Level 26
101 Miller Street
North Sydney NSW 2060 Australia
Tel 1300 655 422
helia.com.au

22 August 2023

Companies Announcements Office
Australian Securities Exchange
20 Bridge Street
Sydney NSW 2000

Helia Group Limited (ASX:HLI)
Appendix 4D (Half-year report)

In accordance with ASX Listing Rule 4.2A, we attach a copy of the Appendix 4D (Half-year report) for Helia Group Limited and its controlled entities for the period ended 30 June 2023.

The release of this announcement was authorised by the Board.

Yours faithfully

Brady Weissel
General Counsel and Company Secretary

For more information, analysts, investors and other interested parties should contact:

Investors:
Paul O'Sullivan
Head of Investor Relations
M: +61 499 088 640

Media:
Karen Bristow
Communications Specialist
M: +61 459 967 747

Helia Group Limited

ABN 72 154 890 730

Appendix 4D – Half year financial report

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Appendix 4D – Half year financial report

30 June 2023

Helia Group Limited and its controlled entities

Results for announcement to the market

For the half year ended 30 June	Up/Down	% change	2023 $'000	2022[2] $'000
Revenue from ordinary activities[1]	Up	276.7%	286,419	76,040
Profit/(loss) from ordinary activities after income tax attributable to equity holders of the company	Up	155.4%	147,468	57,749
Net profit/(loss) for the period attributable to ordinary equity holders of the company	Up	155.4%	147,468	57,479

1 Includes Insurance revenue and Investment revenue/(loss).

2 2022 balances have been restated to align with the presentation of the results under AASB 17 that is effective from 1 January 2023.

Dividends	Record date	Payment date	Amount per security (cents)	Franked amount per security (cents)
Interim dividend	6 September 2023	20 September 2023	14.0	14.0

All dividends are fully franked at a corporate tax rate of 30%.

There was no dividend re-investment plan available to shareholders during the period.

For the half year ended 30 June	2023 $	2022[1] $
Net tangible assets per security	3.49	3.12

1 2022 balances have been restated to align with the presentation under AASB 17 that is effective from 1 January 2023.

Additional Appendix 4D disclosure requirements can be found in the Helia Group Limited Half Year Financial Report for the period ending 30 June 2023 (Attachment A). The Half Year Financial Report should be read in conjunction with market or public announcements made by Helia Group Limited in accordance with the continuous disclosure requirements of the Corporations Act 2001 and ASX listing rules.

The independent auditors review report is included on page 40 of the Half Year Financial report.

ATTACHMENT A

Helia Group Limited and its controlled entities

Half Year Financial Report for the period ended 30 June 2023

Helia Group Limited and its Controlled Entities

ABN 72 154 890 730

FINANCIAL REPORT

FOR THE HALF YEAR ENDED 30 JUNE 2023

Contents

Directors' report

The Directors present their report together with the financial statements of Helia Group Limited (the Company) and its controlled entities (the Group) for the half year ended 30 June 2023 and the independent auditor's review report thereon. This consolidated half year financial report is the Group's first financial report since the adoption of AASB 17 *Insurance Contracts*.

Directors

The Directors of the Company at any time during or since the end of the half year ended 30 June 2023 are as follows:

Ian MacDonald (Chairman)
Pauline Blight-Johnston
Gai McGrath
Alistair Muir
Leona Murphy
Gerd Schenkel
Andrea Waters
Duncan West

Principal activity

The principal activity of the Company during the reporting period was the provision of lenders mortgage insurance (LMI) under authorisation from the Australian Prudential Regulation Authority (APRA). In Australia, LMI facilitates residential mortgage lending by transferring risk from lenders to LMI providers, predominantly for high loan to value ratio residential mortgage loans.

Review and results of operations

The Group reported a net profit after tax of $147.5 million for the half year to 30 June 2023 compared with the restated net profit after tax of $57.7 million for the half year to 30 June 2022. The largest driver of the increase in net profit after tax was the unrealised investment gains in 2023 compared to unrealised investment losses in the portfolio in 2022.

The insurance service result of $194.8 million (restated 30 June 2022: $142.4 million) has continued to benefit from a lower than normal level of incurred claims development during the period. Despite the reduction in premiums received in the half year to $107.3 million (restated 30 June 2022: $205.7 million), primarily as a result of the subdued market, the insurance revenue for the half year of $219.8 million is consistent with the prior comparative period (restated 30 June 2022: $ 216.2 million).

Regulatory capital

The Group's regulatory capital at 30 June 2023 was 1.96 times the Prescribed Capital Amount (PCA) on a level 2 basis and the Common Equity Tier 1 (CET1) ratio was 1.75 times. Regulatory capital is above the Board's target capital range of 1.4 to 1.6 times and reflects its strong capital position.

Corporate structure

The Company is a company limited by shares incorporated and domiciled in Australia, whose shares are publicly traded on the Australian Stock Exchange (ASX).

Share buy-back

On 26 June 2023, the Company completed the share buy-back announced on 24 February 2023. The total number of shares purchased in the period was 31.5 million for consideration of $100.0 million.

Market capitalisation

The market capitalisation of the Company at 30 June 2023 was $1,093.2 million based on the closing share price of $3.46.

Dividends

The Company paid an ordinary dividend per share of 14 cents amounting to $48,642,527 and a special dividend of 27 cents amounting to $93,810,588 to its shareholders on 24 March 2023.

On 22 August 2023, the Company declared a dividend of 14 cents per share amounting to $44,233,236, fully franked to be paid on 20 September 2023.

Environmental regulations

The Company's operations are not subject to any significant environmental regulations under either Commonwealth or State legislation.

Events subsequent to reporting date

On 22 August 2023, the Directors declared an interim dividend of 14 cents per ordinary share totalling $44,233,236 for the half year ended 30 June 2023.

On 22 August 2023, the Board approved its intention to commence an additional on-market share buy-back for shares up to a maximum of aggregate value of $100.0 million. The total number of shares to be purchased by Helia will depend on business and market conditions, the prevailing share price, market volumes and other considerations.

On 1 August 2023, a lease agreement was signed for premises at North Sydney. This agreement becomes effective from 1 August 2023, creating a right of use asset and a lease liability estimated at $8.7 million.

There are no other events that have arisen since 30 June 2023 to the date of this report that, in the opinion of the Directors, have significantly affected or may significantly affect the operations of the Company or the state of affairs of the Company in future years.

Likely developments

Further information about likely developments in the operations of the Company and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would likely result in unreasonable prejudice to the Company.

Rounding off

The Company is of a 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 statements and Directors' Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Lead auditor's independence declaration

The lead auditor's independence declaration is set out on page 6 and forms part of the Directors' report.

Signed in accordance with a resolution of the Directors:

Ian MacDonald

Chairman

Dated: 22 August 2023

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

To the Directors of Helia Group Limited

I declare that, to the best of my knowledge and belief, in relation to the review of Helia Group Limited for the half-year ended 30 June 2023 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

Julia Gunn
Partner
Sydney
22 August 2023

Consolidated financial statements

Contents

Consolidated statement of comprehensive income

For the half year ended 30 June 2023

	Note	30 June 2023 $'000	30 June 2022 Restated $'000
Insurance revenue	4.1	219,821	216,226
Insurance service expense	4.2	(5,014)	(42,319)
Net expenses from reinsurance contracts		(20,052)	(31,541)
Insurance service result		**194,755**	**142,366**
Investment revenue/(loss)	4.3	66,598	(140,187)
Investment expense		(1,316)	(2,009)
Net finance (expense)/income from insurance contracts	4.3	(28,849)	94,876
Net finance income from reinsurance contracts		269	278
Net financial result		**36,702**	**(47,042)**
Other operating expenses		(9,936)	(9,488)
Financing costs		(8,272)	(5,176)
Share of (loss) of equity-accounted investees, net of tax		(2,518)	-
Profit before income tax		**210,731**	**80,660**
Income tax expense		(63,263)	(22,911)
Profit for the period		**147,468**	**57,749**
Total comprehensive income for the period		**147,468**	**57,749**
Earnings per share			
Basic earnings per share (cents per share)	3.2	43.7	14.5
Diluted earnings per share (cents per share)	3.2	43.6	14.4

The consolidated statement of comprehensive income is to be read in conjunction with notes to the financial statements.

