to competitive pressures, which may have an adverse impact on our financial position and performance.	This risk is minimised through oversight by a dedicated Treasury function with established policies and procedures which are subject to continuous monitoring and review. Banking covenants are regularly reviewed to ensure any potential issues are identified and mitigated to the extent necessary well in advance.
Investment governance	
(xv) Changes in investment markets The Insignia Financial Group derives a significant proportion of its earnings from fees and charges based on the level of funds under management, administration and advice (FUMA). Among other factors, the level of FUMA reflects the performance of investment markets. Changes in domestic or global investment market conditions could lead to a decline in FUMA, adversely impacting the amount we earn in fees and charges, as well as reduced client interest in our financial products and services.	To manage this risk, we offer a range of products and services suitable for different investment markets and establish comprehensive investment governance committees, policies and procedures that are subject to continuous monitoring and oversight.

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Key risk categories	Our response to manage this risk
Operational	
(xvi) Operational Operational risks may arise in the daily functioning of the Insignia Financial Group's businesses, in connection with investment management, tax and financial advice, legal and regulatory compliance, product commitments, process error, system failure, failure of security and unit pricing errors, among other functions.	This is managed through the Insignia Financial Group's Risk Management Framework which includes systems, structures, policies, procedures, and people to identify, measure, evaluate, monitor, report, control and mitigate internal and external risks.
(xvii) Remediation activities Remediation activities across various areas of the business - references the timely, effective and accurate execution of these remediation activities to ensure client detriment is resolved, meet the requirements of regulators and mitigate the risk of reputational damage.	To manage this risk, remediation exercises are adequately resourced. Governance structures are in place to consider and manage the issues and risks of remediation delivery. Regular updates are provided to regulators.
(xviii) Information technology The Insignia Financial Group relies heavily on information technology (IT). A significant or sustained failure in the core technology systems could materially affect our operations, which could impact our future profitability and financial position.	We have implemented a next-generation firewall, and pursue continuous improvements to protect user devices and impose segregation of duties between technology environments. More broadly, we apply controls (including disaster recovery testing) and procedures which are subject to continuous monitoring and oversight, while ensuring there are experienced people and specialist IT advisers.
(xix) Cyber security There is a risk of significant failure in the Insignia Financial Group 's operations or material financial loss as a result of cyber-attacks.	We have implemented measures and controls that address identification, detection, monitoring and response in relation to cyber threats. Cyber security controls are aligned with those employed to minimise IT risks.
(xx) COVID-19 could impact staffing levels and work capacity in the short term. The ongoing situation may also further delay the ability for staff to collaborate together physically.	Continued use of collaboration technology and working from home arrangements. Continued use of flexible working arrangements to enable caring if required. Our Work Life program set up to ensure a safe return to the office.

COVID-19

The COVID-19 pandemic has continued throughout the period. There is still uncertainty on the likely duration of the pandemic as well as the impact on the economy and domestic and global markets continue to experience volatility as a result. The Insignia Financial Group endeavours to maintain the service standards to clients and has been able to manage operations without impacting debt covenants or long-term viability.

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Operating and financial review

Dividends

In respect of the six months ended 31 December 2021, the Directors declared an interim dividend of 11.8 cents per ordinary share. The dividends are fully franked at the corporate income tax rate of 30%. The dividends will be paid on 1 April 2022 to all shareholders recorded on the Register of Members on 11 March 2022.

On 24 February 2022, the Board approved the introduction of a Dividend Reinvestment Plan effective from the FY22 interim dividend.

In respect of the financial year ended 30 June 2021, the Directors declared the payment of a final dividend of 9.5 cents per share and a special dividend of 2.0 cents per share franked to 100% at 30% corporate income tax rate to the holders of fully paid ordinary shares, which was paid on 22 September 2021.

Directors' Report

Directors

The names and details of the Directors of Insignia Financial Ltd holding office during the six months to 31 December 2021 and as at the date of this report are listed below. Directors were in office for this entire period unless otherwise stated.

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

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.

During the period each Board member completed a skills matrix. The Board was 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 Insignia Financial 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

The Directors have declared the payment of an interim dividend of 11.8 cents per share, franked to 100% at 30% corporate income tax rate to the holders of fully paid ordinary shares to be paid on 1 April 2022.

On 24 February 2022, the Board approved the introduction of a Dividend Reinvestment Plan effective from the FY22 interim dividend.

On 24 February 2022, the Insignia Financial Group announced that it has commenced a process to divest the business of Australian Executor Trustees (AET). The process has not sufficiently advanced for AET to be considered as held for sale under the accounting standards and no adjustments have been made to these financial statements.

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 2021 that has significantly affected, or may significantly affect:

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

Lead auditor's independence declaration

The lead auditor's independence declaration is included on page 20 of the interim financial report and forms part of the Directors' Report for the six months ended 31 December 2021.

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.

Directors' Report

Authorisation

The Directors' Report is signed in accordance with a resolution of the Directors made pursuant to s.298(2) of the *Corporations Act 2001*.

Mr Allan Griffiths

Chairman

Melbourne

24 February 2022

Directors' Declaration

For the half year ended 31 December 2021

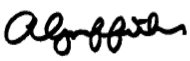
In the opinion of the Directors of the Company:

a the condensed consolidated financial statements and notes set out on pages 23 to 50 are in accordance with the *Corporations Act 2001* including:

- **i** giving a true and fair view of the Insignia Financial Group's financial position as at 31 December 2021 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

24 February 2022

KPMG

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

To the Directors of Insignia Financial Ltd (previously IOOF Holdings Ltd)

I declare that, to the best of my knowledge and belief, in relation to the review of Insignia Financial Ltd (previously IOOF Holdings Ltd) for the half-year ended 31 December 2021 there have been:

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

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

KPMG

Chris Wooden

Partner

Melbourne

24 February 2022

Independent Auditor's Review Report

To the shareholders of Insignia Financial Ltd (previously IOOF Holdings Ltd)

Report on the review of the Interim Financial Report

Conclusion

We have reviewed the accompanying ***Interim Financial Report*** of Insignia Financial Ltd (previously IOOF Holdings 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 (previously IOOF Holdings 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 2021 and of its performance for the ***Interim Period*** ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The ***Interim Financial Report*** comprises:

- Condensed consolidated statement of financial position as at 31 December 2021;
- Condensed consolidated statement of comprehensive income, Consolidated statement of changes in equity and Consolidated statement of cash flows for the Interim Period ended on that date
- Notes 1-1 to 6-5 comprising a summary of significant accounting policies and other explanatory information
- The Directors' Declaration.

