IOOF Holdings Ltd

ABN 49 100 103 722

Full Year
30 June 2017

Appendix 4E
Condensed Annual Financial Report

The Condensed Annual Financial Report constitutes the preliminary final report and contains information required by Appendix 4E of the Australian Securities Exchange Listing Rules. It should be read in conjunction with IOOF's 2017 Annual Financial Report when released, and is lodged with the Australian Securities Exchange under listing rule 4.3A.

Contents

Notes to the condensed consolidated financial statements

The Condensed Annual Financial Report and Appendix 4E has been prepared for IOOF Holdings Ltd (the "Company" or "Parent Entity") together with its subsidiaries which are variously described as "IOOF", "IOOF Group" or "the consolidated entity".

All amounts are in Australian dollars unless otherwise stated. The information on which the Condensed Consolidated Financial Statements is based is in the process of being audited by the IOOF Group's auditors, KPMG. The Company has a formally constituted Audit Committee of the Board of Directors. The signing of the Condensed Consolidated Financial Statements was approved by a resolution of the Board of Directors on 8 August 2017.

Appendix 4E
Condensed Annual Financial Report
IOOF HOLDINGS LTD

ABN 49 100 103 722

1. Reporting Year — 30 June 2017

Prior year 30 June 2016

2. Results for announcement to the market

	$'000	% change from prior year
Revenue from Shareholder activities [(1)]	907,519	no change
Profit for the year from continuing operations	119,851	down 15%
Profit attributable to Owners of the Company from continuing operations	115,990	down 16%
Underlying Net Profit After Tax (UNPAT) from continuing operations [(2)]	169,357	down 1%

		Amount per share (cents)	Franked amount per share (cents)
Final dividend for the year ended 30 June 2016			
Paid:	13 October 2016	26.0	26.0
Interim dividend for the year ended 30 June 2017			
Paid:	30 March 2017	26.0	26.0
Final dividend for the year ended 30 June 2017			
Record date:	18 August 2017		
Payment date:	1 September 2017	27.0	27.0

[(1)] Revenue from Shareholder activities excludes those revenues attributable to the activities of the consolidated benefit funds of IOOF Ltd.

[(2)] UNPAT excludes the impact of amortisation of intangible assets, termination and retention incentive payments, gain on divestment of subsidiaries, profit on divestment of assets, non-recurring professional fees, acquisition tax provision release, impairment of goodwill, unwind of deferred tax liability recorded on intangible assets and income tax attributable. Acquisition and divestment transaction costs, onerous contracts and reinstatement of Perennial non-controlling interests are for 2016 only. An UNPAT reconciliation is provided on the following page.

IOOF Holdings Ltd - Appendix 4E for the year ended 30 June 2017

	2017 $'000	2016 $'000
Profit for the year from continuing operations	119,851	140,542
Less non-controlling interest	(3,861)	(2,620)
Profit attributable to Owners of the Company from continuing operations	**115,990**	**137,922**
Profit for the year from divestment of discontinued operations	-	58,924
Profit attributable to Owners of the Company	**115,990**	**196,846**
Underlying net profit after tax (UNPAT) adjustments:		
Reverse the impact of:		
Amortisation of intangible assets	38,611	39,681
Termination and retention incentive payments	4,125	6,005
Gain on divestment of subsidiaries	(6,261)	(71,988)
Profit on divestment of assets	(11,930)	(8,125)
Non-recurring professional fees	2,013	5,061
Acquisition tax provision release	(5,707)	-
Impairment of goodwill	38,592	-
Unwind of deferred tax liability recorded on intangible assets	(10,056)	(10,056)
Acquisition and divestment transaction costs	-	1,516
Onerous contracts	-	951
Reinstatement of Perennial non-controlling interests	-	(825)
Income tax attributable	3,980	14,301
UNPAT	**169,357**	**173,367**
Discontinued operation	-	**(2,097)**
UNPAT from continuing operations	**169,357**	**171,270**

The IOOF Group services the needs of financial advisers and their clients through appropriately licensed and regulated entities. The pool of investable funds emanates predominantly from superannuation which has been supported by Australia's mandatory contributions regime since the early 1990s. Competition for service offerings to superannuants and investors (fund members) in the Australian market place is currently drawn from five main fund types with the following differentiating features:

Retail - privately operated trusts and other schemes. The majority of funds are channelled to administration services and investment management products through financial advisers. However, technological development is enabling an increasing range of offerings direct to fund members.
Industry Funds - superannuation entities which historically have provided for employees working in the same union, industry or group of related industries. Many industry funds now offer membership to members of the public. Industry funds generally administer these funds, but may outsource the management of investments.
Self Managed - the fund member acts as Trustee for his or her pool of funds, which can include funds from a limited number of other family members and associates. These funds are predominantly utilised where the Trustee perceives they have the requisite time and expertise to manage their own investment strategy and a sufficient scale of funds to make the fixed administration costs economically justifiable.
Corporate - funds established for the benefit of employees of a particular entity or a group of related entities, with joint member and employer control.
Public Sector - funds which provide benefits largely for government employees or employees of statutory authorities, or are schemes established by a Commonwealth, State or Territory law.

Self Managed Funds are regulated by the Australian Taxation Office (ATO) whereas all others above are regulated by the Australian Prudential Regulation Authority (APRA).

The IOOF Group administers and manages Retail funds. Australian Superannuation assets totalled $2.3 trillion as at 31 March 2017. Over the 12 months to March 2017 there was an 11.2% increase in total superannuation assets and retail providers had a market share of approximately 26%. The IOOF Group's market share of that sub-set, as represented by our platform administration segment's flows to Funds Under Administration, was approximately 9%. There is a high degree of competition between the five fund types and fragmentation and competition among the participants within each fund type.

As at the end of March 2017, for funds with greater than four members, 50.2% of investments were invested in equities; with 23.6% in Australian listed equities, 22.6% in international listed equities and 4.1% in unlisted equities. Fixed income and cash investments accounted for 32.6% of investments; 20.6% in fixed income and 12.1% in cash. Property and infrastructure accounted for 13.3% of investments and 3.8% were invested in other assets, including hedge funds and commodities.

The IOOF Group operates in the Wealth Management sector. The sector has a substantial and growing pool of funds underpinned by government compulsion. The attraction of the sector is further enhanced by high regulatory and technological barriers to entry from new competitors. As an incumbent participant, we seek to grow our Funds Under Management, Administration, Advice and Supervision (FUMAS) faster than our competitors. In doing so, the portion of our revenue net of direct costs (gross margin) which is levied on asset balances may reasonably be expected to rise proportionately with FUMAS. This proportionate rise may be affected by the impact of differentiated product pricing and competitive pressure on management fee rates. In conjunction, we seek to leverage a cost base which is largely fixed relative to the scale of our FUMAS.

The IOOF Group's future FUMAS growth will be underpinned by organic and acquisition initiatives. Organic growth will be advanced through:

- increasing brand and product awareness to increase revenue;
- enhancing the adviser and fund client experience through continued technology development and experienced knowledgeable support staff;
- operating an open architecture environment which allows our advisers and clients to utilise the administration service which best meets their objectives irrespective of whether it is an IOOF Group proprietary service or a competitor's service. All options, however, generate a favourable economic return for the IOOF Group;
- enhanced training initiatives and leading minimum qualification standards to give our staff and advisers every opportunity to optimise the experience of our clients;
- establishing skilled teams and robust analytical processes to enhance the prospect of achieving above benchmark performance in investment management; and
- continuous improvement in process efficiency to minimise operating costs.

The IOOF Group also has a long-term strategy of pursuing growth through acquisitions and has completed several acquisitions in previous years. The IOOF Group will continue to pursue acquisitions within the Wealth Management sector on an opportunistic basis. However acquisitions will only be considered where they present a logical strategic fit with existing operations and are priced reasonably for the expected value accretion to shareholders. The funding of acquisitions will be considered on a case by case basis taking into account the relative cost of available funding sources and the impact on balance sheet structure overall.