Consolidated statement of financial position

As at 30 June 2023

	Note	30 June 2023 $'000	31 December 2022 Restated $'000
Assets			
Cash		29,035	23,841
Accrued investment income		23,884	21,783
Financial assets	2.1	2,968,942	3,230,853
Derivative financial instruments	2.2	1,864	9,124
Trade and other receivables		8,251	2,144
Prepayments		6,060	4,716
Equity-accounted investees		24,932	27,449
Plant and equipment		2,908	3,195
Lease assets		235	1,133
Deferred tax assets		127,439	124,696
Intangibles		2,105	2,952
Goodwill		9,123	9,123
Total assets		3,204,778	3,461,009
Liabilities			
Derivative financial instruments	2.2	3,073	-
Trade payables and other liabilities		50,182	70,602
Lease liabilities		-	2,360
Insurance contract liabilities	4.4	1,832,254	1,975,608
Reinsurance contract liabilities	4.4	10,165	10,964
Employee benefits provision		7,643	7,058
Interest bearing financial liabilities	5.1	188,947	188,701
Total liabilities		2,092,264	2,255,293
Net assets		**1,112,514**	**1,205,716**
Equity			
Share capital	5.2	806,898	906,892
Share-based payment reserve		3,615	1,838
Other reserves		(476,559)	(476,559)
Retained earnings		778,560	773,545
Total equity		1,112,514	1,205,716

The consolidated statement of financial position is to be read in conjunction with notes to the financial statements.

Consolidated statement of changes in equity

For the half year ended 30 June 2023

	Share capital	Other reserves	Retained earnings	Share-based payment reserve	Total
	$'000	$'000	$'000	$'000	$'000
Balance at 1 January 2022, as previously reported	**1,087,762**	**(476,559)**	**945,320**	**806**	**1,557,329**
Adjustment on initial application of AASB 17, net of tax	-	-	(229,832)	-	(229,832)
Restated balance at 1 January 2022	**1,087,762**	**(476,559)**	**715,488**	**806**	**1,327,497**
Dividend declared and paid	-	-	(97,830)	-	(97,830)
Buy-back of shares, including transaction costs	(97,582)	-	-	-	(97,582)
Restated profit after taxation	-	-	57,749	-	57,749
Share-based payment expense recognised	-	-	-	892	892
Share-based payment settled	-	-	-	(174)	(174)
Restated Balance at 30 June 2022	**990,180**	**(476,559)**	**675,407**	**1,524**	**1,190,552**
Opening balance at 1 January 2023	**906,892**	**(476,559)**	**773,545**	**1,838**	**1,205,716**
Dividend declared and paid	-	-	(142,453)	-	(142,453)
Buy-back of shares, including transaction costs	(99,994)	-	-	-	(99,994)
Profit after taxation	-	-	147,468	-	147,468
Share-based payment expense recognised	-	-	-	2,927	2,927
Share-based payment settled	-	-	-	(1,150)	(1,150)
Balance at 30 June 2023	**806,898**	**(476,559)**	**778,560**	**3,615**	**1,112,514**

The consolidated statement of changes in equity is to be read in conjunction with notes to the financial statements.

Consolidated statement of cash flows

For the half year ended 30 June 2023

	30 June 2023	30 June 2022
		Restated
	$'000	$'000
Cash flows from operating activities		
Premiums received	107,310	205,658
Interest and other income	46,866	18,427
Claims paid	(13,279)	(14,601)
Interest paid	(8,062)	(7,198)
Outwards reinsurance premium expense paid	(20,582)	(37,111)
Cash payments in the course of operations	(68,279)	(91,651)
Income tax paid	(78,094)	(32,300)
Net cash (used in)/provided by operating activities	**(34,120)**	**41,224**
Cash flows from investing activities		
Payment for plant and equipment and intangibles	(80)	(568)
Payments for the purchase of investments	(711,675)	(922,745)
Payments for Investment in equity-accounted investees	-	(5,000)
Proceeds from sale of investments	994,826	1,026,457
Proceeds from sub-lease of property	1,041	920
Net cash generated by investing activities	**284,112**	**99,064**
Cash flows from financing activities		
Dividends paid	(142,453)	(97,830)
Payments for the on-market buy-back of shares	(99,994)	(97,582)
Payment of lease liabilities	(2,395)	(2,568)
Net cash used in financing activities	**(244,842)**	**(197,980)**
Net increase/(decrease) in cash held	**5,150**	**(57,692)**
Effects of exchange rate changes on balances of cash held in foreign currencies	44	15
Cash at the beginning of the financial year	**23,841**	**76,724**
Cash at the end of the financial period	**29,035**	**19,047**

The consolidated statement of cash flows is to be read in conjunction with notes to the financial statements.

Notes to the Financial Statements

1 Basis of preparation

1.1 Reporting entity

This general purpose consolidated financial report is for the half year ended 30 June 2023 and comprises the consolidated financial statements of Helia Group Limited (the Company) and its controlled entities (together referred to as the Group). The Company is a for-profit entity domiciled in Australia and its shares are publicly traded on the Australian Securities Exchange (ASX). The Group operates in one business and operating segment consisting of lenders mortgage insurance business in Australia, therefore no segment information is presented.

The financial statements were authorised for issue by the Board of Directors on 22 August 2023.

The consolidated half year financial report does not include all the information required for full annual financial reports and should be read in conjunction with the annual report for the year ended 31 December 2022 and any public announcements made during the half year reporting period in accordance with the continuous disclosure reporting requirements of the *Corporations Act 2001*.

This consolidated half year financial report is the Group's first financial report since adoption of AASB 17 *Insurance Contracts*. As required by AASB 17 comparative information has also been restated. Refer to Note 1.2c (i) for more details.

1.2 Significant accounting policies

(a) Statement of compliance

This consolidated financial report is a general-purpose half year financial report that has been prepared in accordance with the *Corporations Act 2001*, Australian Accounting Standard AASB 134 *Interim Financial Reporting* and all other applicable Australian Accounting Standards adopted by the Australian Accounting Standards Board (AASB) and the ASX listing rules.

Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Group.

(b) Basis of preparation of the financial report

The consolidated financial report is presented in Australian dollars.

The consolidated statement of financial position has been prepared using the liquidity format of presentation, in which the assets and liabilities are presented broadly in order of liquidity.

The consolidated financial statements have been prepared on the historical cost basis except for investments and derivatives being stated at fair value and insurance and reinsurance contracts being reported at present value. All values are rounded to the nearest thousand dollars, unless otherwise stated, in accordance with ASIC Corporations Instrument 2016/191.

Note 1.2 Significant accounting policies cont'd.

(c) Accounting policies adopted

The accounting policies adopted in the preparation of these financial statements have been applied consistently by the Group and are the same as those applied for the previous reporting period, unless otherwise stated.

(i) New and amended standards adopted by the Group

There are additional new accounting standards and interpretations, effective on or after 1 January 2023 (refer to the table below) which were adopted by the Group.

	New standards, amendments and interpretations	Operative date
AASB 17	Insurance Contracts	1 January 2023
AASB 9	Financial Instruments	1 January 2023
AASB 2021-2	Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates	1 January 2023
AASB 2021-5	Amendments to Australian Accounting Standards – Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
AASB 2021-6	Amendments to Australian Accounting Standards – Disclosure of Accounting Policies: Tier 2 and Other Accounting Standards	1 January 2023

Only the adoption of AASB 17 *Insurance Contracts*, had a material effect on the Group's financial statements. The nature and effects of the key changes to the Group's accounting policies resulting from its adoption of AASB 17 are summarised below:

- *Recognition, measurement and presentation of insurance contracts*

AASB 17, the new accounting standard for insurance contracts, was adopted by the Australian Accounting Standards Board in July 2020. The first applicable reporting period for the Group is the half year ending 30 June 2023, with the restated comparative period ending 30 June 2022 and 31 December 2022 as applicable. Refer to note 4 for accounting policy information.

- *Measurement*

AASB 17 introduces a new general measurement model for accounting of insurance contracts based on fulfilment cashflows (discounted future cash flows risk adjusted for non-financial risk) and contractual service margin (CSM).