The ***Group*** comprises Insignia Financial Ltd (previously IOOF Holdings 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 31 December 2021.

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.

KPMG

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*; and
- such internal control as the Directors determine is necessary to enable the preparation of the Interim Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

Our responsibility is to express a conclusion on the Interim Financial Report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the Interim Financial Report does not comply with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2021 and its performance for the Interim Period ended on that date, and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

KPMG	KPMG
KPMG	KPMG
Chris Wooden	Maria Trinci
Partner	*Partner*
Melbourne	Melbourne
24 February 2022	24 February 2022

Condensed consolidated statement of comprehensive income

For the six months ended 31 December 2021

		2021	2020**
	Note	**$'m**	**$'m**
Revenue	1-1	1,139.2	661.8
Expenses	1-2	(1,077.1)	(586.8)
Share of profits/(losses) of associates accounted using the equity method		6.1	(0.7)
Finance costs		(15.4)	(5.4)
Profit before tax		52.8	68.9
Income tax expense	1-4	(16.6)	(15.1)
Profit after tax before statutory funds		36.2	53.8
Statutory funds			
Statutory funds revenue*	5-1	28.5	37.7
Statutory funds expenses*	5-1	(16.2)	(14.6)
Income tax expense - statutory funds*	5-1	(12.3)	(23.1)
Statutory funds contribution to profit, net of tax		-	-
Profit after tax for the period		36.2	53.8
Other comprehensive income - items that will not be reclassified to profit or loss			
Net change in fair value of financial assets through other comprehensive income		0.8	(27.7)
Remeasurements of defined benefit asset		4.5	-
Income tax (expense)/benefit on other comprehensive income		(1.6)	8.3
		3.7	(19.4)
Other comprehensive income - items that may be reclassified to profit or loss			
Exchange differences on translating foreign operations		0.3	-
Income tax expense on other comprehensive income		(0.1)	-
		0.2	-
Other comprehensive income for the period, net of tax		3.9	(19.4)
Total comprehensive income for the period		40.1	34.4
Profit attributable to:			
Owners of the Company		36.3	53.8
Non-controlling interest		(0.1)	-
Profit for the period		36.2	53.8
Total comprehensive income attributable to:			
Owners of the Company		40.2	34.4
Non-controlling interest		(0.1)	-
Total comprehensive income for the period		40.1	34.4
Earnings per share:			
Basic earnings per share (cents per share)	1-6	5.6	10.1
Diluted earnings per share (cents per share)	1-6	5.6	10.1

Notes to the condensed consolidated financial statements are included on pages 28 to 50.

*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 6-3.

Condensed consolidated statement of financial position

As at 31 December 2021

	Note	31 Dec 21 $'m	30 Jun 21** $'m
Assets			
Cash	2-1	645.0	670.7
Receivables	2-2	682.8	733.4
Other financial assets	2-3	1,381.9	1,324.9
Current tax assets		63.5	1.8
Prepayments		25.4	20.0
Assets classified as held for sale*		2.8	-
Deferred acquisition costs		0.8	0.8
Net defined benefit asset		20.9	17.2
Associates		32.4	37.6
Property and equipment	2-6	220.6	145.8
Deferred tax assets		68.8	118.3
Intangible assets	2-4	481.5	505.5
Goodwill	2-5	2,147.6	2,147.6
Total assets		5,774.0	5,723.6
Liabilities			
Payables	2-2	377.9	371.4
Other financial liabilities	2-3	1,194.7	1,192.7
Lease liabilities	3-1	199.2	124.9
Borrowings	3-2	793.4	648.6
Provisions	2-7	749.2	893.0
Deferred revenue		0.8	0.9
Total liabilities		3,315.2	3,231.5
Net assets		2,458.8	2,492.1
Equity			
Share capital	3-4	2,996.0	2,996.0
Reserves	3-5	5.6	3.8
Accumulated losses		(542.8)	(507.5)
Total equity attributable to equity holders of the Company		2,458.8	2,492.3
Non-controlling interest		-	(0.2)
Total equity		2,458.8	2,492.1

Notes to the condensed consolidated financial statements are included on pages 28 to 50.

*Relates to investment in Thornton group, an associate.

**Restated – refer to note 6-3.

Condensed consolidated statement of changes in equity

For the six months ended 31 December 2021

For the six months ended 31 December 2021	Ordinary shares	Treasury shares	Reserves	Accumulated losses	Total	Non-controlling interest	Total equity
	$'m	$'m	$'m	$'m	$'m	$'m	$'m
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	-	-	-	36.3	**36.3**	(0.1)	**36.2**
Other comprehensive income for the period, net of income tax	-	-	0.8	3.1	**3.9**	-	**3.9**
Total comprehensive income for the period	-	-	0.8	39.4	**40.2**	(0.1)	**40.1**
Transactions with owners, recorded 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	(542.8)	**2,458.8**	-	**2,458.8**

Notes to the condensed consolidated financial statements are included on pages 28 to 50.

Condensed consolidated statement of changes in equity

For the six months ended 31 December 2020

For the six months ended 31 December 2020**	Ordinary shares	Treasury shares	Reserves	Accumulated losses	Total	Non-controlling interest	Total equity
	$'m	$'m	$'m	$'m	$'m	$'m	$'m
Balance at 1 July 2020	1,970.8	(5.0)	91.3	(319.3)	**1,737.8**	(0.2)	**1,737.6**
Total comprehensive income for the period							
Profit for the period	-	-	-	53.8	**53.8**	-	**53.8**
Other comprehensive income for the period, net of tax	-	-	(19.4)	-	**(19.4)**	-	**(19.4)**
Total comprehensive income for the period	-	-	(19.4)	53.8	**34.4**	-	**34.4**
Transactions with owners, recorded directly in equity							
Contributions by and (distributions to) owners							
Issue of shares	1,043.9	-	-	-	**1,043.9**	-	**1,043.9**
Transaction costs of issuing new shares (net of tax)	(14.3)	-	-	-	**(14.3)**	-	**(14.3)**
Dividends paid	-	-	-	(40.3)	**(40.3)**	-	**(40.3)**
Share-based payments expense	-	-	1.2	-	**1.2**	-	**1.2**
Transfer from employee equity-settled benefits reserve on exercise of performance rights	0.6	-	(0.6)	-	**-**	-	**-**
Treasury shares transferred to recipients during the period	(0.4)	0.4	-	-	**-**	-	**-**
Transfer of lapsed performance rights to retained earnings	-	-	(0.4)	0.4	**-**	-	**-**
Transfer from revaluation of financial asset at fair value through other comprehensive income reserve to retained earnings, net of tax	-	-	(69.4)	69.4	**-**	-	**-**
Total transactions with owners	1,029.8	0.4	(69.3)	29.5	**990.5**	-	**990.5**
Balance at 31 December 2020**	3,000.6	(4.6)	2.6	(236.0)	**2,762.6**	(0.2)	**2,762.4**

Notes to the condensed consolidated financial statements are included on pages 28 to 50.

