Appendix 4D
Interim Financial Report
IOOF HOLDINGS LTD

ABN 49 100 103 722

1. Reporting Period	31 December 2016

Previous reporting period	30 June 2016

2. Results for announcement to the market

	$'000*	% change from previous corresponding period
Revenue from Shareholder activities [1]	457,390	down 2%
Profit from ordinary activities after tax attributable to owners of the Company	74,212	down 45%
Underlying Net Profit After Tax (UNPAT) [2]	79,420	down 17%

		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			
Record date:	9 March 2017	26.0	26.0
To be paid:	30 March 2017		

[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, acquisition and divestment transaction costs, termination and retention incentive payments, gain on divestment of subsidiaries, profit on sale of assets, non-recurring professional fees, unwind of deferred tax liability recorded on intangible assets, reinstatement of Perennial non-controlling interests and income tax attributable. An UNPAT reconciliation is provided on the following page.

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	31 Dec 16 $'000	31 Dec 15 $'000
Profit attributable to Owners of the Company	**74,212**	**133,986**
Underlying net profit after tax (UNPAT) adjustments:		
Reverse the impact of:		
Amortisation of intangible assets	19,253	19,993
Acquisition and divestment transaction costs	-	471
Termination and retention incentive payments	3,215	4,141
Gain on divestment of subsidiaries	(6,261)	(71,988)
Profit on sale of assets	(11,133)	(2,976)
Non-recurring professional fees	1,984	3,099
Unwind of deferred tax liability recorded on intangible assets	(5,028)	(5,028)
Reinstatement of Perennial non-controlling interests	-	(825)
Income tax attributable	3,178	14,503
UNPAT	**79,420**	**95,376**
Discontinued operation	-	(2,097)
UNPAT from continuing operations	**79,420**	**93,279**

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: retail; industry funds; self-managed; corporate and public sector. Further information regarding the differentiating features of these fund types is available in the financial statements for the year ended 30 June 2016.

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 $2.1 trillion as at 30 September 2016. Over the 12 months to September 2016 there was a 7.4% 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 6%. 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 September 2016, for funds with greater than four members, 49.0% of investments were invested in equities; with 22.9% in Australian listed equities, 21.8% in international listed equities and 4.3% in unlisted equities. Fixed income and cash investments accounted for 33.4% of investments; 20.9% in fixed income and 12.5% in cash. Property and infrastructure accounted for 13.5% of investments and 4.0% 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.

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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 member experience through continued technology development and experienced knowledgeable support staff;
● enhanced training initiatives and leading minimum qualification standards to give our staff and advisers every opportunity to optimise the experience of our clients and members;
● 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.

The IOOF Group's UNPAT of $79.4m was a $1.4m or 1.8% increase relative to $78.0m UNPAT for the immediate preceding period of the six months to 30 June 2016. The IOOF Group's UNPAT decreased $13.9m or 14.9% to $79.4m for the half year ended 31 December 2016 relative to $93.3m UNPAT from continuing operations in the prior corresponding period.

In the prior corresponding period 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. The results of these businesses have been disclosed as a discontinued operation in the financial statements. These divestments allow IOOF to concentrate on its core advice, superannuation, multimanager and trustee business. The proceeds from the sale will potentially fund congruent acquisitions, retire debt or be returned to shareholders depending on opportunities and circumstances. Perennial Value Management and its subsidiary entities will remain a strategic portfolio investment for the IOOF Group.

Analysis of financial results - 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 from the six month period to 31 December 2015 are denoted prior corresponding period or *pcp* . Additional disclosure relating to variances from the six month period to 30 June 2016 are denoted immediate preceding period or *ipp* .

Gross margin decreased $17.5m pcp and $1.2m ipp

During the current period, average Funds Under Management, Administration and Advice (FUMA) were $106.8b, an increase of 2% on *pcp* and 4% on *ipp* . The increases were derived largely from equity market performance in the current period augmented by organic growth in advice based funds. Platform flows of $401m were up 5% on *ipp* and over 200% on *pcp* . The *ipp* improvement resulted from better penetration of the existing member base. The transfer of members from the Bridges aligned TPS platform to IOOF's contemporary, more marketable, Pursuit offering was the prime cause of this positive outcome. The *pcp* improvement was largely impacted by the loss of a single low margin corporate account which had an outsize impact in that prior half.

The revenue impact from higher average funds was offset by negative impacts from product mix on earning rates or margins. Those negative impacts were $22m on *pcp* and $10m on *ipp* . Within platform administration, these lower rates 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. Investment management margins also reduced given higher custody and transaction costs for actively managed multi-manager portfolios with higher relative performance. Shadforth margins also declined, largely due to divestment and service mix impacts.

Other revenue increased $0.4m pcp and $5.4m ipp

The IOOF Group's broking businesses', (Ord Minnett and Bridges) contributions were up in comparison to both prior periods due to improved equity market conditions for new issues and traded volumes more broadly. In comparison to *pcp* , service charges to associated entities were reduced in line with the significant number of divested holdings enacted in 2015 and 2016. However this is more stable relative to *ipp* given lower levels of divestment activity.