- *Treatment of accounting estimates*

The Group has made an accounting policy choice to change the treatment of accounting estimates made in previous interim financial statements when applying AASB 17 *Insurance Contracts*, in subsequent interim financial statements and in the annual reporting period. This accounting policy will be applied to all groups of insurance contracts it issues and groups of reinsurance contracts it holds.

- *Presentation and disclosures*

AASB 17 introduces substantial changes to the presentation and disclosures of the financial statements. The disclosures are more extensive, granular and analytical of movements.

Note 1.2 (c) (i) New and amended standards adopted by the Group cont'd.

- *Transition*

The Group has used the modified retrospective approach for the measurement of the groups of contracts formed pre-transition. This was deemed appropriate on the basis that the cost and effort required in preparing historic estimates was prohibitive or where it was impracticable to apply the full retrospective approach, for example, where historic information was not readily available for those products, or where the liability for remaining coverage is not material.

For the main product:

  - The Group has modelled claims using historic valuations of claims liabilities, modified to reflect changes in the actuarial reserving approach brought in on 31 December 2020 in relation to the liability for re-delinquency of previously cured arrears as prior to that date re-delinquency data was not collected in the same manner as for the current year valuation.
  - Refunds and premium credits are modelled using historic information but drawing from the current data warehouse to take advantage of material improvements in data capture over time because current data allows for improved estimation precision and was not available to the same extent for all historic years.
  - The Group has used expenses cash flows known to have occurred between inception of the insurance contracts and the transition date as the historic attributable expense data is not required to be tracked at the level of granularity required under the new standard.
  - Risk adjustment has been measured based on historic and forecast volatility of the modelled cash flows because, as the transition risk adjustment measures historical non-financial risk using estimates that may not have existed at the time, applying historical estimates without hindsight is not practical.

For the remainder of the products, the Group has taken into account all available experience up to the transition date.

Note 1.2 (c) (i) New and amended standards adopted by the Group cont'd.

The effects of adopting AASB 17 on the consolidated financial statements as at 1 January 2022 are presented below:

Balance Sheet under AASB 1023 1 January 2022		Reversals	AASB 17 re-measurement	Balance Sheet under AASB 17 1 January 2022	
	$'000	$'000	$'000	$'000	
Assets					**Assets**
Other assets	3,745,718	-	-	3,745,718	Other assets
Trade and other receivables[3]	7,821	(3,754)	-	4,067	Trade and other receivables
Recoveries receivable[1]	21,604	(21,604)	-	-	
Deferred acquisition costs[1]	88,510	(88,510)	-	-	
Deferred reinsurance expense[2]	8,665	(8,665)	-	-	
Deferred tax assets	40,994	-	98,500	139,494	Deferred tax assets
Total Assets	**3,913,312**	**(122,533)**	**98,500**	**3,889,279**	**Total Assets**
Liabilities					**Liabilities**
Other liabilities	213,434	-	-	213,434	Other liabilities
Trade payables and other liabilities[4]	69,100	(3,239)	-	65,861	Trade payables and other liabilities
Outstanding claims[1]	480,256	(480,256)	437,196	437,196	Liability for incurred claims
Unearned premium[1]	1,571,834	(1,571,834)	1,830,322	1,830,322	Liability for remaining coverage
Reinsurance payable[2]	21,359	(21,359)	14,969	14,969	Reinsurance contract liabilities
Total liabilities	**2,355,983**	**(2,076,688)**	**2,282,487**	**2,561,782**	**Total liabilities**
Net assets	**1,557,329**	**1,954,155**	**(2,183,987)**	**1,327,497**	**Net assets**
Equity					**Equity**
Share capital	1,087,762	-		1,087,762	Share capital
Share based payment reserve	806	-		806	Share based payment reserve
Other Reserves	(476,559)	-		(476,559)	Other Reserves
Retained earnings	945,320	(229,832)		715,488	Retained earnings
Total equity	**1,557,329**	**(229,832)**		**1,327,497**	**Total equity**

1. Deferred acquisition costs, recoveries receivable, unearned premiums and outstanding claims are derecognised and are replaced by insurance contract liabilities, remeasured in accordance with AASB 17 requirements and methodologies.
2. Deferred reinsurance expense and reinsurance payable are derecognised and are replaced by reinsurance contract liabilities, remeasured in accordance with AASB 17 requirements and methodologies.
3. The reversals of trade and other receivables relate to monthly premium balances, now a part of insurance contract liabilities, remeasured in accordance with AASB 17 requirements and methodologies.
4. The reversals of trade and other payables relate to monthly premium balances and reinsurance liabilities, now a part of insurance contract liabilities and reinsurance contract liabilities, respectively, remeasured in accordance with AASB 17 requirements and methodologies.

Note 1.2 (c) (i) New and amended standards adopted by the Group cont'd.

The Group has also adopted AASB 9 *Financial Instruments* at the same time as AASB 17.

AASB 9 introduces changes to the classification and measurements of financial instruments, replaces the 'incurred losses' impairment model with a new 'expected loss' model when recognising expected credit losses on financial assets, and includes new general hedge accounting requirements.

Prior to the adoption of AASB 9, the Group's financial investments were designated at fair value through profit or loss on initial recognition and were subsequently remeasured to fair value at each reporting date, reflecting the business model applied by the Group to manage and evaluate its investment portfolio on a fair value basis. Under the Group's current business model, after the adoption of AASB 9, all investment portfolios continue to be measured and designated at fair value through profit or loss. Hence, there are no material changes to the carrying value of financial instruments upon the adoption of AASB 9.

(ii) New accounting standards and amendments issued but not yet effective

There are various new accounting standards, amendments and interpretations noted below which are effective after 30 June 2023 and have not been applied in preparing these consolidated financial statements. An initial assessment of the financial impact of these standards and amendments has been undertaken and they are not expected to have a material impact on the Group's financial statements.

	New standards, amendments and interpretations	Operative date
AASB 2020-1	Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current	1 January 2024
AASB 2022-5	Amendments to Australian Accounting Standards – Lease Liability in a Sale and Leaseback	1 January 2024
AASB 2023-1	Amendments to Australian Accounting Standards – Supplier Finance Arrangements	1 January 2024
AASB 2014-10 / AASB 2021-7c	Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2025

(d) Critical accounting estimates and judgements

The preparation of a financial report requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable in the circumstances, the results of which form the basis of making judgements about the carrying values of assets and liabilities that are not readily apparent from other sources.

These estimates and underlying assumptions are reviewed on an ongoing basis and actual results may vary from estimates. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgement made by management in the application of Australian Accounting Standards that have a significant effect on the financial report and estimates with a significant risk of material adjustment are discussed below and in note 4.8 Actuarial assumptions and methods.

The approach to key estimates and judgements for this reporting period is consistent with the requirements of AASB 17.

Note 1.2 (d) Critical accounting estimates and judgements cont'd.

To the extent estimation uncertainty exists, the Group has considered the forecasts of economic conditions which will reflect the expectations and assumptions as at 30 June 2023 about future events that the Directors believe are reasonable in the circumstances. There is a considerable degree of judgement involved in preparing these forecasts. The underlying assumptions are also subject to uncertainties which are often outside the control of the Group. Accordingly, actual economic conditions may be different from those forecasts since anticipated events may not occur as expected, and the effect of those differences may significantly impact accounting estimates included in these financial statements.

The significant accounting estimates particularly impacted by these associated uncertainties are predominantly related to the valuation of the liability for remaining coverage and liability for incurred claims, recoverable amount assessments of non-financial assets eg. goodwill and intangible assets and fair value measurement of investments.

The Group relies upon the policy data provided from our lender customers. In particular, we rely on lenders to advise us when a policy is cancelled or has made a top up, and when a policy is delinquent. Controls exist over this data, however there is the risk that we have not been provided with all the correct data. Judgements are applied in consideration of potential data issues.

Goodwill and intangible assets impairment

The assumptions underpinning the value-in-use calculations used to evaluate the recoverability of goodwill and intangible assets reflect the risks associated with the estimated cash flows. Whilst there is no impairment in relation to the cash-generating unit at 30 June 2023, there is a level of uncertainty around key assumptions. This has the potential to materially impact the value-in-use assessment moving forward and potentially the carrying value of the respective intangible assets and goodwill.