**Restated – refer to note 6-3.

Condensed consolidated statement of cash flows

For the six months ended 31 December 2021

	Note	31 Dec 21 $'m	31 Dec 20 $'m
Cash flows from operating activities			
Receipts from customers		1,194.8	679.0
Payments to suppliers and employees		(1,022.7)	(589.1)
Dividends from associates		3.3	0.1
Acquisition and transformation costs		(52.3)	(27.9)
Remediation costs		(131.8)	(23.6)
Income taxes paid - corporate		(33.4)	(35.5)
Contributions received - statutory funds		61.7	64.5
Withdrawal payments - statutory funds		(70.9)	(74.9)
Dividends and distributions received - statutory funds		0.1	0.9
Proceeds from divestment of financial instruments - statutory funds		70.2	83.4
Payments for financial instruments - statutory funds		(58.7)	(63.5)
Amounts advanced to other entities - statutory funds		3.8	(6.8)
Income taxes paid - statutory funds		(3.6)	(3.9)
Net cash (used in) / provided by operating activities		(39.5)	2.7
Cash flows from investing activities			
Dividends and distributions received		0.2	0.2
Interest received		2.5	1.7
Interest and other costs of finance paid		(9.7)	(3.8)
Proceeds on divestment of financial assets		0.2	100.7
Acquisition of subsidiary, net of cash acquired		-	15.1
Payment for financial assets		0.5	(100.0)
Payments for property and equipment		(12.2)	(3.0)
Payments for intangible assets		(18.7)	(1.8)
Net cash (used in) / provided by investing activities		(37.2)	9.1
Cash flows from financing activities			
Drawdown of borrowings		170.0	-
Repayment of borrowings		(31.0)	(460.0)
Proceeds from issue of shares	3-4	-	1,043.9
Transaction costs of issuing new shares		-	(20.5)
Repayment of lease liabilities		(11.0)	(10.2)
Interest paid on lease liabilities		(2.3)	-
Dividends paid		(74.7)	(40.3)
Net cash provided by financing activities		51.0	512.9
Net (decrease) / increase in cash		(25.7)	524.7
Cash at the beginning of the period		670.7	374.7
Cash at the end of the period	2-1	**645.0**	**899.4**

Notes to the condensed consolidated financial statements are included on pages 28 to 50.

Notes to the financial statements

For the six months ended 31 December 2021

Section 1 – Results for the period

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

1-1 Revenue

	31 Dec 21	31 Dec 20*
	$'m	$'m
Management and service fees revenue		
Financial planning revenue	302.6	235.3
Management fees	739.3	299.7
Other management and service fees revenue	52.3	35.3
	1,094.2	570.3
Stockbroking revenue	2.6	1.7
Other fee revenue	30.5	25.8
Finance income		
Interest income	2.4	2.0
	2.4	2.0
Other revenue		
BT settlement income	-	59.2
Unrealised gain on revaluation of financial instruments	2.9	-
Sundry income	5.0	0.9
Dividends and distributions received	0.2	0.3
Other	1.4	1.6
	9.5	62.0
Total revenue	**1,139.2**	**661.8**

*Restated - refer to note 6-3.

Notes to the financial statements

For the six months ended 31 December 2021

1-2 Expenses

	31 Dec 21	31 Dec 20*
	$'m	$'m
Service fees and other direct costs		
Service and fund related expense	326.2	224.9
Stockbroking service fees expense	0.7	0.5
Other direct costs	34.9	21.8
	361.8	247.2
Operating expenditure		
Salaries and related employee expenses (excluding superannuation)	380.5	178.2
Employee defined contribution plan expense	27.1	10.7
Information technology costs	71.1	21.1
Professional fees	38.2	9.6
Marketing	5.0	2.2
Office support and administration	28.5	13.4
Occupancy related expenses	16.6	4.1
Travel and entertainment	0.5	0.5
Other	1.7	-
	569.2	239.8
Other expenses		
Share-based payments expense	1.0	1.2
Transformation and integration costs	47.2	21.8
Legal expenses	5.0	22.0
Evolve costs	7.5	6.4
Depreciation of property and equipment	19.5	13.4
Amortisation of intangible assets	30.6	29.2
Impairment expense	7.8	-
Remediation costs	27.5	-
Other	-	5.8
	146.1	99.8
Total expenses	**1,077.1**	**586.8**

*Restated - refer to note 6-3.

Notes to the financial statements

For the six months ended 31 December 2021

1-3 Operating Segments

During the interim reporting period, the Insignia Financial Group reorganised its reporting structure following the completion of the acquisition of the MLC businesses and the ex-ANZ Wealth businesses acquired in prior years (the reorganisation). As a result of the reorganisation, the Insignia Financial Group changed the structure of its internal reporting to the Chief Executive Officer who is the chief operating decision maker for the purpose of segment reporting under AASB 8 *Segment Reporting*. Prior period comparatives have been restated to align with the new segments. The four segments of the Insignia Financial Group are: Platforms, Advice, Asset Management and Corporate.

Platforms

The provision of administration and management services through master trust platforms and wrap products, which offers a single access point to a range of investment products and the provision of trustee and estate management services.

Advice

The provision of financial planning advice and stockbroking services supported by services such as investment research, training, compliance support and access to financial products.

Asset Management

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

Corporate

Corporate includes activities of a strategic, shareholder or governance nature incurred in carrying on business as a listed entity managing multiple business units.

Information regarding the results of each reportable segment (excluding the statutory funds) is included below. Segment performance is measured on an underlying profit after income tax (UNPAT) basis as management considers this is the most relevant measurement in evaluating the results of these segments.