On 14 June 2017, the IOOF Group announced its agreement with National Australia Bank Limited to acquire National Australia Trustees Limited (NATL). NATL is a significant provider of trustee services with a recognised history in Western Australia, New South Wales, Queensland and Victoria. NATL's offering is considered a strong strategic fit with the IOOF Group’s existing trustee business, Australian Executor Trustees Limited (AET), as combined customers will benefit from greater scale and more specialist product offerings. Completion of the sale is subject to regulatory approval and is expected to be finalised in the next half-yearly reporting period. As such, there has been no impact on the IOOF Group's results for the current year.

The IOOF Group's UNPAT of $169.4m for the year ended 30 June 2017 was materially in line with $171.3m UNPAT from continuing operations in the prior year.

In the prior year Perennial Fixed Interest and Perennial Growth Management were divested to the Henderson Group plc (Henderson) for an upfront consideration of $71.6m and a deferred component dependent on future business performance, payable after two and four years. $0.7m has been recognised in statutory profit only as deferred consideration for the year ended 30 June 2017. The results of these businesses have been disclosed as a discontinued operation in the financial statements. These divestments allow the IOOF Group to concentrate on its core advice, superannuation, multimanager and trustee business. The proceeds from the divestment will fund congruent acquisitions.

Analysis of financial results - IOOF Group

Analysis of the IOOF Group's result excludes the divested Perennial businesses from the review and the impact on particular items of revenue or expense highlighted in discontinued operations disclosures. Variances compare the year to 30 June 2017 with the year to 30 June 2016.

Gross margin decreased $9.6m

During the current year, average Funds Under Management, Administration and Advice (FUMA) were $109.5b, an increase of 5.5% on the prior year average. The increases were derived largely from equity market performance in the current year augmented by organic growth in advice based funds. Platform and advice flows of $4.2b were up 131% on prior year. Organic growth benefited from higher levels of flows across the sector and better penetration of the IOOF Group's exisiting client base. As far as the latter is concerned, the transfer of clients from the Bridges aligned TPS platform to the IOOF Group's contemporary, more marketable, Pursuit offering was the prime cause of this positive outcome. The improvement on prior year was also impacted by the loss of a single low margin corporate account which had an outsize impact in that prior year.

IOOF Holdings Ltd - Appendix 4E for the year ended 30 June 2017

Gross margin decreased $9.6m (continued)

The revenue impact from higher average funds was offset by negative impacts from product mix on earning rates or margins. It should be noted, however, that margins improved significantly across the two halves of the current year. Within platform administration, the lower rates for the current year principally reflected the ability of clients transferred via platform rationalisation to access lower fee scales. In addition, there is a continuing trend for a higher proportion of funds to be directed towards more contemporary platforms with lower fees, but commensurately lower attributable overheads. Notwithstanding, higher platform margins were achieved in the second half of the current year due to service fee repricing. Investment management margins were stable, with an improved second half of the current year driven by consolidation of underlying fund managers and resultant lower costs. In financial advice, Shadforth margins declined due to divestment and service mix impacts whilst new business from incoming advisers was dilutive on segment margin overall.

Other revenue increased $2.7m

The IOOF Group's broking businesses', (Ord Minnett and Bridges) contributions were up in comparison to prior year due to improved equity market conditions for new issues and traded volumes more broadly. In comparison to prior year, service charges to associated entities were reduced in line with the significant number of divested holdings enacted in 2015 and 2016.

Operating expenditure decreased by $9.0m

The decrease in operating expenditure excludes the impact of expenditure items identified as reversed in calculating UNPAT. As a financial services provider, labour represents the IOOF Group's most material cost. Labour costs have reduced by $2.1m despite higher rates of pay due to lower staff numbers following realisation of efficiencies through platform rationalisation. This rationalisation, in addition to a strategic imperative to build enhanced functionality in the prior year, has also seen computer expenditure reduce by approximately $8.8m relative to prior year. Professional fees have increased largely because specialist advisers have been engaged to assess significant acquisition opportunities. In addition, the IOOF Group has outsourced a significant component of its research capability which has the effect of increasing professional fees, but lowering staff numbers.

Net financing costs stable

Net financing costs have not varied materially as there has been a reasonably stable interest rate environment over the two years to 30 June 2017 in addition to similar patterns of sources and applications of funds over that period.

Other profit impacts decreased by $1.7m

Non-controlling interests excluded Perennial entities due to classification as discontinued operations and was $1.2m higher in line with Ord Minnett's increased profitability. Share of associates profits declined $1.4m relative to prior year as a result of mandate outflows and higher costs within the Perennial Value Management (PVM) Group. Share-based payments expense was $0.7m lower due to the roll off of non-employee stakeholder plans.

Income tax increased by $2.4m

Income tax expense relative to prior year reflected a $4.1m lower spend on treasury shares to fulfil employee share plans ($1.2m tax impact). This was due principally to a wind down in scale and breadth of plans overall. Assessable income, as opposed to accounting profit before tax, was higher than the prior year and R&D claims lower on the back of lower software development expenditure.

Analysis of financial results - Segments (excluding discontinued operations)

	2017	2016	Movement	
Financial advice and distribution	**$'000**	**$'000**	**$'000**	**%**
Net operating revenue	261,808	261,667	141	0.1%
Other revenue (incl equity accounted profits)	3,856	4,700	(844)	(18.0%)
Operating expenditure	(148,755)	(147,715)	(1,040)	(0.7%)
Net financing	560	731	(171)	(23.4%)
Net non-cash items	(3,221)	(3,967)	746	18.8%
Income tax expense and non-controlling Interest	(37,894)	(36,981)	(913)	(2.5%)
Underlying Profit after Tax	**76,354**	**78,435**	**(2,081)**	**(2.7%)**

● Average funds growth has been offset by Shadforth fee mix impacts and divestments of owned advice business into owner operated dealer groups. The addition of advisers has brought new revenue streams into the IOOF group, albeit at a dilutive margin in percentage of average funds terms.

● Operating expenditure has been impacted by redistribution of corporate charges in the wake of significant divestments in the prior year. In particular, there has been significant re-weighting toward front line support for advisers under the IOOF Group's Client First initiatives.

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Analysis of financial results - Segments (excluding discontinued operations) (continued)

Platform management and administration	**2017 $'000**	**2016 $'000**	**Movement $'000**	**%**
Net operating revenue	212,450	218,161	(5,711)	(2.6%)
Other revenue (incl equity accounted profits)	-	375	(375)	(100.0%)
Operating expenditure	(95,865)	(99,409)	3,544	3.6%
Net financing	1	2	(1)	(50.0%)
Net non-cash items	(5,380)	(5,288)	(92)	(1.7%)
Income tax expense and non-controlling Interest	(33,939)	(34,820)	881	2.5%
Underlying Profit after Tax	**77,267**	**79,021**	**(1,754)**	**(2.2%)**

● Average funds benefited from significantly improved organic growth. Improvements in fund flows in the sector more generally, the transfer of Bridges' clients to Pursuit and the administration of increased native title and compensation funds from the trustee segment were the key drivers of this outcome. This growth was complemented by positive investment returns.

● Net operating revenue decrease was driven primarily by lower pricing tiers for Bridges' clients following the rationalisation of two flagship retail platforms to one and a full year of MySuper pricing on higher balance accounts.

● Significantly reduced operating expenditure resulted primarily from reduced staff numbers and technology support and license costs following platform rationalisation. In addition, there was higher IT investment in the prior year in order to facilitate higher levels of on-line transacting in future periods.

Investment management	**2017 $'000**	**2016 $'000**	**Movement $'000**	**%**
Net operating revenue	57,508	57,719	(211)	(0.4%)
Other revenue (incl equity accounted profits)	2,737	5,572	(2,835)	(50.9%)
Operating expenditure	(14,284)	(19,769)	5,485	27.7%
Net financing	436	1,236	(800)	(64.7%)
Net non-cash items	(723)	(1,383)	660	47.7%
Income tax expense and non-controlling Interest	(12,967)	(11,996)	(971)	(8.1%)
Underlying Profit after Tax	**32,707**	**31,379**	**1,328**	**4.2%**

● Net operating revenue was stable with broadly equivalent average funds and margins across both years. Other revenue was affected by PVM performance.

● Decreased operating expenditure resulted from lower allocation of IOOF Group service costs following the divestment of Perennial.