Fair value measurement of investments

The Group's investments are designated at fair value through profit or loss and for the majority of the investments, the fair value is determined based on observable market data. The investments which are subject to valuation using unobservable inputs are disclosed in the Group's fair value hierarchy. Refer to note 2.1 for further details on investments.

Deferred tax assets

The tax implications of the adoption of AASB 17 have not yet been legislated, however an exposure draft was released on 10 July 2023 outlining proposed income tax amendments with the purpose of aligning tax and accounting treatment (effective 1 January 2023). The release of the exposure draft was followed by a short consultation period, in which submissions outlined the wide scope for interpretation of the proposed amendments.

The Group has adopted transitional arrangements consistent with industry practice from 1 January 2022. As a result, the deferred tax asset has increased from $41.0 million to $139.5 million (an additional deferred tax asset of $98.5 million).There is an expectation that the legislation will be finalised in the second half of 2023, during which time the Group will review the approach.

2 Investments

2.1 Financial assets

Under AASB 9, on initial recognition, financial assets need to be classified into one of the three measurement categories:

(a) amortised cost;
(b) fair value through other comprehensive income (FVOCI); or
(c) fair value through profit or loss (FVTPL).

This classification depends on the following elements:

- Contractual cash flow characteristics test (at instrument level); and
- Business model assessment in which investment assets are managed.

Assets backing insurance contract liabilities - FVTPL

AASB 9 requires investment assets to be measured at FVTPL if they are not held within either a business model whose objective is to hold assets to collect contractual cash flows or within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

This applies to Helia's business model where the investment assets are all managed on a fair value basis. The investment portfolios are managed with the objective of realising cash flows through the sale of the assets. Decisions are made based on the assets' fair values and the assets are managed to realise those fair values, resulting in active buying and selling.

Equity securities and unit trusts - FVTPL

Equity securities are not held for trading, and the Group has made the irrevocable election to account for them at FVTPL in line with the current treatment, rather than FVOCI.

Fair value hierarchy

The Group's investments carried at fair value have been classified under the three levels of the AASB 13 fair value hierarchy as follows:

- Level 1 - Fair value investments which are quoted in active and known markets. The quoted prices are those at which transactions have regularly and recently taken place within such markets.
- Level 2 - Fair value investments using inputs other than quoted prices within Level 1 that are observable either directly or indirectly. Australian government and state-government bonds, and corporate bonds and others, are all valued based on the quoted prices provided from external data provider. The unlisted units are valued based on the Group's share of the net asset value of the unlisted trusts, as advised by the external investment manager, using valuation techniques where significant inputs are based on observable market data.
- Level 3 - Fair value investments using valuation techniques that include inputs that are not based on observable market data. The unlisted units are valued based on the Group's share of the net asset value of the unlisted trusts, as advised by the external investment manager, using valuation techniques where significant inputs are based on unobservable market data. The unlisted equities are valued based on the most recent capital raising price of the investment.

Note 2.1 Financial assets cont'd.

30 June 2023	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets mandatorily measured at FVTPL				
Short-term deposits	57,897	-	-	57,897
Australian government and state-government bonds	-	804,388	-	804,388
Corporate bonds and others	-	1,696,001	-	1,696,001
Financial assets elected measurement at FVTPL				
Unlisted unit trusts – equities	-	207,520	-	207,520
Unlisted unit trusts – infrastructure	-	-	195,362	195,362
Unlisted unit trusts – other	-	-	100	100
Unlisted equities	-	-	7,674	7,674
Total	57,897	2,707,909	203,136	2,968,942

31 December 2022	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets mandatorily measured at FVTPL				
Short-term deposits	135,235	-	-	135,235
Australian government and state-government bonds	-	912,169	-	912,169
Corporate bonds and others	-	1,783,953	-	1,783,953
Financial assets elected measurement at FVTPL				
Unlisted unit trusts – equities	-	200,449	-	200,449
Unlisted unit trusts – infrastructure	-	-	191,373	191,373
Unlisted equities	-	-	7,674	7,674
Total	135,235	2,896,571	199,047	3,230,853

The reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy is set out in the table below:

	Balance at 1 January 2023	Purchases	Disposals	Movement in fair value	Balance at 30 June 2023
	$'000	$'000	$'000	$'000	$'000
Financial assets					
Unlisted unit trusts – infrastructure	191,373	-	-	3,989	195,362
Unlisted unit trusts – other	-	100	-	-	100
Unlisted equities	7,674	-	-	-	7,674
Total	199,047	100	-	3,989	203,136

2.2 Derivative financial instruments

The Group uses forward foreign exchange contracts to hedge currency exposures arising from interest bearing securities denominated in currencies other than Australian dollars, with both the foreign exchange and derivatives impact reported through profit or loss.

The Group may use bond futures and credit default swaps to alter the risk profile of the investment portfolio. Any impact from the derivatives is reported through profit or loss.

Derivatives are used to manage risk exposure and to alter the risk profile of the investment portfolio. Derivatives are used only for approved purposes and are subject to Board-approved risk appetites and delegated authority levels provided to management. The level of derivative exposure is reviewed on an ongoing basis. Appropriate segregation of duties exists with respect to derivative use, and compliance with policy, limits and other requirements is closely monitored.

Derivatives are initially recognised at trade date at fair value and attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value through profit or loss. For futures traded in an active market, the fair value is determined by reference to quoted market prices. For other derivatives the fair values are determined using observable inputs (level 2 in the fair value hierarchy).

The notional amount and fair value of derivative financial instruments at balance date is set out in the table below:

	30 June 2023			31 December 2022		
	Exposure $'000	Fair value asset $'000	Fair value liability $'000	Exposure $'000	Fair value asset $'000	Fair value liability $'000
Forward foreign exchange contracts	330,095	1,864	3,073	324,465	9,124	-

All derivative contracts are expected to be settled within 12 months.

The Group may also have exposure to derivatives through investments in unit trusts. Those derivative exposures are not included in the table above.

2.3 Offsetting financial assets and liabilities

The Group has $2.5 million (31 December 2022: nil) bond futures receivable from and payable to a single counterparty which are fully set off in the balance sheet within trade payables and other liabilities in accordance with Australian Accounting Standards, on the basis that the Group intends to settle these on a net basis and has a legally enforceable right to do so.

	30 June 2023			31 December 2022		
	Notional $'000	Fair value asset $'000	Fair value liability $'000	Notional $'000	Fair value asset $'000	Fair value liability $'000
Short Government bond futures	39,900	315	-	-	-	-
Long Government bond futures	481,100	-	2,831	-	-	-

3 Results for the period

3.1 Dividends

A provision for dividends is made in respect of ordinary shares when dividends have been declared on or before the reporting date but have not yet been distributed at that date.

	30 June 2023		30 June 2022	
	Cents per share	$'000	Cents per share	$'000
2022 (2021) final dividend paid on 24 March 2023 (25 March 2022) fully franked	14.0	48,642	12.0	48,915
2022 (2021) special dividend paid on 24 March 2023 (25 March 2022) fully franked	27.0	93,811	12.0	48,915
	41.0	142,453	24.0	97,830

Dividends not recognised at reporting date

In addition to the above dividends, the Board determined to pay the following dividend after the reporting date but before the finalisation of this financial report and therefore it has not been recognised in this financial report.

	30 June 2023		30 June 2022	
	Cents per share	$'000	Cents per share	$'000
2023 (2022) Interim dividend to be paid on 20 September 2023 (31 August 2022) fully franked	14.0	44,233	12.0	45,293

3.2 Earnings per share

Basic earnings per share is calculated by dividing the profit after tax by the weighted average number of shares on issue during the reporting period.

Diluted earnings per share is calculated by dividing the profit after tax adjusted for any costs associated with dilutive potential ordinary shares by the weighted average number of ordinary shares and dilutive potential ordinary shares.