Notes to the financial statements

For the six months ended 31 December 2021

	Platforms		Advice		Asset Management		Corporate		Total	
	31 Dec 21 $'m	31 Dec 20** $'m	31 Dec 21 $'m	31 Dec 20** $'m	31 Dec 21 $'m	31 Dec 20** $'m	31 Dec 21 $'m	31 Dec 20** $'m	31 Dec 21 $'m	31 Dec 20** $'m
Management and service fees revenue	644.4	264.2	308.9	259.1	140.8	47.0	0.1	-	1,094.2	570.3
Other fee revenue	13.6	8.4	17.1	14.7	(0.2)	2.6	-	0.1	30.5	25.8
Share of profits/(losses) of associates	-	-	(0.7)	(0.7)	6.8	-	-	-	6.1	(0.7)
Service fees and other direct costs	(92.5)	(43.3)	(216.0)	(186.1)	(52.4)	(17.4)	(0.2)	0.1	(361.1)	(246.7)
Other revenue	3.4	-	2.8	0.5	-	-	0.6	0.4	6.8	0.9
Stockbroking revenue	-	-	2.6	1.7	-	-	-	-	2.6	1.7
Stockbroking service fees expense	-	-	(0.7)	(0.5)	-	-	-	-	(0.7)	(0.5)
Inter-segment revenue[(i)]	3.3	4.8	0.2	3.6	31.2	-	-	0.5	34.7	8.9
Inter-segment expenses[(i)]	(31.5)	(6.7)	-	(0.8)	(3.2)	(1.4)		-	(34.7)	(8.9)
Gross Margin	540.7	227.4	114.2	91.5	123.0	30.8	0.5	1.1	778.4	350.8
Operating expenditure	(321.1)	(136.9)	(145.2)	(74.4)	(69.1)	(7.0)	(33.8)	(21.5)	(569.2)	(239.8)
Finance income	2.1	0.8	-	-	-	-	0.3	1.2	2.4	2.0
Loss on financial instruments	(2.2)	-	-	-	-	-	-	-	(2.2)	-
Finance costs	(0.9)	(0.3)	(0.7)	(0.3)	(0.2)	-	(13.6)	(4.8)	(15.4)	(5.4)
Share-based payments expense	(0.5)	(0.5)	(0.3)	(0.3)	(0.1)	(0.1)	(0.1)	(0.3)	(1.0)	(1.2)
Depreciation of property & equipment	(7.2)	(7.9)	(5.5)	(4.8)	(1.7)	(0.6)	(5.1)	(0.1)	(19.5)	(13.4)
Amortisation of intangible assets	(0.4)	(0.4)	-	-	-	-	(0.2)	-	(0.6)	(0.4)
Impairment expenses	-	-	(4.4)	-	-	-	(3.4)	-	(7.8)	-
Income tax expense	(63.2)	(24.9)	13.6	(3.8)	(13.7)	(7.0)	16.1	9.0	(47.2)	(26.7)
UNPAT	**147.3**	**57.3**	**(28.3)**	**7.9**	**38.2**	**16.1**	**(39.3)**	**(15.4)**	**117.9**	**65.9**
UNPAT adjustments									(81.7)	(12.1)
Profit after tax for the period									**36.2**	**53.8**

(i) Segment revenues, expenses and results include transfers between segments. Such transfers are priced on a commercial basis and are eliminated on consolidation.

**Restated. During the interim reporting period, the Insignia Financial Group reorganised its reporting structure following the acquisition of the MLC businesses and the ex-ANZ businesses.

Notes to the financial statements

For the six months ended 31 December 2021

1-4 Income taxes

	31 Dec 2021		31 Dec 2020	
	%	$'m	%	$'m
Reconciliation of effective tax rate				
Profit before tax		52.8		68.9
Tax using the domestic tax rate	30.0%	15.8	30.0%	20.7
Tax effect of:				
Share of tax credits with statutory funds		0.5		0.7
Non-deductible expenses		1.1		0.6
Capital loss not previously recognised		-		(6.7)
Impairment of investments		1.3		-
Share of net profits of associates		(1.8)		0.2
Assessable associate and subsidiary dividends		1.2		0.1
Revenue loss not recognised		0.1		0.1
Imputation and foreign tax credits		(0.9)		(0.1)
Foreign tax rate differential		(0.3)		-
Other		(0.4)		(0.5)
	31.4%	**16.6**	**21.9%**	**15.1**

For statutory reporting purposes, Insignia Financial Group had an effective tax rate of 31.4% on its continuing operations for the six months ended 31 December 2021 (2020: 21.9%) compared to a statutory corporate tax rate of 30%. This rate difference for the six months ended 31 December 2021 is primarily due to the net impact of tax offsets for fully franked dividend income, impairments, and non-deductible penalties. For the period ended 31 December 2020, this rate difference is primarily due to the tax benefit on prior year capital losses not previously recognised and the transfer of deductions to the statutory funds in accordance with the Taxation of Insurance Companies. Excluding these items IOOF's effective tax rate would be 29.8 % and 30.6% respectively.

Tax contribution analysis

The Insignia Financial Group contributed a total of $140.9m in taxes to the Australian governments (state and federal) in the 2021 tax year. Further taxes paid by the Insignia Financial Group on behalf of others, including employees and members, are not directly borne by the Group. These include income tax, GST, pay-as-you-earn withholding taxes, and local duties, which total a further $410.8m in the 2021 tax year (2020: $94.9m).

Tax transparency

The ATO publishes tax information in respect of large public taxpayers in its annual tax transparency report. For the Insignia Financial tax group, the latest ATO published report disclosed payments of $33.9m in income tax relating to the financial year ended 30 June 2020.

The Insignia Financial Group is committed to tax transparency and is a signatory to the Board of Taxation's Voluntary Tax Transparency Code (the Code). The Code is a set of principles and 'minimum standards' to guide disclosure of tax information by businesses, encourage those businesses to avoid aggressive tax planning, and to help educate the public about their compliance with Australia's tax laws.

Approach to tax strategy and governance

Tax governance is part of the Insignia Financial Group's overall risk management framework, as well as being part of an overall tax strategy. The overall tax strategy drives the Insignia Financial Group's approach to tax risk management and is aimed at good corporate tax compliance and reporting, ability to meet and be prepared

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For the six months ended 31 December 2021

for regulatory changes, and in ensuring shareholder value. Tax governance is continuously monitored and in line with the Insignia Financial Group's strategy. The Insignia Financial Group regards its relationship with the ATO as effective and open thereby maintaining transparency and collaboration.

1-5 Dividends

Subsequent to 31 December 2021, the following fully franked dividends were declared by the directors. The dividends have not been provided for at 31 December 2021.

	Six months ended 31 December 2021		Six months ended 31 December 2020	
	Cents per share	Total $'m	Cents per share	Total $'m
Interim dividend	11.8	76.6	8.0	51.9
Special dividend	-	-	3.5	22.7

For the six months ended 31 December 2021, the Directors declared the payment of an interim dividend of 11.8 cents per share, franked to 100% at 30% corporate income tax rate to the holders of fully paid ordinary shares to be paid on 1 April 2022. This dividend will be paid to all shareholders recorded on the Register of Members on 11 March 2022.