Trustee services	**2017 $'000**	**2016 $'000**	**Movement $'000**	**%**
Net operating revenue	28,490	27,422	1,068	3.9%
Other revenue (incl equity accounted profits)	-	-	-	n/a
Operating expenditure	(18,341)	(18,601)	260	1.4%
Net financing	-	-	-	n/a
Net non-cash items	(578)	(246)	(332)	LARGE
Income tax expense and non-controlling Interest	(2,876)	(2,578)	(298)	(11.6%)
Underlying Profit after Tax	**6,695**	**5,997**	**698**	**11.6%**

● Net operating revenue has increased in line with higher client numbers; in particular, an improved contribution from the compensation trust and native title trust businesses resulted from an investment in capability and service delivery.

● Reduced operating expenditure resulted from efficiencies following stronger alignment with the broader IOOF Group operating model.

Financial Position

The IOOF Group held cash and cash equivalents of $208.2m at 30 June 2017 (30 June 2016: $187.0m). Cash is held to satisfy regulatory net asset requirements and also to ensure adequate liquidity given management fee receipts are less frequent than payroll and service fee cash outflows.

The overall debt to equity ratio stood at 13% at 30 June 2017 (30 June 2016: 13%). Net debt, borrowings less cash, stood at 0.0 times underlying earnings before interest, tax, depreciation and amortisation. This compares favourably to a covenant ratio upper limit of 2.5 times. Cash flow forecasting is conducted monthly which indicates that the IOOF Group's debt levels are able to be serviced from current business operations. We also conduct stress testing of lending covenants when assessing acquisition opportunities and monitor adherence to licence conditions monthly.

IOOF Holdings Ltd - Appendix 4E for the year ended 30 June 2017

Risks

The IOOF Group manages a number of risks in conducting its operations and implementing its strategy. An in depth discussion of risks and sensitivities will be outlined in Section 1 of the full financial statements when released. Material risks faced by the IOOF Group include, but may not be limited to, the following:

(i) Changes in investment markets

The IOOF Group derives a significant proportion of its earnings from fees and charges based on the level of FUMAS. The level of FUMAS will reflect (in addition to other factors such as the funds flowing into and out of FUMAS) the investment performance of those funds. Therefore, changes in domestic and/or global investment market conditions could lead to a decline in FUMAS, adversely impacting the amount we earn in fees and charges. Deterioration in investment market conditions could also lead to reduced consumer interest in the IOOF Group's financial products and services. The principal response to this risk has been to establish comprehensive investment governance committees, policies and procedures which are subject to continuous monitoring and oversight.

(ii) Competition

There is substantial competition for the provision of financial services in the markets in which the IOOF Group operates. A variety of market participants in specialised investment fund management, wealth advice and corporate trustee services compete vigorously for customer investments and the provision of wealth management services. These competitive market conditions may adversely impact earnings and assets. The IOOF Group manages this risk by continuously investing in product design, stakeholder relationships and continuous improvement initiatives.

(iii) Information technology

The IOOF Group relies heavily on information technology. Therefore, any significant or sustained failure in the IOOF Group's core technology systems could have a materially adverse effect on operations in the short term, which in turn could undermine longer term confidence and impact the future profitability and financial position of the IOOF Group. The IOOF Group has implemented a next-generation firewall, pursues continuous improvements to protect user devices and imposes segregation of duties between technology environments. More broadly, the IOOF Group uses policies and procedures which are subject to continuous monitoring and oversight, maintains a significant complement of experienced staff and employs specialist advisers. Information technology controls are highly complementary to those employed to minimise cyber security risks.

(iv) Cyber security

There is a risk of significant failure in the IOOF Group's operations and/or material financial loss as a result of cyber attacks. To manage this risk, the IOOF Group has followed the recommendation of ASIC and adopted the United States government's National Institute of Standards and Technology cybersecurity framework. In doing so, the IOOF Group has implemented measures and controls that cover identification, detection, monitoring and response in relation to cyber threats. More broadly, we have developed and tested our disaster recovery capability and procedures, implemented high availability infrastructure and architectures, conducted mandatory staff training which is focused on cyber risk and continually monitor our systems for signs of poor performance, intrusion or interruption. Cyber security controls are highly complementary to those employed to minimise information technology risks.

(v) Brands and reputation

The IOOF Group's capacity to attract and retain financial advisers, employees, clients and FUMAS depends to a certain extent upon the brands and reputation of its businesses. A significant and prolonged decline in key brand value or group reputation could contribute to lower new business sales, reduced inflows of investment funds and assets, damage to client strategies and may impact adversely upon our future profitability and financial position. The IOOF Group actively monitors media and other public domain commentary on its affairs as well as proactively promoting the value of its services, products and community initiatives and building a customer centric culture.

(vi) Provision of investment advice

The IOOF Group’s financial advisers and authorised representatives provide advice to clients and may be exposed to litigation if this advice is judged to be incorrect or if the authorised representative otherwise becomes liable for client losses. This risk is managed by having high educational, compliance and training standards for the IOOF Group's advisers whilst its potential financial impact is generally mitigated by taking out appropriate insurance cover.

(vii) Operational risks

Operational risk is the risk arising from the daily functioning of the IOOF Group’s businesses. The IOOF Group has specific operational exposures relevant to the industry in which we operate including exposures in connection with product disclosure statements, investment management, tax and financial advice, legal and regulatory compliance, product commitments, process error, fraud, system failure, failure of security and physical protection systems and unit pricing errors. This risk is minimised via policies and procedures which are subject to continuous monitoring and oversight. The IOOF Group maintains a significant complement of experienced staff, builds a positive culture and utilises specialist advisers to carry out such monitoring.

Risks (continued)

(viii) Conduct risk

Conduct risk is the risk of failure of the IOOF Group’s frameworks, product design or practices to prevent inappropriate, unethical or unlawful conduct (either by negligence or deliberate actions) on the part of the IOOF Group’s management, employees, contractors or representatives. The IOOF Group’s culture of honest and ethical behaviour is supported by the IOOF Code of Conduct and its Compliance Manual for Authorised Representatives, which set out the tenets of professional and personal conduct with which directors, employees, contractors, Authorised Representatives, agents and consultants are required to comply. These include promoting a healthy and safe environment, protecting private and confidential information, acting at all times within the law and acting in the best interests of the IOOF Group, its shareholders, clients and investors. As an additional safeguard, the IOOF Group's Whistleblower Policy protects employees from detrimental action where employees disclose, in good faith and with reasonable grounds, any unethical, illegal, fraudulent or undesirable conduct.

(ix) Credit risk

Credit risk refers to the risk that a counterparty will fail to meet its contractual obligations resulting in financial loss that arises from receivables, loans and other receivables. The IOOF Group's counterparties generally do not have an independent credit rating. The IOOF Group assesses the credit quality of the debtor taking into account its financial position, past experience with the debtor, and other available credit risk information.

(x) Cash flow and interest rate risk

Interest rate risk is the risk to the IOOF Group’s earnings and capital arising from changes in market interest rates. The financial instruments held that will be impacted by interest rate risk consist of cash and cash equivalents, 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 will expose the IOOF Group to cash flow interest rate risk.

(xi) Liquidity risk

Liquidity risk relates to the IOOF Group having insufficient liquid assets to cover current liabilities and unforeseen expenses. The IOOF Group manages liquidity risk exposure by maintaining sufficient liquid assets and an ability to access a committed line of credit. The liquidity requirements for licensed entities in the IOOF Group is also regularly reviewed and carefully monitored in accordance with those licence requirements.

(xii) Reliance on Australian Financial Services Licence, Registrable Superannuation Entity and other licences

In order to provide the majority of its services in Australia, a number of the IOOF Group's controlled entities are required to hold a number of licences, most notably AFS or RSE licences. If any of those entities fails to comply with the general obligations and conditions of its licence, this could result in the suspension or cancellation of the licence. While it is not expected to occur, a breach or loss of licences could have a material adverse effect on business and financial performance. AFS and RSE licences also require the licence holder to maintain certain levels of capital. These capital requirements may change from time to time. Earnings dilution may occur where a higher capital base is required to be held.