	30 June 2023	30 June 2022 Restated
Basic earnings per share (cents per share)	43.7	14.5
Diluted earnings per share (cents per share)	43.6	14.4

(a) Reconciliation of earnings used in calculating earnings per share

	30 June 2023 $'000	30 June 2022 Restated $'000
Net profit used in calculating basic and diluted earnings per share	147,468	57,749

(b) Reconciliation of weighted average number of ordinary shares used in calculating earnings per share

	30 June 2023 '000	30 June 2022 '000
Weighted average number of shares used in the calculation of basic earnings per share	337,693	399,625
Weighted average number of dilutive potential ordinary shares		
Bonus element of shares	491	296
Weighted average number of shares used in the calculation of diluted earnings per share	338,184	399,921

4 Insurance contracts

AASB 17 introduces a methodology that measures groups of insurance contracts based on the Group's estimates of the present value of future cash flows that are expected to arise as the Group fulfils the contracts, an explicit risk adjustment for non-financial risk and a contractual service margin (CSM).

Under AASB 17, insurance revenue in each reporting period represents the changes in the liabilities for remaining coverage that relate to services provided by the Group during the period.

For the Group's direct insurance business, the insurance contract is at the borrower level (as opposed to the lender policyholder) as the Group has the ability to accept or reject policy applications. For the Group's inwards reinsurance business, the insurance contract is at the lender policyholder level. The Group is including direct contracts issued and inward reinsurance contracts issued in different groups.

- *Level of aggregation*

The Group's single portfolio of insurance contracts is disaggregated by underwriting years and in some instances by state, with a further breakdown for contracts considered onerous (unprofitable).

- *Fulfilment cash flows*

All future fulfilment cash flows relating to in-force insurance contracts are estimated and recognised within the liability for incurred claims and the liability for remaining coverage.

- *CSM*

For each group of insurance contracts, a component of the expected future profit, CSM, is included within the liability for remaining coverage. The CSM is released to insurance revenue over the coverage period as the insurance service is provided by the Group. The provision of insurance service (coverage units), which underpins the recognition of the CSM, is based on several factors including the expected insurance in force and estimated average claim severity. This is estimated by adjusting the outstanding loan balance for in-force policies by claim severity factors, informed by past experience. These assumptions will be reviewed on a regular basis. CSM is discounted using the discount factors prevailing at the time the group of contracts is incepted.

- *Risk adjustment*

The insurance liability also includes a risk adjustment for non-financial risk under AASB 17 to reflect the compensation that the entity requires for bearing uncertainty about the amount and timing of the cash flows. The risk adjustment is determined using a confidence level approach.

- *Discounting*

The fulfilment cash flows within the insurance contract liability are discounted using discount rates that are based on market rates at the valuation date. The Group recognises the insurance finance expense (effect of unwinding the discounting impact and the changes in discount rates) fully in profit or loss, as opposed to disaggregating it between profit or loss and other comprehensive income. This ensures the most effective matching with the investment portfolio which is measured at fair value through profit or loss in accordance with AASB 9.

4.1 Insurance revenue

	30 June 2023 $'000	30 June 2022 $'000
Amounts relating to changes in liabilities for remaining coverage:		
Expected insurance service expenses incurred in the period	76,014	84,401
Risk adjustment recognised in revenue for non-financial risk	23,928	25,258
Premium experience variations	13,516	(4,453)
Amount of CSM recognised in profit or loss	73,080	77,681
Allocation of the portion of premiums that relate to the recovery of insurance acquisition cash flows	33,283	33,339
Total insurance revenue	**219,821**	**216,226**

4.2 Insurance service expense

	30 June 2023 $'000	30 June 2022 $'000
Incurred claims from current period	44,709	38,013
Changes to liabilities for incurred claims from prior periods	(85,581)	(45,995)
Insurance expenses	22,170	20,760
Amortisation of insurance acquisition cash flows	33,283	33,339
Losses on onerous contracts and reversals of those losses	(9,567)	(3,798)
Insurance service expense	**5,014**	**42,319**

4.3 Net financial result

Investment revenue/(loss)

	30 June 2023 $'000	30 June 2022 $'000
Interest revenue	44,686	20,011
Dividend/distribution revenue	5,543	4,914
Unrealised gains/(losses) (including derivatives) measured at FVTPL	25,890	(141,215)
Realised gains/(losses) (including derivatives) measured at FVTPL	(9,521)	(23,897)
Total investment revenue/(loss)	**66,598**	**(140,187)**

Net finance (expense)/income from insurance contracts

	30 June 2023 $'000	30 June 2022 $'000
Interest accreted to insurance contracts using current financial assumptions	(23,057)	(357)
Interest accreted to insurance contracts using locked-in rate	(5,482)	(6,211)
Impact of changes in interest rates and other financial assumptions	(310)	101,444
Total insurance finance (expense)/income from insurance contracts	**(28,849)**	**94,876**

4.4 Insurance and reinsurance contracts

	30 June 2023 $'000	31 December 2022 $'000
Insurance contract liabilities:		
- Liability for remaining coverage (LRC)		
• PV future cashflows	675,319	755,273
• Risk adjustment	170,720	178,358
• CSM	657,383	665,897
Sub-total	**1,503,422**	**1,599,528**
- Liability for incurred claims (LIC)		
• PV future cashflows	288,031	330,636
• Risk adjustment	48,801	56,036
Sub-total	**336,832**	**386,672**
Total of LRC and LIC	**1,840,254**	**1,986,200**
- Assets for insurance acquisition cash flows	(8,000)	(10,592)
	1,832,254	**1,975,608**
Reinsurance contract liabilities:		
- Liability for remaining coverage (LRC)	**10,165**	**10,964**

4.5 Movements in insurance and reinsurance contract balances

The following reconciliations show how the net carrying amounts of insurance contracts changed during the period as a result of cash flows and amounts recognised in the statement of comprehensive income.

The Group presents a table that separately analyses movements in the liabilities for remaining coverage and movements in the liabilities for incurred claims and reconciles these movements to the line items in the statement of comprehensive income.

A second reconciliation analyses changes in the estimates of the present value of future cash flows, the risk adjustment for non-financial risk and the CSM.

4.5.1 (a) Analysis by remaining coverage and incurred claims (insurance contracts)

	Note	30 June 2023			
		Liability for remaining coverage			
		Excluding loss component	Loss Component	Liability for Incurred claims	Total
		$'000	$'000	$'000	$'000
Opening balance at 1 January 2023		**1,570,266**	**29,262**	**386,672**	**1,986,200**
Changes in the statement of comprehensive income					
Insurance revenue	**4.1**	**(219,821)**	**-**	**-**	**(219,821)**
Insurance service expenses	**4.2**				
– Incurred claims from current period		-	-	44,709	44,709
– Changes to liability for incurred claims from prior periods		-	-	(85,581)	(85,581)
– Insurance expenses		-	-	22,170	22,170
– Amortisation of insurance acquisition cash flows		33,283	-	-	33,283
– Losses on onerous contracts and reversals of those losses		-	(9,567)	-	(9,567)
Insurance service result		**(186,538)**	**(9,567)**	**(18,702)**	**(214,807)**
Net finance expense from insurance contracts	4.3	24,007	791	4,051	28,849
Total changes in statement of comprehensive income		**(162,531)**	**(8,775)**	**(14,651)**	**(185,958)**
Insurance cash flows (net of GST)					
Premiums received		116,537	-	-	116,537
Net premium credits		(17,159)	-	-	(17,159)
Refunds		(1,823)	-	-	(1,823)
Claims paid		-	-	(13,019)	(13,019)
Insurance expenses (non-acquisition)		-	-	(22,170)	(22,170)
Insurance acquisition expenses		(22,354)	-	-	(22,354)
Total insurance cash flows		**75,201**	**-**	**(35,189)**	**40,012**
Closing balance at 30 June 2023		**1,482,936**	**20,486**	**336,832**	**1,840,254**

Note 4.5 Movements in insurance and reinsurance contract balances cont'd.