On 24 February 2022, the Board approved the introduction of a Dividend Reinvestment Plan effective from the FY22 interim dividend.

1-6 Earnings per share

	31 Dec 21	31 Dec 20
	Cents per share	Cents per share
Basic earnings per share		
Total basic earnings per share	5.6	10.1
Diluted earnings per share		
Total diluted earnings per share	5.6	10.1

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:

	31 Dec 21	31 Dec 20
	$'m	$'m
Profit for the period attributable to owners of the Company	36.3	53.8
Earnings used in the calculation of basic and diluted EPS	36.3	53.8

	31 Dec 21	31 Dec 20
	No. 'm	No. 'm
Weighted average number of ordinary shares		
Weighted average number of ordinary shares (basic)	648.5	531.0
Effect of unvested performance rights	2.0	0.8
Weighted average number of ordinary shares (diluted)	650.5	531.8

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For the six months ended 31 December 2021

Section 2 - Operating assets and liabilities

This section shows the assets used to generate the Insignia Financial Group's trading performance and the liabilities incurred as a result. Liabilities relating to the Insignia Financial Group's financing activities are addressed in Section 3.

2-1 Cash

	31 Dec 21	30 Jun 21
	$'m	$'m
Cash - corporate	474.5	501.2
Cash - restricted ORFR*	166.0	164.9
Cash - statutory funds	4.5	4.6
Total cash	645.0	670.7

* Held for Operational Risk Financial Requirement (ORFR) purpose on behalf of superannuation funds. The ORFR is not available for distribution to the shareholders of the Company.

2-2 Receivables and payables

	31 Dec 21	30 Jun 21
	$'m	$'m
Receivables - corporate		
Trade receivables (net of provisions)	137.8	149.9
Other receivables	185.2	189.3
Ex-ANZ Aligned Licensees (AL) remediation	289.5	285.5
Security bonds	0.3	0.3
Receivables - statutory funds		
Trade receivables	-	0.5
Other receivables	0.9	1.5
Dividends and distributions	6.2	39.7
Loans to policyholders	62.9	66.7
Total receivables	682.8	733.4

	31 Dec 21	30 Jun 21
	$'m	$'m
Payables - corporate		
Payables	229.4	255.2
Ex-ANZ AL remediation settlement	144.4	110.4
Payables - statutory funds		
Payables	4.1	5.8
Total payables	377.9	371.4

Notes to the financial statements

For the six months ended 31 December 2021

2-3 Other financial assets and liabilities

	31 Dec 21	30 Jun 21
	$'m	$'m
Financial assets measured at fair value through profit or loss		
Fixed income - corporate*	237.4	237.5
Derivative assets - corporate	6.4	10.3
Unlisted unit trusts - corporate	4.4	9.3
Unlisted unit trusts - statutory funds	1,125.8	1,058.4
Financial assets measured at fair value through other comprehensive income		
Equity investments - corporate	7.9	9.4
Total other financial assets	1,381.9	1,324.9

* Held for ORFR purposes on behalf of superannuation funds. The ORFR is not available for distribution to shareholders of the Company.

	31 Dec 21	30 Jun 21
	$'m	$'m
Financial liabilities measured at fair value through profit or loss		
Deferred purchase consideration - corporate	10.8	23.1
Derivative liabilities - corporate	33.7	40.8
Investment contract liabilities - statutory funds		
Investment contract liabilities with Discretionary Participation Features (DPF)	164.7	171.8
Other investment contract liabilities	985.5	957.0
Total other financial liabilities	1,194.7	1,192.7

2-4 Intangible assets (other than goodwill)

	31 Dec 21	30 Jun 21
	$'m	$'m
Cost	903.2	896.6
Accumulated amortisation	(421.7)	(391.1)
	481.5	505.5

	Computer software	Customer relationships	Brand names	Other intangibles	Total
	$'m	$'m	$'m	$'m	$'m
Carrying value at 1 July 2021	34.6	396.0	57.8	17.1	505.5
Additions	3.4	-	-	3.2	6.6
Amortisation expense	(2.6)	(26.3)	(0.4)	(1.3)	(30.6)
Carrying value at 31 December 2021	35.4	369.7	57.4	19.0	481.5

Notes to the financial statements

For the six months ended 31 December 2021

2-5 Goodwill

During the period, the number of cash generating units in the Insignia Financial Group has decreased from ten to three following the Insignia Financial Group's organisational restructure. Cash generating units consist of Platforms, Advice and Asset Management and are consistent with the Insignia Financial Group's operating segments.

	31 Dec 21	30 Jun 21*
	$'m	$'m
Cost	2,445.2	2,445.2
Accumulated impairment	(297.6)	(297.6)
Net carrying value of goodwill	2,147.6	2,147.6
Carrying value at beginning of the period	2,147.6	1,465.5
Acquisition through business combination[1]	-	882.0
Impairment of goodwill	-	(199.9)
Carrying value at end of the period	2,147.6	2,147.6

[1]Purchase price allocation has not been completed for the acquisition of the MLC businesses. The net asset adjustment and purchase price allocation are still being finalised in connection with this acquisition.

* Restated. Refer to note 6-3.

2-6 Property and equipment

	31 Dec 21	30 Jun 21
	$'m	$'m
Cost	357.1	260.6
Accumulated depreciation	(136.5)	(114.8)
	220.6	**145.8**

	Office equipment	Leasehold improve-ments	IT assets	Land and buildings	Right-of-use assets - premises	Total
	$'m	$'m	$'m	$'m	$'m	$'m
Balance at 1 July 2021	3.2	9.2	24.5	1.5	107.4	145.8
Additions	0.5	-	11.5	0.2	87.5	99.7
Disposals upon sublease of premises	-	-	-	-	(3.1)	(3.1)
Depreciation expense	(0.6)	(0.9)	(4.8)	-	(14.2)	(20.5)
Impairment expense	-	-	-	-	(1.3)	(1.3)
Balance at 31 December 2021	3.1	8.3	31.2	1.7	176.3	**220.6**

Notes to the financial statements

For the six months ended 31 December 2021

2-7 Provisions

	31 Dec 21	30 Jun 21
	$'m	$'m
Employee entitlements	164.8	215.2
Advice remediation provisions	352.6	377.2
Product remediation provisions	219.8	296.8
Other provisions	12.0	3.8
	749.2	893.0

	Advice remediation provisions	Product remediation provisions	Other provisions
	$'m	$'m	$'m
Balance at 1 July 2021	377.2	296.8	3.8
Additions	29.7	0.5	10.1
Settlement - payments for costs	(27.4)	(18.0)	-
Settlement - payments for compensation	(26.9)	(59.5)	(1.9)
Balance at 31 December 2021	352.6	219.8	12.0

Advice remediation provisions

As at 31 December 2021, the Insignia Financial Group has provisions of $352.6m (30 June 2021: $377.2m) in respect of advice remediation and related costs. Of this amount, $145.0m (30 June 2021: $175.1m) is covered by the receivable under the Remediation Process and Loan Agreement with ANZ Banking Group.