(xiii) Insurance

The IOOF Group holds insurance policies, including errors and omissions (professional indemnity) and directors’ and officers’ insurance, which are commensurate with industry standards, and adequate having regard to our business activities. These policies provide a degree of protection for the IOOF Group’s assets, liabilities, officers and employees. However, no assurance can be given that any insurance that the IOOF Group currently maintains will:

• be available in the future on a commercially reasonable basis; or
• provide adequate cover against claims made against or by the IOOF Group, noting that there are some risks that are uninsurable (e.g. nuclear, chemical or biological incidents) or risks where the insurance coverage is reduced (e.g. cyclone, earthquake, flood, fire).

The IOOF Group also faces risks associated with the financial strength of its insurers to meet indemnity obligations when called upon which could have an adverse effect on earnings. If the IOOF Group incurs uninsured losses or liabilities, its assets, profits and prospects may be adversely affected.

(xiv) Unit pricing errors

Systems failures or errors in unit pricing of investments are issues affecting the broader funds management industry that may result in significant financial losses and brand damage to a number of financial services organisations. A unit pricing error made by the IOOF Group or its service providers could cause financial or reputation loss. This risk is minimised via policies, procedures and contractual enforcement which are subject to continuous monitoring and oversight. The IOOF Group maintains a significant complement of experienced staff and utilises specialist service providers to maintain robust systems and accurate inputs.

Risks (continued)

(xv) Dependence on key personnel
The IOOF Group's performance is dependent on the talents and efforts of key personnel. The IOOF Group's continued ability to compete effectively depends on our capacity to retain and motivate existing employees as well as attract new employees. The loss of key executives or advisers could cause material disruption to operations in the short to medium term. While equity incentives of key personnel align their interests with the IOOF Group's future performance, they do not provide a guarantee of their continued employment. The IOOF Group utilises succession planning to manage this risk.

(xvi) Dependence on financial advisers
The success of the IOOF Group's advice and platform business is highly dependent on the quality of the relationships with its financial advisers and the quality of their relationships with their clients. The IOOF Group's ability to retain productive advisers is managed by monitoring and, where necessary, improving service levels, technological capability, suitability of product offerings and the quality and relevance of professional training.

(xvii) Acquisitions
Acquisition transactions involve inherent risks, including:
• accurately assessing the value, strengths, weaknesses, contingent and other liabilities and potential profitability of acquired businesses;
• integration risks including the risk that integration could take longer or cost more than expected or that the anticipated benefits and synergies of the integration may be less than estimated;
• diversion of management attention from existing business;
• potential loss of key personnel and key clients;
• unanticipated changes in the industry or general economic conditions that affect the assumptions underlying the acquisition; and
• decline in the value of, and unanticipated costs, problems or liabilities associated with, the acquired business.
Any of these risks could result in a failure to realise the benefits anticipated to result from any acquisition of new business and could have a material adverse impact on our financial position. The IOOF Group maintains a significant complement of experienced staff and holds relationships with specialist advisers to assess acquisition opportunities. This is designed to ensure the Board is fully informed of the risks and opportunities associated with any potential individual acquisition.

(xviii) Dilution
The IOOF Group's need to raise additional capital in the future in order to meet its operating or financing requirements, including by way of additional borrowings or increases in the equity of any of the consolidated entity's companies, may change over time. Future capital raisings or equity funded acquisitions may dilute the holdings of particular shareholders to the extent that such shareholders do not subscribe to additional equity, or are otherwise not invited to subscribe in additional equity. This risk will be managed by examination of relevant factors and circumstances prevailing at that time.

(xix) Regulatory and legislative risk and reform
The financial services sectors in which the IOOF Group operates are subject to extensive legislation, regulation and supervision by a number of regulatory bodies in multiple jurisdictions. The regulatory regimes governing the IOOF Group's business activities are complex and subject to change. The impact of future regulatory and legislative change upon the IOOF Group cannot be predicted. In addition, if the amount and complexity of new regulation increases, so too may the cost of compliance and the risk of non-compliance. The IOOF Group maintains a significant complement of experienced staff and holds relationships with specialist advisers to minimise this risk.

Shareholder returns

The IOOF Group dividend is calibrated to provide shareholders with a benefit which reflects performance and offers an attractive yield when assessed against a range of other external economic factors and 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. Based on historical precedent, the occasions on which this range is not met or exceeded are expected to be infrequent.

Total Shareholder Return (TSR) measures the change in share value over a specified period together with the return by way of dividends received. The IOOF Group's TSR for the twelve months to 30 June 2017 was 31.9% with 99% of UNPAT paid as dividends augmented by strong share price growth of 25.2%. The market valuation of the IOOF Group remained reflective of movements in global equity markets generally. TSR in the 5 year period from 1 July 2012 was 103% in total and 15.3% on a compounding annualised basis. The IOOF Group is in a strong financial position with low gearing and significant free cash.

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Shareholder returns (continued)

	2017	2016	2015	2014	2013
Profit attributable to owners of the Company ($'000s)[1]	115,990	196,846	138,371	101,285	79,769
Profit for the year from continuing operations ($'000s)	119,851	140,542	140,527	103,378	80,432
Basic EPS (cents per share)	38.7	65.7	47.7	43.7	34.4
Diluted EPS (cents per share)	38.6	65.4	47.4	43.1	34.1
Basic EPS (continuing operations) (cents per share)	38.7	46.0	45.8	43.7	34.4
UNPAT ($'000s)	169,357	173,367	173,758	123,047	108,756
UNPAT EPS (cents per share)	56.5	57.8	59.9	53.1	46.9
UNPAT EPS (continuing operations) (cents per share)	56.5	57.1	58.6	53.1	46.9
Dividends declared ($'000s)	159,071	163,573	159,070	127,260	97,485
Dividends per share (cents per share)	53.0	54.5	53.0	47.5	42.0
Opening share price	$ 7.83	$ 8.99	$ 8.40	$ 7.36	$ 6.05
Closing share price at 30 June	$ 9.80	$ 7.83	$ 8.99	$ 8.40	$ 7.36
Return on equity (non-statutory measure)[2]	12.1%	12.3%	13.4%	15.0%	13.2%

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

[2] Return on equity is calculated by dividing UNPAT by average equity during the year.

Returns to shareholders increase/decrease through both dividends and capital growth/decline. Dividends for 2017 and prior years were fully franked.

Items excluded from underlying net profit after tax pre-amortisation (UNPAT)

Amortisation of intangible assets: Non-cash entry reflective of declining intangible asset values over their useful lives. Intangible assets are continuously generated within the IOOF Group, but are only able to be recognised when acquired. The absence of a corresponding entry for intangible asset creation results in a conservative one sided decrement to profit only. It is reversed to ensure the operational result is not impacted. The reversal of amortisation of intangibles is routinely employed when performing company valuations. However, the amortisation of software development costs is not reversed in this manner.

Termination and retention incentive payments: Facilitation of restructuring to ensure long term efficiency gains which are not reflective of conventional recurring operations.

Gain on divestment of subsidiaries: During the year, the IOOF Group divested its interest in Perennial Investment Management Limited to Perennial Value Management Ltd. The IOOF Group also partially divested a subsidiary (2016: Perennial Fixed Interest and Perennial Growth Management).

Profit on divestment of assets: Divestments of non-core businesses, client lists and associates.

Non-recurring professional fees: Costs relating to specialist service and advice providers enlisted to assist the IOOF Group in better informing key stakeholders. These services were required following negative media allegations. In particular, but not limited to, process review, senate inquiry support, government relations, litigation defence and communications advice. It is not anticipated that this type and level of support will be required on a recurrent basis. Costs were predominantly in the prior year.

Acquisition tax provision release: The acquisition of DKN in the 2012 financial year necessitated recognition of a provision related to an uncertain tax position. This was recognised at estimated fair value, however the provision was released during the current year as it was adjudged that a present obligation no longer existed. This was a one-off, non-cash, non-operational increment to the IOOF Group's statutory profitability.