Note 4.5.1 (b) Analysis by remaining coverage and incurred claims (insurance contracts)

	Note	30 June 2022			
		Liability for remaining coverage			
		Excluding loss component	Loss Component	Liability for Incurred claims	Total
		$'000	$'000	$'000	$'000
Opening balance at 1 January 2022		**1,798,586**	**31,736**	**437,196**	**2,267,518**
Changes in the statement of comprehensive income					
Insurance revenue	**4.1**	**(216,226)**	**-**	**-**	**(216,226)**
Insurance service expenses	**4.2**				
– Incurred claims from current period		-	-	38,013	38,013
– Changes to liability for incurred claims from prior periods		-	-	(45,995)	(45,995)
– Insurance expenses		-	-	20,760	20,760
– Amortisation of insurance acquisition cash flows		33,339	-	-	33,339
– Losses on onerous contracts and reversals of those losses		-	(3,798)	-	(3,798)
Insurance service result		**(182,887)**	**(3,798)**	**12,778**	**(173,907)**
Net finance income from insurance contracts	4.3	(80,172)	912	(15,616)	(94,876)
Total changes in statement of comprehensive income		**(263,059)**	**(2,886)**	**(2,838)**	**(268,783)**
Insurance cash flows (net of GST)					
Premiums received		237,427	-	-	237,427
Net premium credits		(39,774)	-	-	(39,774)
Refunds		(10,691)	-	-	(10,691)
Claims paid		-	-	(14,315)	(14,315)
Insurance expenses (non-acquisition)		-	-	(20,760)	(20,760)
Insurance acquisition expenses		(30,507)	-	-	(30,507)
Total insurance cash flows		**156,455**	**0**	**(35,075)**	**121,380**
Closing balance at 30 June 2022		**1,691,982**	**28,850**	**399,283**	**2,120,115**

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Note 4.5 Movements in insurance and reinsurance contract balances cont'd.

4.5.2. (a) Analysis by remaining coverage and incurred claims (reinsurance contracts)

	30 June 2023			
	Liability for remaining coverage			
	Excluding loss recovery component	Loss Recovery Component	Liability for Incurred claims	Total
	$'000	$'000	$'000	$'000
Opening balance at 1 January 2023	**10,964**	**-**	**-**	**10,964**
Changes in the statement of comprehensive income				
Allocation of reinsurance premiums paid	20,052	-	-	20,052
Net finance income from reinsurance contracts	(269)	-	-	(269)
Total changes in statement of comprehensive income	**19,783**	**-**	**-**	**19,783**
Insurance cash flows (net of GST)				
Reinsurance premiums paid	(20,582)	-	-	(20,582)
Closing balance at 30 June 2023	**10,165**	**-**	**-**	**10,165**

4.5.2. (b) Analysis by remaining coverage and incurred claims (reinsurance contracts)

	30 June 2022			
	Liability for remaining coverage			
	Excluding loss recovery component	Loss Recovery Component	Liability for Incurred claims	Total
	$'000	$'000	$'000	$'000
Opening balance at 1 January 2022	**14,969**	**-**	**-**	**14,969**
Changes in the statement of comprehensive income				
Allocation of reinsurance premiums paid	31,541	-	-	31,541
Net finance income from reinsurance contracts	(278)	-	-	(278)
Total changes in statement of comprehensive income	**31,263**	**-**	**-**	**31,263**
Insurance cash flows (net of GST)				
Reinsurance premiums paid	(37,111)	-	-	(37,111)
Closing balance at 30 June 2022	**9,121**	**-**	**-**	**9,121**

Note 4.5 Movements in insurance and reinsurance contract balances cont'd.

4.5.3. (a) Analysis by measurement component

	Note	30 June 2023			
		Estimates for present value of future cash flows	Risk adjustment for non- financial risk	Contractual Service Margin (CSM)	Total
		$'000	$'000	$'000	$'000
Opening balance at 1 January 2023		**1,085,909**	**234,394**	**665,897**	**1,986,200**
Changes in the statement of comprehensive income					
Changes that relate to current services:					
– CSM recognised for services provided		-	-	(73,080)	(73,080)
– Change in risk adjustment for risk expired		-	(20,253)	-	(20,253)
– Experience variations		(38,323)	-	-	(38,323)
Changes that relate to future services:					
– Contracts initially recognised in the period		(35,346)	11,777	23,569	-
– Changes in estimates that adjust the CSM		(39,262)	3,747	35,515	-
– Changes in estimates that result in losses and reversal of onerous contracts		2,343	87	-	2,430
Changes that relate to past services:					
– Adjustments to liability for incurred claims		(71,294)	(14,287)	-	(85,581)
Insurance service result		**(181,882)**	**(18,929)**	**(13,996)**	**(214,807)**
Net finance expense from insurance contracts	4.3	19,311	4,056	5,482	28,849
Total change in statement of comprehensive income		**(162,571)**	**(14,873)**	**(8,514)**	**(185,958)**
Cash flows	4.5.1(a)	40,012	-	-	40,012
Closing balance at 30 June 2023		**963,350**	**219,521**	**657,383**	**1,840,254**

Note 4.5 Movements in insurance and reinsurance contract balances cont'd.

Note 4.5.3 (b)Analysis by measurement component

	Note	30 June 2022			
		Estimates for present value of future cash flows	Risk adjustment for non- financial risk	Contractual Service Margin (CSM)	Total
		$'000	$'000	$'000	$'000
Opening balance at 1 January 2022		**1,225,599**	**258,666**	**783,253**	**2,267,518**
Changes in the statement of comprehensive income					
Changes that relate to current services:					
– CSM recognised for services provided		-	-	(77,681)	(77,681)
– Change in risk adjustment for risk expired		-	(21,667)	-	(21,667)
– Experience variations		(33,473)	-	-	(33,473)
Changes that relate to future services:					
– Contracts initially recognised in the period		(84,218)	24,394	59,824	-
– Changes in estimates that adjust the CSM		62,992	21,062	(84,054)	-
– Changes in estimates that result in losses and reversal of onerous contracts		3,789	1,120	-	4,909
Changes that relate to past services:					
– Adjustments to liability for incurred claims		(37,245)	(8,750)	-	(45,995)
Insurance service result		**(88,155)**	**16,159**	**(101,911)**	**(173,907)**
Net finance income from insurance contracts	4.3	(80,513)	(20,574)	6,211	(94,876)
Total change in statement of comprehensive income		**(168,668)**	**(4,415)**	**(95,700)**	**(268,783)**
Cash flows	4.5.1(b)	121,380	-	-	121,380
Closing balance at 30 June 2022		**1,178,311**	**254,251**	**687,553**	**2,120,115**

4.5.4. (a) Analysis by measurement component (reinsurance contracts)

	Note	30 June 2023			
		Estimates for present value of future cash flows	Risk adjustment for non-financial risk	Contractual Service Margin (CSM)	Total
		$'000	$'000	$'000	$'000
Opening balance at 1 January 2023		**10,964**	**-**	**-**	**10,964**
Changes in the statement of comprehensive income					
Changes that relate to current services:					
CSM recognised for services received		-	-	20,052	20,052
Changes that relate to future services:					
Contracts initially recognised in the period		50,262	-	(50,262)	-
Insurance service result		**50,262**	**-**	**(30,210)**	**20,052**
Net finance expense from reinsurance contracts		595	-	(864)	(269)
Total change in statement of comprehensive income		**50,857**	**-**	**(31,074)**	**19,783**
Cash flows	4.5.2(a)	(20,582)	-	-	(20,582)
Closing balance at 30 June 2023		**41,239**	**-**	**(31,074)**	**10,165**

4.5.4 (b) Analysis by measurement component (reinsurance contracts)

	Note	30 June 2022			
		Estimates for present value of future cash flows	Risk adjustment for non-financial risk	Contractual Service Margin (CSM)	Total
		$'000	$'000	$'000	$'000
Opening balance at 1 January 2022		**23,153**	**-**	**(8,184)**	**14,969**
Changes in the statement of comprehensive income					
Changes that relate to current services:					
CSM recognised for services received		-	-	31,541	31,541
Changes that relate to future services:					
Contracts initially recognised in the period		51,917	-	(51,917)	-
Insurance service result		**51,917**	**-**	**(20,376)**	**31,541**
Net finance expense from reinsurance contracts		(137)	-	(141)	(278)
Total change in statement of comprehensive income		**51,780**	**-**	**(20,517)**	**31,263**
Cash flows	4.5.2(b)	(37,111)	-	-	(37,111)
Closing balance at 30 June 2022		**37,822**	**-**	**(28,701)**	**9,121**

4.6 Effects of insurance contracts initially recognised in the period

	30 June 2023 $'000	30 June 2022 $'000
Claims and other insurance service expenses payable	(58,254)	(124,470)
Insurance acquisition cash flows	(22,223)	(30,596)
Estimates of present value cash outflows	**(80,477)**	**(155,066)**
Estimates of present value cash inflows	115,823	239,284
Risk adjustment for non-financial risk	(11,777)	(24,394)
CSM	(23,569)	(59,824)
Losses recognised on initial recognition	-	-

4.7 Contractual service margin (CSM)

The following table sets out when the Group expects to recognise the remaining CSM of insurance contracts in profit or loss after the reporting date.