Product remediation provisions

As at 31 December 2021, the Insignia Financial Group has provisions of $219.8m (30 June 2021: $296.8m) in respect of product remediation and related costs.

Estimation uncertainty

Determining the amount of the 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.

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For the six months ended 31 December 2021

Section 3 - Capital management and financing

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

The Insignia Financial 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.

3-1 Lease liabilities

	31 Dec 21	30 Jun 21
	$'m	$'m
Lease liabilities		
Current	29.1	21.4
Non-current	170.1	103.5
Total lease liabilities	199.2	124.9

3-2 Borrowings

The Insignia Financial 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 21	30 Jun 21
	$'m	$'m
Borrowings under the Syndicated Facilities Agreement (SFAs)	614.0	474.5
Subordinated loan notes (SLNs)	179.4	174.1
Total borrowings	**793.4**	**648.6**

(a) Syndicated Facilities Agreement (SFAs)

The syndicated facilities agreements are provided under an Australian dollar line of credit facility, to which unrestricted access was available at balance date as follows:

	31 Dec 21	30 Jun 21
	$'m	$'m
Total syndicated facilities limit	865.0	865.0
Less drawn	(615.0)	(476.0)
Available facility limit under the SFAs	**250.0**	**389.0**

The financial liabilities under the facility have a fair value equal to the carrying amount.

	31 Dec 21	30 Jun 21
	$'m	$'m
Syndicated Facilities Agreements		
Opening balance	474.5	457.9
Net drawdowns	139.0	16.0
Amortised capitalised establishment fees	0.5	0.6
	614.0	474.5

$240.0m of the borrowings under the SFAs matures in September 2022. The Insignia Financial Group plans to renew the facility prior to its maturity.

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For the six months ended 31 December 2021

(b) Other bank facilities

In addition to the syndicated facilities agreement, the Insignia Financial Group can issue guarantees to the aggregate facilities limit of $55.0m (30 June 2021: $55.0m). As at 31 December 2021, $31.1m of these facilities was used (30 June 2021: $30.6m).

3-3 Commitments and contingent liabilities

Operating lease commitments

	31 Dec 21	30 Jun 21
	$'m	$'m
Within one year	3.0	13.4
Later than one year but not later than five years	2.4	-
Later than five years	3.7	-
	9.1	13.4

Other commitments

	31 Dec 21	30 Jun 21
	$'m	$'m
Guarantees		
Rental bond guarantees	27.4	22.0
Other guarantees	0.4	0.4
	27.8	22.4

Contingent liabilities

Contingent liabilities of the Insignia Financial Group exist in relation to claims and 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 Insignia Financial 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

Two subsidiaries of the Insignia Financial 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 and 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 calculated with reference to a predetermined period. Where certain terms and conditions have not been met, the predetermined purchase price will be discounted accordingly. As at 31 December 2021, the Insignia Financial Group had received requests from planners which satisfied requirements to perform its obligation. The resale value of such businesses purchased may differ from the cost to the Insignia Financial Group. Where confirmation notices have been received, the Insignia Financial Group has a fixed obligation to purchase the businesses at market value. The aggregate value of this fixed obligation is $1.6m (30 June 2021: $4.8m).

Class Actions and Civil Penalty Proceedings

The Insignia Financial Group is currently defending a number of class actions in the Federal Court and Supreme Court of Victoria. An assessment of the possible 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 not been made at this stage. Based on the current information available, the Insignia Financial Group does not consider

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For the six months ended 31 December 2021

that the outcome of any other current proceedings, either individually or in aggregate, is likely to materially affect its operations or financial position.

On 14 December 2021, the Australian Securities and Investment Commission (ASIC) commenced civil penalty proceedings in the Federal Court against OnePath Custodians Limited (OPC) relating to disclosure of adviser service fees (also known as Plan Service Fees) in relation to the Integra Super product. The Insignia Financial Group and OPC are carefully considering ASIC's action. The likely outcome of the claim and total costs associated with this matter remain uncertain.

Other remediation matters

The Insignia Financial Group continued to progress customer payments in relation to advice and product remediation and has recognised provisions in this respect. There are a number of developments that management are monitoring that remain uncertain, and the potential outcomes and total costs associated with these matters are not able to be reliably estimated.

3-4 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 21	30 Jun 21
	$'m	$'m
649,324,356 fully paid ordinary shares (30 June 2021: 649,324,356)	3,000.6	3,000.6
792,719 treasury shares (30 June 2021: 792,719)	(4.6)	(4.6)
	2,996.0	2,996.0

	Six months ended 31 December 2021		Year ended 30 June 2021	
	No. ’m	$’m	No. ’m	$’m
Ordinary shares				
On issue at 1 July	649.3	3,000.6	351.1	1,970.8
Issue of shares	-	-	298.2	1,043.9
Transaction costs of issuing new shares (net of tax)	-	-	-	(14.3)
Transfer from employee equity-settled benefits reserve on exercise of performance rights	-	-	-	0.6
Treasury shares transferred to recipients	-	-	-	(0.4)
On issue at reporting date	649.3	3,000.6	649.3	3,000.6
Treasury shares				
On issue at 1 July	(0.8)	(4.6)	(0.9)	(5.0)
Treasury shares transferred to recipients	-	-	0.1	0.4
On issue at reporting date	(0.8)	(4.6)	(0.8)	(4.6)
	648.5	2,996.0	648.5	2,996.0

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For the six months ended 31 December 2021

Issue of performance rights

During the six months to 31 December 2021, the Company issued the following performance rights to employees and executives:

Recipients	No. of rights	Fair value
		$
Other employees	64,640	3.27
Other employees	150,395	3.27
Other employees	150,395	1.86
	365,430	

3-5 Reserves

	31 Dec 21	30 Jun 21
	$'m	$'m
Equity investment revaluation reserve	2.9	2.4
Business combinations reserve	(0.3)	(0.3)
Foreign currency translation reserve	0.5	0.2
Operating risk financial reserve (1)	2.7	2.7
Share-based payments reserve	(0.2)	(1.2)
	5.6	3.8

(1) The operating risk financial reserve is held for certain superannuation products that were previously held under Australian Executor Trustees Limited and have been transferred to I.O.O.F. Investment Management Limited as Superannuation Trustee. Other similar reserves exist within the Insignia Financial Group, however these are generally held by the relevant funds.