Impairment of goodwill: A non-cash impairment of $38.6m has been recognised in relation to goodwill allocated to Perennial Value Management (PVM) and its subsidiaries. Reduced profitability from both lower revenue and higher costs has led to calculated value-in-use declining to below the carrying value of the aggregate goodwill and investment balances. Revenue decline has arisen due to institutional outflows. These outflows reflect changing market dynamics where larger institutions now weight a greater proportion of funds to indexed products. This has combined with below benchmark performance in 2012 which adversely affected 3 and 5 year fund performance numbers. Higher costs resulted from an absence of operations scale and subsidisation following the divestment of other Perennial entities as PVM moved to virtually complete autonomy during the current year.

Items excluded from underlying net profit after tax pre-amortisation (UNPAT) (continued)

Unwind of deferred tax liability recorded on intangible assets: Acquired intangible asset valuations for AASB 3 Business Combinations accounting are higher than the required cost base as set under tax consolidation rules implemented during 2012. A deferred tax liability (DTL) is required to be recognised as there is an embedded capital gain should the assets be divested at their accounting values. This DTL reduces in future years at 30% of the amortisation applicable to those assets which have different accounting values and tax cost bases. The recognition of DTL and subsequent reductions are not reflective of conventional recurring operations and are regarded as highly unlikely to be realised due to the IOOF Group's intention to hold these assets long term.

Acquisition and divestment transaction costs: In 2016, one off payments to external advisers in pursuit of corporate transactions, such as the divestment of certain Perennial subsidiaries, which were not reflective of conventional recurring operations.

Onerous contracts: In 2016, a non-cash entry was recorded for the estimated present value of expected costs of meeting the obligations under terminated information technology contracts associated with platform rationalisation. For these contracts, the costs exceed the economic benefits expected to be received.

Reinstatement of Perennial non-controlling interests: In 2016, embedded derivatives existed given the IOOF Group's obligation to buy-back shareholdings in certain Perennial subsidiaries if put under the terms of their shareholders' agreements. International Financial Reporting Standards deems the interests of these non-controlling holders to have been acquired. Those interests must therefore be held on balance sheet as a liability to be revalued to a reserve each reporting year. In calculating UNPAT, the non-controlling interest holders share of the profit of these subsidiaries is subtracted from the IOOF Group result as though there were no embedded derivatives to better reflect the current economic interests of Company shareholders in the activities of these subsidiaries.

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

3. Net tangible assets

	30 June 2017 (cents)	30 June 2016 (cents)
Net tangible assets/(liabilities) per share *	23.5	14.6

* Net tangible assets equate to net assets excluding goodwill, intangible assets and deferred tax liabilities arising from acquisitions.

4. Entities over which control has been gained or lost

Control over Perennial Investment Management Limited was lost during the year due to the divestment of this entity to Perennial Value Management Ltd. The IOOF Group held 100% of the shares on issue as at 30 June 2016 which is nil as at 30 June 2017.

Control over Bridges SA Carrington Pty Ltd was gained during the year due to the acquisition of 100% of the shares in this entity.

5. Dividends

	Amount $'000	Cents per share	% Franked
Final dividend for the year ended 30 June 2016	78,035	26.0	100%
Interim dividend for the year ended 30 June 2017	78,035	26.0	100%
Final dividend for the year ended 30 June 2017	81,036	27.0	100%
Record date for determining entitlements to dividends	18 August 2017		
Payment date of final dividend	1 September 2017		

6. Dividend reinvestment plans

The Company does not operate a dividend reinvestment plan.

7. Details of associates and joint venture entities

	Ownership interest held at the end of period		Contribution to net profit	
	Current year %	Prior year %	Current year $'000	Prior year $'000
Equity accounted associates				
Perennial Value Management Ltd *	52.4	52.4	2,662	3,684
Other associates			816	1,147
			3,478	4,831

* Due to voting rights associated with different classes of shares in Perennial Value Management Ltd, 52.4% ownership interest does not result in control as defined by AASB 10 *Consolidated Financial Statements.*

8. Earnings per share

	30 June 2017 (cents)	30 June 2016 (cents)
Basic earnings per share	38.7	65.7
Diluted earnings per share	38.6	65.4
UNPAT earnings per share	56.5	57.8

Weighted average number of ordinary shares	30 June 2017 No. '000	30 June 2016 No. '000
Basic and UNPAT earnings per share	299,820	299,838
Diluted earnings per share	300,493	300,853

At 30 June 2017, there were no options outstanding.

9. Other

The Directors of IOOF Holdings Limited confirm that the financial information and notes of the IOOF Group set out on pages 15 to 28 are in the process of being audited.

Further information regarding the IOOF Group and its business activities can be obtained at www.ioof.com.au

Mr George Venardos
Chairman
Melbourne
8 August 2017

Condensed consolidated statement of comprehensive income

	Note	2017 $'000	2016 $'000
Continuing operations			
Revenue	1-3	907,519	907,882
Expenses	1-4	(724,745)	(713,217)
Share of profits of associates accounted for using the equity method		3,478	4,831
Finance costs		(6,828)	(7,353)
Profit before tax		179,424	192,143
Income tax expense		(59,573)	(51,601)
Statutory fund			
Statutory fund revenue*		65,016	62,937
Statutory fund expenses*		(52,124)	(58,200)
Income tax (expense)/benefit - statutory*		(12,892)	(4,737)
Statutory fund contribution to profit, net of tax		-	-
Profit for the year from continuing operations		119,851	140,542
Non-controlling interest		(3,861)	(2,620)
Profit attributable to Owners of the Company from continuing operations		**115,990**	**137,922**
Discontinued operation			
Profit for the year from discontinued operation	1-2	-	58,924
Profit for the year attributable to owners of the Company		115,990	196,846
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Net change in fair value of available-for-sale financial assets		3,770	3,648
Exchange differences on translating foreign operations		15	118
Income tax on other comprehensive income		(1,134)	(1,109)
Other comprehensive income/(expense) for the year, net of income tax**		2,651	2,657
Non-controlling interest		3,861	2,620
Total comprehensive income for the year		122,502	202,123
Profit attributable to:			
Owners of the Company		115,990	196,846
Non-controlling interest		3,861	2,620
Profit for the year		119,851	199,466
Total comprehensive income attributable to:			
Owners of the Company		118,641	199,503
Non-controlling interest		3,861	2,620
Total comprehensive income for the year		122,502	202,123
Earnings per share:			
Basic earnings per share (cents per share)		38.7	65.7
Diluted earnings per share (cents per share)		38.6	65.4
Earnings per share - continuing operations:			
Basic earnings per share (cents per share)		38.7	46.0
Diluted earnings per share (cents per share)		38.6	45.8

Notes to the condensed consolidated financial statements are included on pages 20 to 28.

*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 and are shown separately from shareholder funds in the financial statements. Calculation of the members' comprehensive income within this subsidiary is subject to actuarial input which had not been finalised at the reporting date. It is therefore possible that the components shown above will change when audited financial statements are released, however the impact on the IOOF Group will remain nil.

**Total items that may be reclassified subsequently to profit or loss.

Condensed consolidated statement of financial position

	Note	2017 $'000	2016 $'000
Assets			
Cash		208,218	186,992
Receivables		108,401	102,378
Other financial assets		45,430	43,378
Prepayments		14,403	11,828
Deferred acquisition costs		1,913	2,482
Associates		21,081	22,667
Property and equipment		21,480	21,863
Intangible assets	3-1	441,079	480,169
Goodwill	3-2	954,867	991,712
Assets relating to statutory funds*	4	934,119	879,349
Total assets		**2,750,991**	**2,742,818**
Liabilities			
Payables		60,007	68,781
Borrowings	2-1	206,948	206,975
Current tax liabilities		25,813	17,930
Contingent consideration		1,839	1,491
Provisions		64,639	62,394
Deferred tax liabilities		92,949	101,163
Deferred revenue liability		1,800	2,499
Lease incentives		2,429	2,536
Liabilities relating to statutory funds*	4	934,119	879,349
Total liabilities		**1,390,543**	**1,343,118**
Net assets		**1,360,448**	**1,399,700**
Equity			
Share capital	2-2	1,434,459	1,436,460
Reserves	2-4	13,349	11,266
Accumulated losses		(97,048)	(57,501)
Total equity attributable to equity holders of the Company		**1,350,760**	**1,390,225**
Non-controlling interest		9,688	9,475
Total equity		**1,360,448**	**1,399,700**

Notes to the condensed consolidated financial statements are included on pages 20 to 28.