	30 June 2023 $'000	31 December 2022 $'000
Less than one year	136,524	137,967
One to two years	120,503	121,329
Two to three years	101,568	102,733
Three to four years	82,011	83,173
Four to five years	64,033	64,973
More than five years	152,744	155,722
Total	657,383	665,897

4.8 Actuarial assumptions and methods

The Group makes judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The areas where critical accounting estimates and judgements are applied are noted below.

(a) Liability for incurred claims (LIC)

A liability for incurred claims is recognised for the estimated claim cost of delinquencies at the reporting date, including the cost of delinquencies incurred but not yet reported to the Group. The estimated liability includes expenses to be incurred in settling claims gross of expected third party recoveries and is calculated net of any recoveries from lenders, borrowers and property valuers.

The Group takes all reasonable steps to ensure that it has appropriate information regarding its claims exposure. However, given the uncertainty in establishing a liability for incurred claims, it is likely that the final outcome will prove to be different from the original liability established.

Note 4.8 Actuarial assumptions and methods (a) LIC cont'd.

Actuarial valuation approach

The Group internally values the liability for incurred claims at the reporting date. The valuation approach is consistent with that recommended by the Appointed Actuary.

The valuation methods used are based on the underlying attributes of the delinquency portfolio. The Group establishes provisions for LIC for the following components:

- Delinquent policies advised to the Group by some lenders as being greater than 1 month delinquent at the valuation date;
- Policies in force at the balance date which were previously reported by lenders as being greater than 1 month delinquent, but are not reported as such at 30 June 2023 (re-delinquency reserve); and
- Incurred but not reported (IBNR), being the liability for future claims from policies which are 1 month delinquent and are not currently reported by lenders as being such. This arises mainly, from Helia allowing lenders a 1-month reporting lag together with a small number of late reports from lenders.

For all components apart from IBNR the estimate is calculated as a "statistical case estimate" based on past delinquency progression to claim given the reported characteristics of the loan, security, and delinquency, including months in arrears, reported loan and arrears amount, estimated value of the property held as security and geographic area. This estimate is augmented by higher-level adjustments relating to future expected economic trends and the operational environment, which are used to adjust the statistical estimates for expected future conditions.

Re-delinquency

The propensity for previously reported delinquencies to re-report depends on many explanatory factors (incorporated in the Appointed Actuary's statistical case estimates) including the time since the previous delinquency episode completed (cured). A previously delinquent policy is more likely to become delinquent again than a policy that has never been delinquent. Typically, the frequency varies by LVR (loan to value ratio) band, the number of payments in arrears, and time since cure. Unlike the other components of the LIC, it is more long-term in nature and therefore more sensitive to economic uncertainties.

Liability for incurred claims not yet reported

The liability for incurred claims not yet reported is estimated by analysing the historical pattern of reported delinquencies for policies reported by lenders as being between 1 month (or equivalent) and 3 months delinquent. Analysis is conducted based on the date a policy is estimated to have first become 1 month (or equivalent) in arrears. Past history is accumulated by month of first missed payment and developed to ultimate expected reported number. Frequency and severity factors are applied to expected future reported delinquencies.

Claims handling expenses

Claims handling expenses are estimated after considering historical actual expenses and management's projected costs of handling claims over the expected period of run-off of the LIC losses.

(b) Liability for remaining coverage (LRC)

A liability for remaining coverage is recognised for the estimated cost of provision of insurance service for policies which remain in-force at the balance date. These comprise policies which are in-force but have not been previously reported as 1 month or more delinquent by lenders, or which are not estimated as being 1 month or more delinquent at the balance date (IBNR). The estimated liability includes future claims, expenses, refunds and premium credits associated with top-up of existing policies.

Note 4.8 Actuarial assumptions and methods (b) LRC cont'd.

Claims

Claims arising from future coverage relate to future claims from policies that have never previously been reported by lenders as 1 month (or equivalent) delinquent. Liability for remaining coverage is calculated net of any recoveries from lenders, borrowers and property valuers.

The Group internally values the liability for remaining coverage at the reporting date. The valuation approach is consistent with that recommended by the Appointed Actuary, and includes an estimation of future expected claim incidence.

The Group takes all reasonable steps to ensure that it has appropriate information regarding its policy exposure. However, it is dependent on data provided by our lender customers.

Given the uncertainty in future policy exposure, delinquency and claim progression, it is likely that the final outcome will prove to be different from the original liability established. In addition, as these policies can remain in force for many years, the liability for remaining coverage is long-term and particularly uncertain. It is sensitive to future economic progression, in particular to employment trends, interest rates and house prices, but also to wage progression and inflation in household consumption.

Expenses

The liability for remaining coverage includes allowances for expenses directly attributable to providing the insurance service over the period of coverage associated with each group of insurance contracts. These expenses include:

- Policy administration expense (PAE): costs associated with administering or operating the policy over the remaining coverage period, including direct and indirect costs, the latter, including a component for central overhead and system expenses.
- Ongoing Maintenance Expense (OME): Expenses which are directly attributable to providing the insurance service, principally relating to the operational costs of centralised functions of the business.
- Claims handling expense (CHE): costs associated with managing current or future delinquent policies, settling claims and loss recoveries, including both direct and indirect costs, including a component for central overhead and system expenses.

Other costs including acquisition costs are not included in the liability.

Helia allocates expenses to these categories and further to individual groups of insurance contracts, as required by the standard, according to an annual expense study. These allocations require some judgment to be applied, particularly for centralised overhead expenses, in relation to the category of expense and its allocation to groups of insurance contracts.

Refunds

Refunds are provided where the contractual arrangements for lender policyholders provides for refunds (typically for cancellations within two years of origination), and for other refunds agreed with policyholders in special circumstances – for example, where a policy is taken out in error. The liability for remaining coverage for future policy refunds is estimated by reference to past rates of policy refund by lender policyholder.

Premium Credits

When a loan is topped up, the policy is subject to re-underwriting and pricing is based on the new characteristics of the loan. An additional premium is charged, being the difference between the premium on the amended policy and any premium previously collected, subject to a minimum amount. In essence, the policyholder receives a credit for any premium previously paid.

Note 4.8 Actuarial assumptions and methods (b) LRC cont'd.

Helia includes in the LRC a provision for the premium credits expected to be incurred in relation to future top ups.

The Appointed Actuary calculates this provision by estimating the future incidence of topped-up policies and the present value of the premium credits provided.

The incidence of top-ups varies according to market conditions and rates of loan re-finance, and the liability established is therefore uncertain.

The liability for remaining coverage for premium credits recognises the internal transfer from one group of insurance contracts to a newer group of insurance contracts. Cash flows associated with the policy are de-recognised from the original group of contracts. The premium credit (plus the additional premium) is then treated as new business in the year the top up occurs and this amount will be recognised in the new contract group as the insurance services are provided for that contract group.

(c) Risk adjustment

A risk adjustment is added to the central estimate of the fulfilment cash flows relating to the insurance services for each group of insurance contracts. The risk adjustment for insurance contracts is to cover the uncertainty relating to the timing and amount of the cashflows that arises from non-financial risk in fulfilling insurance contracts.

Helia uses confidence level techniques to estimate the underlying distribution of outcomes for the relevant cash flows and to derive a risk adjustment, which is consistent with approach used to establish APRA risk margins for our regulatory returns. The risk adjustment is estimated based on the advice of the Appointed Actuary and adopted by the Group, considering the uncertainty in the Group insurance cash flows, industry trends and the Group's risk appetite and the confidence level corresponding with that appetite.