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For the six months ended 31 December 2021

Section 4 - Financial instruments

The Insignia Financial Group's activities expose it to a variety of financial and non-financial risks. Financial risks include: market risks (including price risk, currency risk and cash flow and interest rate risk), credit risk, statutory funds risk and liquidity risk. The nature of the financial risk exposures arising from financial instruments, the objectives, policies and processes for managing these risks, and the methods used to measure them are unchanged from the year ended 30 June 2021.

4-1 Financial Instruments

Fair value estimation

The fair values of financial assets and liabilities are equal to the carrying amounts shown in the statement of financial position.

For financial assets or liabilities traded in active markets, fair values are determined based on quoted market prices at the reporting date. The quoted market price used for financial assets is the closing price.

For investments in fixed income and derivative assets 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.

Issued investment protection derivatives are term-based investment protection products issued by the Insignia Financial Group. These products provide protection to investors over the investors' capital or a minimum level of income each year for a term of 10 or 20 years. Issued investment protection derivatives are measured using market standard valuation models and assumptions.

Deferred purchase consideration relates to client lists purchased by the Insignia Financial Group. It is valued at management's best estimate of amounts payable under the relevant contracts. The amount of deferred consideration payable is linked to the retention of clients, which is an unobservable output and may decrease the value of the liability.

Assets and liabilities relating to statutory funds

Assets held in the statutory funds are subject to the distribution and transfer restrictions and other requirements of the *Life Insurance Act 1995*. Assets held in the benefit funds and controlled trusts are held for the benefit of the members of those funds and are subject to the constitution and rules of those funds. Accordingly, with the exception of permitted profit distributions, the investments held in the statutory funds are not available for use by other entities of the Insignia Financial Group.

Financial assets held within its reported statutory funds (including the benefit funds) represent the assets backing policyholder liabilities and are measured at fair value through profit or loss. Other than loans and receivables, assets backing policyholder liabilities have been designated at fair value through profit or loss as the assets are managed on a fair value basis.

Policy liabilities have been determined in accordance with applicable accounting standards. Policyholder liabilities for life insurance contracts are valued in accordance with AASB 1038 *Life Insurance Contracts*, whereas life investment contracts are valued in accordance with AASB 9 *Financial Instruments* and AASB 15 *Revenue from Contracts with Customers*. There are differences between the valuation requirements of the accounting standards and those of the *Life Insurance Act 1995*.

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For the six months ended 31 December 2021

Fair value hierarchy

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

- Level 1: the fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period.
- Level 2: the fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. All significant inputs required to fair value an instrument are observable.
- Level 3: the fair value of the financial instruments is determined using one or more of the signficant inputs that is not based on observable market data.

	Level 1	Level 2	Level 3	Total
31 December 2021	**$'m**	**$'m**	**$'m**	**$'m**
Financial assets measured at fair value through profit or loss				
Fixed income - corporate	-	237.4	-	237.4
Derivatives - corporate	-	6.4	-	6.4
Unlisted unit trusts - corporate	-	4.4	-	4.4
Unlisted unit trusts - statutory funds	-	1,125.8	-	1,125.8
Financial assets measured at fair value through other comprehensive income				
Equity investments	7.9	-	-	7.9
	7.9	1,374.0	-	1,381.9
Financial liabilities measured at fair value				
Derivatives - corporate	0.8	25.0	7.9	33.7
Deferred purchase consideration - corporate	-	7.8	3.0	10.8
	0.8	32.8	10.9	44.5
30 June 2021				
Financial assets measured at fair value through profit or loss				
Fixed income - corporate	-	237.5	-	237.5
Derivatives - corporate	0.4	9.9	-	10.3
Unlisted unit trusts - corporate	-	9.3	-	9.3
Unlisted unit trusts - statutory funds	-	1,058.4	-	1,058.4
Financial assets measured at fair value through other comprehensive income				
Equity investments	9.4	-	-	9.4
	9.8	1,315.1	-	1,324.9
Financial liabilities measured at fair value through profit or loss				
Derivatives - corporate	-	31.8	9.0	40.8
Deferred purchase consideration - corporate	-	19.7	3.4	23.1
	-	51.5	12.4	63.9

There were no transfers between levels of the fair value hierarchy during the six months ended 31 December 2021 (2020: $nil). There were also no changes made to any of the valuation techniques applied as of 30 June 2021.

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Reconciliation of movements in level 3 financial instruments	Issued investment protection derivatives	Deferred purchase consideration
	31 Dec 2021 $'m	31 Dec 2021 $'m
Opening balance as at 1 July	9.0	3.4
Fair value movement	(1.1)	-
Take up of deferred consideration liability	-	0.4
Settlement of deferred consideration liability	-	(0.6)
Adjustments to deferred consideration liability	-	(0.2)
Closing balance as at 31 December	7.9	3.0

Sensitivity analysis – level 3 financial instruments

Significant unobservable inputs for valuing issued investment protection derivatives 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 $0.2m (30 June 2021: $0.1m), 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 $5.9m (30 June 2021:$6.7m), holding all other variables constant.

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Section 5 - Statutory funds

A subsidiary of the Company, IOOF Ltd, is a friendly society in accordance with the *Life Insurance Act 1995*. Balances below are disclosed inclusive of amounts collected/receivable from or paid/payable to Insignia Financial Group entities. Details of the assets and liabilities of the statutory funds are included in Section 2. Statutory funds are not available to shareholders.

5-1 Statutory funds contribution to profit or loss, net of tax

	Statutory funds	
	31 Dec 21	31 Dec 20
	$'m	$'m
Statutory funds revenue		
Interest income	0.3	0.3
Dividends and distributions received	12.5	8.3
Net fair value gains on financial assets measured as fair value	32.4	71.2
Investment contracts with Discretionary Participation Features (DPF)		
Contributions received - investment contracts with DPF	5.0	0.8
Increase in DPF policyholder liability	7.1	8.3
Decrease in non-DPF policyholder liability	(30.0)	(52.4)
Other fee revenue	1.2	1.2
Total statutory funds revenue	28.5	37.7
Statutory funds expenses		
Service and marketing fees expense	4.2	4.3
Investment contracts with DPF		
Benefits and withdrawals paid	12.0	10.2
Interest	-	0.1
Total statutory funds expenses	16.2	14.6
Income tax expense	12.3	23.1
Statutory funds contribution to profit or loss, net of tax	-	-

Notes to the financial statements

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Section 6 - Basis of preparation

This section sets out the Insignia Financial 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 2022 or later years. The expected impact of these changes to the financial position and performance of the Insignia Financial Group is explained in this section.