*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 and are shown separately from shareholder funds in the financial statements. Calculation of the members' funds financial position within this subsidiary is subject to actuarial input which had not been finalised at the reporting date. It is therefore possible that the components shown above will change when audited financial statements are released, however the impact on the IOOF Group will remain nil.

Condensed consolidated statement of changes in equity

For the year ended 30 June 2017	Ordinary shares $'000	Treasury shares $'000	Reserves $'000	Accumulated losses $'000	Total $'000	Non-controlling interest $'000	Total equity $'000
Balance at 1 July 2016	1,439,276	(2,816)	11,266	(57,501)	1,390,225	9,475	**1,399,700**
Total comprehensive income for the year							
Profit for the year attributable to owners of the Company	-	-	-	115,990	115,990	3,861	**119,851**
Other comprehensive income for the year, net of income tax	-	-	2,651	-	2,651	-	**2,651**
Total comprehensive income for the year	-	-	2,651	115,990	118,641	3,861	**122,502**
Transactions with owners, recorded directly in equity							
Contributions by and (distributions to) owners							
Dividends to equity holders	-	-	-	(155,934)	(155,934)	(3,648)	**(159,582)**
Share-based payment expense	-	-	1,295	-	1,295	-	**1,295**
Operating Risk Financial Reserve	-	-	(144)	-	(144)	-	**(144)**
Transfer from employee equity-settled benefits reserve on exercise of options	1,322	-	(1,322)	-	-	-	**-**
Treasury shares transferred to recipients during the year	(1,997)	1,997	-	-	-	-	**-**
Transfer of lapsed share options to retained earnings	-	-	(397)	397	-	-	**-**
Purchase of treasury shares	-	(3,323)	-	-	(3,323)	-	**(3,323)**
Total transactions with owners	(675)	(1,326)	(568)	(155,537)	(158,106)	(3,648)	**(161,754)**
Balance at 30 June 2017	1,438,601	(4,142)	13,349	(97,048)	1,350,760	9,688	**1,360,448**

Notes to the condensed consolidated financial statements are included on pages 20 to 28.

For the year ended 30 June 2016	Ordinary shares $'000	Treasury shares $'000	Reserves $'000	Accumulated losses $'000	Total $'000	Non-controlling interest $'000	Total equity $'000
Balance at 1 July 2015	1,444,903	(7,146)	(8,918)	(66,224)	1,362,615	9,643	1,372,258
Total comprehensive income for the year							
Profit for the year attributable to owners of the Company	-	-	-	196,846	196,846	2,620	199,466
Other comprehensive income for the year, net of income tax	-	-	2,657	-	2,657	-	2,657
Total comprehensive income for the year	-	-	2,657	196,846	199,503	2,620	202,123
Transactions with owners, recorded directly in equity							
Contributions by and (distributions to) owners							
Dividends to equity holders	-	-	-	(169,430)	(169,430)	(2,788)	(172,218)
Share-based payment expense	-	-	1,966	-	1,966	-	1,966
Operating Risk Financial Reserve	-	-	2,799	-	2,799	-	2,799
Proceeds from exercise of options under executive and employee share option plan	210	-	-	-	210	-	210
Transfer from employee equity-settled benefits reserve on exercise of options	5,931	-	(5,931)	-	-	-	-
Treasury shares transferred to recipients during the year	(11,768)	11,768	-	-	-	-	-
Divestment of discontinued operation	-	-	18,728	(18,728)	-	-	-
Transfer of lapsed share options to retained earnings	-	-	(35)	35	-	-	-
Purchase of treasury shares	-	(7,438)	-	-	(7,438)	-	(7,438)
Total transactions with owners	(5,627)	4,330	17,527	(188,123)	(171,893)	(2,788)	(174,681)
Balance at 30 June 2016	1,439,276	(2,816)	11,266	(57,501)	1,390,225	9,475	1,399,700

Notes to the condensed consolidated financial statements are included on pages 20 to 28.

Condensed consolidated statement of cash flows

	Note	2017 $'000	2016 $'000
Cash flows from operating activities			
Receipts from customers		967,166	1,004,844
Payments to suppliers and employees		(725,564)	(757,836)
Dividends from associates		3,966	2,757
Net stockbroking purchases		(55)	(596)
Non-recurring professional fees		(2,013)	(5,061)
Termination and retention incentive payments		(3,933)	(5,799)
Income taxes paid		(60,288)	(69,458)
Net cash provided by operating activities		179,279	168,851
Cash flows from investing activities			
Dividends and distributions received		823	839
Interest received		4,313	5,002
Net proceeds on divestment of discontinued operation, net of tax		-	54,586
Acquisition and divestment transaction costs		-	(1,516)
Interest and other costs of finance paid		(6,608)	(7,022)
Gain on divestment of subsidiaries		6,261	-
Purchase of shares in subsidiaries		(1,045)	-
Proceeds on divestment of other assets		14,814	5,868
Receipt/(payment) of deferred purchase consideration		325	(4,188)
Purchase of non-controlling interests in subsidiaries		-	(2,112)
Net proceeds from sales/(purchases) of financial assets		1,015	(944)
Payments for property and equipment		(7,440)	(8,390)
Amounts borrowed from other entities		18	352
Payments for intangible assets		(4,934)	(842)
Net cash provided by investing activities		7,542	41,633
Cash flows from financing activities			
Net borrowings repaid		(212)	(1,087)
Purchase of treasury shares		(3,323)	(7,438)
Proceeds from exercise of IFL share options		-	210
Dividends paid:			
- members of the Company		(155,934)	(169,430)
- non-controlling members of subsidiary entities		(3,648)	(2,788)
- shareholders entitled to contractual share buy-back		-	(1,698)
Net cash used in financing activities		(163,117)	(182,231)
Net increase in cash and cash equivalents		23,704	28,253
Cash and cash equivalents at the beginning of year		186,992	150,533
Cash and cash equivalents divested		(2,350)	-
Effects of cash reclassified as assets held for sale at 30 June 2015		-	5,314
Operating Risk Financial Reserve cash requirement	2-4	(144)	2,799
Effects of exchange rate changes on cash and cash equivalents		16	93
Cash and cash equivalents at the end of year		208,218	186,992

Notes to the condensed consolidated financial statements are included on pages 20 to 28.

Section 1 - Results for the year

This section focuses on the results and performance of the IOOF Group. On the following pages you will find disclosures explaining the IOOF Group's results for the year, segmental information and earnings per share. Where an accounting policy is specific to a single note, the policy is described in the note to which it relates.

1-1 Operating segments

The IOOF Group has the following five strategic divisions, which are its reportable segments. All segments' operating results are regularly reviewed by the IOOF Group's Managing Director to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

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

Platform management and administration
The provision of administration and management services through master trust platforms, which offer a single access point to a range of investment products.

Investment management
The management and investment of monies on behalf of corporate, superannuation, institutional clients and private individual investor clients.

Trustee services
The provision of estate planning, trustee, custodial, agency and estate administration services to clients.