The Appointed Actuary reviews the factors impacting the portfolio to establish a recommended risk adjustment at the confidence level required by the Group. Factors considered include:

- Variability of claims and other experience of the portfolio;
- Quality of historical data;
- Uncertainty due to future economic conditions;
- Diversification within the portfolio and between liability types; and
- Any change in uncertainty due to the external environment, e.g. future legislative changes.

The risk adjustment differs by type of cash flow but overall for LIC is 17% (2022: 17%) of net central estimate and for LRC is 25% (2022: 23%) and is estimated to provide a confidence level of approximately 76% probability of adequacy.

(d) Discounting

Liabilities are calculated after adjusting future cash flows for the time value of money and the liquidity characteristics related to the underlying insurance contracts. The discount rates adopted reflect the characteristics in terms of timing, liquidity, and currency of the insurance and reinsurance contracts. Discount rates are consistent with observable market prices for financial instruments with cash flows whose characteristics are consistent with those of the insurance contracts. The CSM is discounted using the discount factors prevailing at the time the group of contracts incepted.

Note 4.8 Actuarial assumptions and methods, (d) Discounting cont'd.

Helia adopts the "bottom up" approach to determine discount rates to be applied. Discount rates are forward rates consistent with those underlying the market price of Commonwealth Government Securities at the balance date, adjusted for the liquidity characteristics of the lenders mortgage insurance product by the addition of an illiquidity premium. This is calculated by reference to the average historic differential between spread to swap and the spread to Commonwealth Government Securities for non-financial corporate A-rated bonds.

The table below sets out the rates used to discount cash flows of insurance contracts:

Discount rate at tenor (p.a.)	30 June 2023	31 December 2022
Six months	4.9%	3.4%
One year	4.9%	3.5%
Three years	4.6%	3.7%
Five years	4.5%	4.0%
Ten years	4.6%	4.3%
Fifteen years	4.8%	4.5%

These rates include an illiquidity premium of 55 basis points (31 December 2022: 20 basis points).

(e) Significant assumptions requiring judgement

The valuation of future claims liabilities for both past and future insurance services incorporate a range of factors that involve interactions with economic indicators, statistical modelling and observed historical claims development. Certain variables are expected to impact these liabilities more than others and consequently a greater degree of sensitivity to these variables is expected. Future economic conditions and, in particular, house prices, interest rates and unemployment impact delinquency and re-delinquency rates, claim frequency and, to a lesser extent, severity.

Liabilities for expenses and refunds are less uncertain than claims. Future premium credits depend on future volumes of loan origination which depend on supply and demand factors within the housing sector including availability of finance and the economic wellbeing of households.

(f) Sensitivity analysis

The valuation of liabilities for incurred claims and the liability for remaining coverage incorporates a range of interactions with economic indicators, statistical modelling and observed historical claims development, as well as future assumptions. Certain factors and assumptions are expected to impact liabilities more than others and consequently a greater degree of sensitivity to these variables is expected.

LIC is also impacted by shorter-term volatility, for example by changes in delinquency reporting and in arrears progression.

LIC and LRC are discounted to present values and are therefore also impacted by changes in expectations of future interest rates (i.e. by movements in Commonwealth Government bond yields and the illiquidity premium).

Changes in LIC, and changes in LRC for groups of contracts that are estimated to be onerous, are reflected in the insurance service result (where changes relate to fulfilment cash flows) or the insurance finance expense (where changes relate to discount rates or the impact of discounting). For groups of contracts that are not considered to be onerous, changes in estimates of cash flows for remaining coverage adjust the balance of CSM and do not affect the total LRC including CSM. However, the CSM recognised in current and future accounting periods will be correspondingly changed, impacting current and future insurance revenue.

5 Capital management and financing

5.1 Interest bearing financial liabilities

Interest bearing financial liabilities are initially recognised at fair value less transaction costs that are directly attributable to the transaction. After initial recognition, the financial liabilities are carried at amortised cost using the effective interest rate method.

Finance related costs include interest, which is accrued at the contracted rate and included in payables, and amortisation of transaction costs which are capitalised, presented together with borrowings, and amortised over the life of the borrowings.

	30 June 2023 $'000	31 December 2022 $'000
Subordinated notes	190,000	190,000
Less: capitalised transaction costs	(1,053)	(1,299)
	188,947	188,701

Key terms and conditions are:

- Interest is payable quarterly in arrears, with the rate each calendar quarter being the average of the 90-day bank bill swap rate at the end of the prior quarter plus a margin equivalent to 5.0% per annum.
- The notes mature on 3 July 2030 (non-callable for the first five years) with the issuer having the option to redeem at par from 3 July 2025. Redemption at maturity, or any earlier date provided for in the terms and conditions of issue, is subject to prior approval by APRA.

5.2 Share capital

	30 June 2023 Number of shares	30 June 2023	31 December 2022 Number of shares	31 December 2022
	'000	$'000	'000	$'000
Issued fully paid capital				
Balance as at 1 January	347,447	906,892	411,492	1,087,762
Buy-back shares, including transaction costs	(31,495)	(99,994)	(64,045)	(180,870)
Closing balance	**315,952**	**806,898**	**347,447**	**906,892**

The Company's issued shares do not have a par value. All ordinary shares are fully paid. Ordinary shares have the right to receive dividends as declared and, in the event of winding up the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held.

Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

As set out, the Company has completed an on-market share back on 26 June 2023 for shares amounting to $100.0 million.

6 Other disclosures

6.1 Related party disclosures

Transactions with related parties are undertaken on normal commercial terms and conditions.

6.2 Events subsequent to reporting date

On 22 August 2023, the directors declared an interim dividend of 14 cents per ordinary share totalling $44,233,236, fully franked for the half year ended 30 June 2023.

On 22 August 2023, the Board approved its intention to commence an additional on-market share buy-back for shares up to a maximum of aggregate value of $100.0 million. The total number of shares to be purchased by Helia will depend on business and market conditions, the prevailing share price, market volumes and other considerations.

On 1 August 2023, a lease agreement was signed for premises at North Sydney. This agreement becomes effective from 1 August 2023, creating a right of use asset and a lease liability estimated at $8.7 million.

There are no other events that have arisen since 30 June 2023 to the date of this report that, in the opinion of the directors, have significantly affected or may significantly affect the operations of the Group or the state of affairs of the Group in future years.

Directors' declaration

In the opinion of the Directors of Helia Group Limited (the Company):

a) the condensed consolidated financial statements and notes set out on pages 8 to 38 are in accordance with the Corporations Act 2001, including:

   (i) giving a true and fair view of the Group's financial position as at 30 June 2023 and of its performance, as represented by the results of its operations and its cash flows for the half year ended on that date; and

   (ii) complying with Australian Accounting Standards AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and

b) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

The Directors have been provided with the declarations required by section 295A of the *Corporations Act 2001* from the Chief Executive Officer and Chief Financial Officer for the half year ended 30 June 2023.

Signed in accordance with a resolution of the Directors

Ian MacDonald

Chairman

Dated: 22 August 2023

Independent Auditor's Review Report

To the shareholders of Helia Group Limited

Report on the Half-year Financial Report

Conclusion

We have reviewed the accompanying ***Half-year Financial Report*** of Helia Group Limited.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the Half-year Financial Report of Helia Group Limited does not comply with the *Corporations Act 2001*, including:

- giving a true and fair view of the ***Group's*** financial position as at 30 June 2023 and of its performance for the Half-year ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The ***Half-year Financial Report*** comprises:

- Consolidated statement of financial position as at 30 June 2023;
- Consolidated statement of comprehensive income, Consolidated statement of changes in equity and Consolidated statement of cash flows for the Half-year ended on that date;
- Notes 1 to 6 comprising a summary of significant accounting policies and other explanatory information; and
- The Directors' Declaration.

The ***Group*** comprises Helia Group Limited (the Company) and the entities it controlled at the Half-year's end or from time to time during the Half-year.

Basis for Conclusion

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

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

Responsibilities of the Directors for the Half-year Financial Report

The Directors of the Company are responsible for:

- the preparation of the Half-year 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 Half-year 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 Half-year Financial Report

Our responsibility is to express a conclusion on the Half-year 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 Half-year Financial Report does not comply with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 30 June 2023 and its performance for the Half-Year ended on that date, and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a Half-year 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

Julia Gunn

Julia Gunn

Partner

Sydney

22 August 2023