6-1 Reporting entity

Insignia Financial Ltd (previously IOOF Holdings 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 2021 comprise the Company and its controlled entities (collectively, the Insignia Financial Group).

The Insignia Financial Group is a for-profit entity and is primarily involved in the provision of wealth management services. The annual financial report of the Insignia Financial Group for the year ended 30 June 2021 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.

6-2 Basis of preparation

(a) Statement of compliance

The condensed consolidated interim financial report for the half-year reporting period ended 31 December 2021 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 2021.

This interim financial report was approved by the Board of Directors on 24 February 2022.

(b) Use of estimates and judgements

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing the condensed consolidated interim financial report the significant judgements made by management in applying the Insignia Financial 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 2021.

(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.

Notes to the financial statements

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6-3 Other significant accounting policies

The accounting policies applied in this interim financial report are consistent with those applied in the Insignia Financial Group's annual financial report for the year ended 30 June 2021, except as detailed below.

As described in the 30 June 2021 annual report, the Insignia Financial Group reassessed the manner in which adviser service fees are treated in the Group financial statements. Historically, some entities within the Group recognised these costs in service and fund related expense. After standardising accounting policies across the Group, the relationship is now assessed as agency and the fees are now recognised as a reduction to management and service fees revenue. The impact of this change is disclosed below.

During the second half of the financial year ended 30 June 2021, the purchase price allocation for the Wealth Central business acquired on 11 September 2020 was finalised. The table below shows the impact of the adjustments on the 31 December 2020 statement of financial performance.

Statement of comprehensive income	31 Dec 20	31 Dec 20	31 Dec 20	31 Dec 20
	Previously reported	Adviser fee adjustment	Acquisition accounting adjustment	Revised
	$'m	$'m	$'m	$'m
Revenue	709.2	(47.4)	-	661.8
Expenses	(633.5)	47.4	(0.7)	(586.8)
Share of losses of associates	(0.7)	-	-	(0.7)
Finance costs	(5.4)	-	-	(5.4)
Profit before tax	**69.6**	**-**	**(0.7)**	**68.9**
Income tax expense	(15.1)	-	-	(15.1)
Profit after tax for the period	**54.5**	**-**	**(0.7)**	**53.8**

Amendments have been made to the opening balance sheet of the MLC entities acquired during the previous financial year. The impact of this has been to increase provisions and deferred tax assets acquired, with a resulting increase in the preliminary goodwill acquired. The purchase price allocation has not yet been finalised, and will be completed in the second half of the 2022 financial year. The impact of this change on the balance sheet is disclosed below.

During the interim reporting period, the Insignia Financial Group made changes to the presentation of its financial instruments. Financial instruments measured at amortised costs previously presented as other financial instruments are presented as receivable and payables. Prior period comparatives have been restated to align with the new categories.

Notes to the financial statements

For the six months ended 31 December 2021

Statement of financial position	30 Jun 21	30 Jun 21	30 Jun 21	30 Jun 21
	Previously reported	Balance sheet reallocations	Acquisition accounting adjustment	Revised
	$'m	$'m	$'m	$'m
Assets				
Cash	670.7	-	-	670.7
Receivables	666.7	66.7	-	733.4
Other financial assets	1,391.6	(66.7)	-	1,324.9
Current tax assets	1.8	-	-	1.8
Prepayments	20.0	-	-	20.0
Assets classified as held for sale*	-	-	-	-
Deferred acquisition costs	0.8	-	-	0.8
Net defined benefit asset	17.2	-	-	17.2
Associates	37.6	-	-	37.6
Property and equipment	145.8	-	-	145.8
Deferred tax assets	114.2	-	4.1	118.3
Intangible assets	505.5	-	-	505.5
Goodwill	2,137.9	-	9.7	2,147.6
Total assets	**5,709.8**	**-**	**13.8**	**5,723.6**
Liabilities				
Payables	238.7	132.7	-	371.4
Other financial liabilities	1,303.1	(110.4)	-	1,192.7
Lease liabilities	124.9	-	-	124.9
Borrowings	648.6	-	-	648.6
Provisions	901.5	(22.3)	13.8	893.0
Deferred tax liabilities	-	-	-	-
Deferred revenue	0.9	-	-	0.9
Total liabilities	**3,217.7**	**-**	**13.8**	**3,231.5**
Net assets	**2,492.1**	**-**	**-**	**2,492.1**
Equity				
Share capital	2,996.0	-	-	2,996.0
Reserves	3.8	-	-	3.8
Accumulated losses	(507.5)	-	-	(507.5)
Total equity attributable to equity holders of the Company	2,492.3	-	-	2,492.3
Non-controlling interest	(0.2)	-	-	(0.2)
Total equity	**2,492.1**	**-**	**-**	**2,492.1**

Notes to the financial statements

For the six months ended 31 December 2021

6-4 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 2021 and earlier application is permitted:

New standards or amendments	Effective first financial year ending
AASB 17 *Insurance Contracts*	*30 June 2024*
AASB 2020-3 *Amendments to Australian Accounting Standards – Annual Improvements 2018–2020 and Other Amendments*	*30 June 2023*
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 Insignia Financial 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 Insignia Financial 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*.

The new standard contains a lower level of aggregation/smaller portfolios, changes to contract boundaries and valuation approaches, the application of contractual service margins to policies valued under certain methodologies, changes in treatment to reinsurance and an ability to use Other Comprehensive Income for changes in asset values. The new standard also changes corresponding disclosure requirements.

The Insignia Financial Group Group is in the process of assessing the potential impact on its consolidated financial statements and the impact has not yet been determined. The Insignia Financial Group plans to adopt AASB 17 *Insurance Contracts* in the consolidated financial statements for the year ending 30 June 2024.

Notes to the financial statements

For the six months ended 31 December 2021

6-5 Subsequent events

The Directors have declared the payment of an interim dividend of 11.8 cents per ordinary share franked to 100% based on tax paid at 30%, to be paid on 1 April 2022.

On 24 February 2022, the Board approved the introduction of a Dividend Reinvestment Plan effective from the FY22 interim dividend.

On 24 February 2022, the Insignia Financial Group announced that it has commenced a process to divest the business of Australian Executor Trustees (AET). The process has not sufficiently advanced for AET to be considered as held for sale under the accounting standards and no adjustments have been made to these financial statements.

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 2021 that has significantly affected, or may significantly affect:

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