Corporate and other
Corporate and other costs include those 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 is included below. Performance is measured based on segment underlying profit before income tax as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

Section 1 - Results for the year

1-1 Operating segments (continued)

	Financial advice and distribution		Platform management and administration		Investment management		Trustee services		Corporate and other		Total	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000
External management and service fee revenue	263,494	260,285	387,608	394,082	81,942	99,318	26,695	24,995	-	-	759,739	778,680
External other fee revenue	16,167	22,656	6,239	5,829	2,146	1,847	3,833	4,213	489	562	28,874	35,107
Service fees and other direct costs	(126,443)	(119,933)	(109,026)	(113,866)	(26,339)	(43,187)	(2,321)	(2,171)	398	419	(263,731)	(278,738)
Deferred acquisition costs	(372)	(603)	(157)	(517)	-	-	-	-	-	-	(529)	(1,120)
Gross Margin	**152,846**	**162,405**	**284,664**	**285,528**	**57,749**	**57,978**	**28,207**	**27,037**	**887**	**981**	**524,353**	**533,929**
Stockbroking revenue	85,478	73,841	-	-	-	-	-	-	-	-	85,478	73,841
Stockbroking service fees expense	(48,549)	(41,683)	-	-	-	-	-	-	-	-	(48,549)	(41,683)
Stockbroking net contribution	**36,929**	**32,158**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**36,929**	**32,158**
Inter-segment revenue(i)	75,467	71,879	-	-	-	-	283	385	139	137	75,889	72,401
Inter-segment expenses(i)	(3,434)	(4,775)	(72,214)	(67,367)	(241)	(259)	-	-	-	-	(75,889)	(72,401)
Net Operating Revenue	**261,808**	**261,667**	**212,450**	**218,161**	**57,508**	**57,719**	**28,490**	**27,422**	**1,026**	**1,118**	**561,282**	**566,087**
Other external revenue	3,028	3,537	-	375	75	1,887	-	-	1,197	549	4,300	6,348
Finance income	603	800	1	2	436	1,236	-	-	4,190	3,743	5,230	5,781
Inter-segment revenue(i)	12	17	-	-	-	-	-	-	-	-	12	17
Share of net profits of associates	816	1,146	-	-	2,662	3,685	-	-	-	-	3,478	4,831
Operating and other expenditure	(148,755)	(147,715)	(95,853)	(99,392)	(14,284)	(19,769)	(18,341)	(18,601)	(40,682)	(41,477)	(317,915)	(326,954)
Share-based payments expense	(102)	(409)	(189)	(503)	(211)	(296)	(15)	(20)	(778)	(726)	(1,295)	(1,954)
Finance costs	(43)	(69)	-	-	-	-	-	-	(6,785)	(7,284)	(6,828)	(7,353)
Inter-segment expenses(i)	-	-	(12)	(17)	-	-	-	-	-	-	(12)	(17)
Depreciation	(3,119)	(3,558)	(3,454)	(3,048)	(512)	(1,087)	(563)	(226)	-	-	(7,648)	(7,919)
Amortisation of intangible assets - IT Development	-	-	(1,737)	(1,737)	-	-	-	-	-	-	(1,737)	(1,737)
Non-controlling interests	(3,861)	(2,620)	-	-	-	-	-	-	-	-	(3,861)	(2,620)
Income tax expense	(34,033)	(34,361)	(33,939)	(34,820)	(12,967)	(11,996)	(2,876)	(2,578)	18,166	20,515	(65,649)	(63,240)
UNPAT from continuing operations	**76,354**	**78,435**	**77,267**	**79,021**	**32,707**	**31,379**	**6,695**	**5,997**	**(23,666)**	**(23,562)**	**169,357**	**171,270**
Discontinued Operations											**-**	**2,097**
UNPAT											**169,357**	**173,367**

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

Segment disclosures have been prepared on an underlying (UNPAT) basis as discussed in section 2 of the Appendix 4E.

Section 1 - Results for the year

1-1 Operating segments (continued)

Reconciliation of reportable segment revenues and expenses

	2017 $'000	2016 $'000
UNPAT from continuing operations	**169,357**	**171,270**
Non-controlling interest	3,861	2,620
UNPAT adjustments - continuing operations		
Amortisation of intangible assets	(38,611)	(39,681)
Acquisition and divestment transaction costs	-	(1,414)
Termination and retention incentive payments	(4,125)	(6,005)
Onerous contracts	-	(951)
Profit on divestment of assets	11,930	8,125
Gain on divestment of subsidiaries	6,261	-
Acquisition tax provision release	5,707	-
Impairment of goodwill	(38,592)	-
Non-recurring professional fees	(2,013)	(5,061)
Unwind of deferred tax liability recorded on intangible assets	10,056	10,056
Income tax attributable	(3,980)	1,583
Profit for the year from continuing operations	**119,851**	**140,542**
Profit for the year from discontinued operation	-	58,924
Profit for the year	**119,851**	**199,466**

1-2 Discontinued operation

In the prior year Perennial Fixed Interest and Perennial Growth Management were divested to Henderson for an upfront consideration of $71.6m and a deferred component dependent on future business performance, payable after two and four years. The divestment to Henderson was completed on 1 November 2015. $735k has been recognised as deferred consideration at 30 June 2017. These components of the Perennial Group were previously classified as held-for-sale.

	4 months ended 1 Nov 15 $'000
Results of the discontinued operation	
Revenue	9,486
Expenses	(5,435)
Results from operating activities	4,051
Income tax	(1,221)
Results from operating activities, net of tax	2,830
Gain on divestment of discontinued operation	71,988
Income tax on gain on divestment of discontinued operation	(15,894)
Gain on divestment of discontinued operation, net of tax	56,094
Profit for the year	58,924
Basic earnings per share	19.7
Diluted earnings per share	19.6
Cash flows from the discontinued operation	
Net cash provided by operating activities	2,830
Net cash provided by investing activities	54,586
Net cash flow for the year	57,416

Section 1 - Results for the year

1-3 Revenue

	2017 $'000	2016 $'000
Management and service fees revenue	759,739	778,680
Stockbroking revenue	85,478	73,841
External other fee revenue	28,874	35,107
Finance income		
Interest income on loans to Directors of controlled and associated entities	254	295
Interest income from non-related entities	4,098	4,661
Dividends and distributions received	824	839
Net fair value gains/(losses) on other financial assets at fair value through profit or loss	54	(14)
	5,230	5,781
Other revenue		
Service revenue charged to related parties	-	1,887
Profit on divestment of assets	11,930	8,125
Gain on divestment of subsidiaries	6,261	-
Other	10,007	4,461
	28,198	14,473
Total revenue from continuing operations	907,519	907,882

1-4 Expenses

	2017 $'000	2016 $'000
Service Fees and other direct costs		
Service and marketing fees expense	241,153	254,591
Stockbroking service fees expense	48,549	41,683
Other direct costs	22,578	24,147
	312,280	320,421
Operating expenditure		
Salaries and related employee expenses	197,898	199,990
Employee defined contribution plan expense	14,089	14,812
Information technology costs	41,532	50,296
Professional fees	10,959	7,492
Marketing	8,446	9,250
Office support and administration	17,120	18,539
Occupancy related expenses	21,989	20,335
Travel and entertainment	5,877	6,066
Other	5	-
	317,915	326,780
Other expenses		
Share-based payments expense	1,295	1,954
Acquisition and divestment transaction costs	-	1,414
Termination and retention incentive payments	4,125	6,005
Depreciation of property and equipment	7,648	7,919
Amortisation of intangible assets	38,611	39,681
Amortisation of intangible assets - IT development	1,737	1,737
Loss on divestment of non-current assets	-	174
Impairment of goodwill	38,592	-
Deferred acquisition costs	529	1,120
Non-recurring professional fees	2,013	5,061
Onerous contracts	-	951
	94,550	66,016
Total expenses from continuing operations	724,745	713,217

Section 1 - Results for the year

1-5 Dividends

After 30 June 2017 the following dividends were declared by the directors. The dividends have not been provided for and there are no income tax consequences.

	Cents per share	Total amount $'000	Payment date	Franked / unfranked
Final 2017 dividend	27.0	81,036	1 September 2017	Franked

	2017 $'000	2016 $'000
Dividend franking account		
30 per cent franking credits available to shareholders of IOOF Holdings Ltd for subsequent financial years	84,469	83,923

The above available amounts are based on the balance of the dividend franking account at year-end adjusted for:
(a) franking credits that will arise from the payment of the current tax liabilities; and
(b) franking credits that the IOOF Group may be prevented from distributing in subsequent years.

The ability to utilise the franking credits is dependent upon there being sufficient available profits to declare dividends. The impact on the dividend franking account of dividends declared after the balance date but not recognised as a liability is to reduce it by $34,730,000 (2016: $33,443,000).

The following dividends were declared and paid by the IOOF Group during the current and preceding financial year:

	Cents per share	Total amount $'000	Date of payment	Franked / unfranked
2017				
Interim 2017 dividend	26.0	78,035	30 March 2017	Franked
Final 2016 dividend	26.0	78,035	13 October 2016	Franked
	52.0	156,070		
2016				
Interim 2016 dividend	28.5	85,538	07 April 2016	Franked
Final 2015 dividend	28.0	84,037	15 October 2015	Franked
	56.5	169,575		

Franked dividends declared or paid during the year were franked at the tax rate of 30 per cent.
Dividend amounts shown are inclusive of any dividends paid on treasury shares.

1-6 Earnings per share

	2017 Cents per share	2016 Cents per share
Basic earnings per share	38.7	65.7
Diluted earnings per share	38.6	65.4
Continuing operations		
Basic earnings per share	38.7	46.0
Diluted earnings per share	38.6	45.8

Basic earnings per share

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

	2017 $'000	2016 $'000
Profit for the year attributable to owners of the Company	115,990	196,846
Earnings used in the calculation of basic EPS	115,990	196,846

Section 1 - Results for the year

1-6 Earnings per share (continued)

Weighted average number of ordinary shares	2017 No. '000	2016 No. '000
Weighted average number of ordinary shares (basic)	299,820	299,838
Effect of unvested performance rights	673	1,011
Effect of share options on issue	-	4
Weighted average number of ordinary shares (diluted)	300,493	300,853

Section 2 - Capital management and financing

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

The IOOF 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.

2-1 Borrowings

This note provides information about the contractual terms of the IOOF Group's interest-bearing borrowings, which are measured at amortised cost.

	2017 $'000	2016 $'000
Syndicated facility agreement*	206,908	206,730
Finance lease liabilities	40	245
	206,948	206,975

* $90.0m is due for payment on 5 February 2018.

2-2 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.

	2017 $'000	2016 $'000
300,133,752 fully paid ordinary shares (2016: 300,133,752)	1,438,601	1,439,276
476,411 treasury shares (2016: 320,731)	(4,142)	(2,816)
	1,434,459	1,436,460

	2017		2016	
	No. '000	$'000	No. '000	$'000
Ordinary shares				
On issue at 1 July	300,134	1,439,276	300,134	1,444,903
Issue of shares on exercise of options under executive and employee share option plan	-	-	-	210
Transfer from employee equity-settled benefits reserve on exercise of options	-	1,322	-	5,931
Treasury shares transferred to recipients during the year	-	(1,997)	-	(11,768)
On issue at 30 June	300,134	1,438,601	300,134	1,439,276
Treasury shares				
On issue at 1 July	(321)	(2,816)	(732)	(7,146)
Purchase of treasury shares	(380)	(3,323)	(830)	(7,438)
Treasury shares transferred to employees during the year	225	1,997	1,241	11,768
On issue at 30 June	(476)	(4,142)	(321)	(2,816)
	299,658	1,434,459	299,813	1,436,460

Section 2 - Capital management and financing

2-3 Capital commitments and contingencies

Operating lease commitments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

2017	Less than one year $'000	1 to 5 years $'000	Later than five years $'000	Total $'000
Premises	18,045	50,600	30,322	98,967
Office equipment	3	-	-	3
	18,048	50,600	30,322	98,970

2016	Less than one year $'000	1 to 5 years $'000	Later than five years $'000	Total $'000
Premises	17,307	31,676	4,619	53,602
Office equipment	117	3	-	120
	17,424	31,679	4,619	53,722

Guarantees and underwriting commitments	2017 $'000	2016 $'000
Rental bond guarantees	16,281	11,447
ASX settlement bond guarantee	500	500
ASIC bond guarantees	140	120
Other guarantees	3,000	3,000
	19,921	15,067

Contingent liabilities

Contingent liabilities exist in relation to claims and/or possible claims which, at the date of signing these accounts, have not been resolved. An assessment of the likely loss to the Company and its controlled entities has been made in respect of the identified claims, on a claim by claim basis, and specific provision has been made where appropriate. The IOOF 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.

2-4 Reserves

	2017 $'000	2016 $'000
Available-for-sale investment revaluation reserve	13,074	10,436
Business combinations reserve	(326)	(326)
Foreign currency translation reserve	121	109
Operating Risk Financial reserve*	2,655	2,799
Share-based payments reserve	(2,175)	(1,752)
	13,349	11,266

*This reserve is held for certain AET Superannuation products. Other similar reserves exist within the IOOF Group, however these are generally held by the relevant funds.

Section 3 - Operating assets and liabilities

This section shows the assets used to generate the IOOF Group's trading performance and the liabilities incurred as a result.

3-1 Intangible assets (other than goodwill)

	2017 $'000	2016 $'000
Cost	670,159	669,101
Accumulated amortisation	(229,080)	(188,932)
	441,079	480,169

	IT Development $'000	Computer software $'000	Customer relationships $'000	Brand names $'000	Other Intangibles $'000	Total $'000
Carrying value at 1 July 2016	2,378	6,090	394,232	68,547	8,922	480,169
Additions	-	178	5,663	-	340	6,181
Divestments	-	-	(3,417)	-	(1,506)	(4,923)
Amortisation expense	(1,737)	(1,022)	(34,920)	(801)	(1,868)	(40,348)
Carrying value at 30 June 2017	641	5,246	361,558	67,746	5,888	441,079

3-2 Goodwill

	2017 $'000	2016 $'000
Cost	1,010,468	1,008,721
Accumulated impairment	(55,601)	(17,009)
Net carrying value of goodwill	954,867	991,712
Carrying value at 1 July	991,712	1,013,105
Acquisition of subsidiaries	1,747	-
Impairment of goodwill	(38,592)	-
Divestment of discontinued operation	-	(21,393)
Carrying value at 30 June	954,867	991,712

A non-cash impairment of $38.6m has been recognised in relation to goodwill allocated to Perennial Value Management (PVM) and its subsidiaries. Reduced profitability from both lower revenue and higher costs has led to calculated value-in-use declining to below the carrying value of the aggregate goodwill and investment balances. Revenue decline has arisen due to institutional outflows. These outflows reflect changing market dynamics where larger institutions now weight a greater proportion of funds to indexed products. This has combined with below benchmark performance in 2012 which adversely affected 3 and 5 year fund performance numbers. Higher costs resulted from an absence of operations scale and subsidisation following the divestment of other Perennial entities as PVM moved to virtually complete autonomy during the current year.

Section 4 - Statutory Funds

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 and are shown separately from shareholder funds in the financial statements. Calculation of the members' comprehensive income/financial position within this subsidiary is subject to actuarial input which had not been finalised at the reporting date. It is therefore possible that the components shown above will change when audited financial statements are released, however the impact on the IOOF Group will remain nil.

Section 5 - Basis of preparation

These Condensed Consolidated Financial Statements:

● have been prepared in accordance with the recognition and measurement requirements of Australian Accounting Standards;
● should be read in conjunction with the IOOF Group's Annual Financial Report for the year ended 30 June 2017 when released and any public announcements made by the IOOF Group for the year ended 30 June 2017 in accordance with the continuous disclosure obligations under the Corporations Act 2001 and the ASX Listing Rules;

● do not include all notes of the type normally included in the IOOF Group's Annual Financial Report;
● are presented in Australian dollars; and
● were approved by the Board of Directors on 8 August 2017.

Accounting policies

These Condensed Consolidated Financial Statements have been prepared in accordance with accounting policies, and using methods of computation consistent with those applied in the last annual consolidated financial statements as at and for the year ended 30 June 2016.

Basis of measurement

These condensed consolidated financial statements have been prepared on the historical cost basis except for the following material items in the statement of financial position:
● financial instruments at fair value through profit or loss are measured at fair value; and
● available-for-sale financial assets are measured at fair value.
The statement of financial position is presented in order of liquidity.

Use of estimates and judgements

To conform with Australian Accounting Standards management is required to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.
Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimates are revised and in any future years affected.

Rounding of amounts

The amounts contained in these condensed consolidated financial statements have been rounded to the nearest thousand dollars, except where otherwise indicated, as permitted by Australian Securities and Investments Commission Corporations Instrument 2016/191.

Section 6 - Subsequent Events

The Directors are not aware of any other event or circumstance since the end of the financial year not otherwise dealt with in this report or the condensed consoldiated financial statements that has or may significantly affect the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity in subsequent financial years.