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Operating expenditure increased by $0.1m pcp and $3.6m ipp

The increase in operating expenditure excludes the impact of expenditure items identified as reversed in calculating UNPAT. As a financial services provider, labour represents the group's most material cost. Labour costs have increased marginally over each of the three halves. This reflects market based wage increases largely offset by a lowering of staff numbers in response to rationalisation initiatives. Platform rationalisation has also seen computer expenditure reduced by approximately $1.5m relative to both preceding halves. Professional fees have increased largely because specialist advisers have been engaged to assess significant acquisition opportunities. In addition, the Group has outsourced research which has the effect of increasing professional fees, but lowering staff numbers.

Net financing costs decreased by $0.5m pcp and $0.3m ipp

Net financing costs have not varied materially as there has been a stable interest rate environment over the eighteen months to 31 December 2016 in addition to similar patterns of sources and applications of funds over that period.

Other profit impacts increased by $2.8m pcp and $0.5m ipp

Non-controlling interests excluded Perennial entities due to classification as discontinued operations and was $0.8m higher in line with Ord Minnett's increased profitability. Share of associates profits declined $0.7m relative to *pcp* as a result of mandate outflows and higher costs within the Perennial Value Management Group, however this has stabilised relative to *ipp*. Share-based payments expense was $0.4m lower due to the roll off of non-employee stakeholder plans although this increased slightly on *ipp* with new executive performance rights issues. Income tax expense relative to *pcp* reflected reduced profitability from continuing operations. Variability in the rate of tax relative to pre-tax profits in any given period reflects the timing and extent to which software development expenditure enables research and development tax concessions to be recognised.

Analysis of financial results - Segments (excluding discontinued operations)

Platform management and administration	31 Dec 16 $’000	31 Dec 15 $’000	Movement $’000	Movement %
Net operating revenue	103,716	113,074	(9,358)	(8.3%)
Other revenue (incl equity accounted profits)	-	375	(375)	(100.0%)
Operating expenditure	(49,810)	(48,986)	(824)	(1.7%)
Net financing	-	2	(2)	(100.0%)
Net non-cash items	(2,733)	(2,667)	(66)	(2.5%)
Income tax expense and non-controlling interest	(15,656)	(19,070)	3,414	17.9%
Underlying Profit after Tax	**35,517**	**42,728**	**(7,211)**	**(16.9%)**

● Average funds benefited from significantly improved organic growth. 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 six months of MySuper pricing on higher balance accounts.

● Marginally increased operating expenditure resulted primarily from market based wage increases partly offset by reduced staff numbers following platform rationalisation. Costs have been reduced relative to the immediate preceding six months.

Investment management	31 Dec 16 $’000	31 Dec 15 $’000	Movement $’000	Movement %
Net operating revenue	27,681	30,650	(2,969)	(9.7%)
Other revenue (incl equity accounted profits)	1,752	4,042	(2,290)	(56.7%)
Operating expenditure	(7,301)	(11,834)	4,533	38.3%
Net financing	282	362	(80)	(22.1%)
Net non-cash items	(401)	(697)	296	42.5%
Income tax expense and non-controlling interest	(6,133)	(6,166)	33	0.5%
Underlying Profit after Tax	**15,880**	**16,357**	**(477)**	**(2.9%)**

● Net operating revenue declines reflected lower average margins. Margins were affected by higher custody and transaction costs.

● Decreased operating expenditure resulted from lower allocation of group services costs following the divestment of Perennial.

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

Financial advice and distribution	**31 Dec 16 $'000**	**31 Dec 15 $'000**	**Movement $'000**	**Movement %**
Net operating revenue	130,845	133,234	(2,389)	(1.8%)
Other revenue (incl equity accounted profits)	2,503	2,755	(252)	(9.1%)
Operating expenditure	(76,961)	(74,408)	(2,553)	(3.4%)
Net financing	310	363	(53)	(14.6%)
Net non-cash items	(1,629)	(2,182)	553	25.3%
Income tax expense and non-controlling interest	(18,509)	(19,158)	649	3.4%
Underlying Profit after Tax	**36,559**	**40,604**	**(4,045)**	**(10.0%)**

● Average funds growth has been offset by Shadforth fee mix impacts and divestments of owned advice business into owner operated dealer groups. Net operating revenue has declined marginally as a result.

● 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 advisors under the Group's Client First initiatives.

Trustee services	**31 Dec 16 $'000**	**31 Dec 15 $'000**	**Movement $'000**	**Movement %**
Net operating revenue	14,116	14,058	58	0.4%
Other revenue (incl equity accounted profits)	-	-	-	n/a
Operating expenditure	(9,549)	(9,078)	(471)	(5.2%)
Net financing	(1)	-	(1)	n/a
Net non-cash items	(296)	(120)	(176)	(146.7%)
Income tax expense and non-controlling interest	(1,286)	(1,461)	175	12.0%
Underlying Profit after Tax	**2,984**	**3,399**	**(415)**	**(12.2%)**

● Gross revenue has increased in line with higher client numbers. Net operating revenue, however, has been adversely impacted by one-off higher legal costs classified as a fund administration expense.

● Increased operating expenditure resulted from a major IT upgrade, increased staffing to facilitate organic growth initiatives and wage increases in line with inflation.

Financial Position

The IOOF Group held cash and cash equivalents of $192.2m at 31 December 2016 (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 31 December 2016 (30 June 2016: 13%). Net debt, borrowings less cash, stood at 0.1 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.

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 is outlined in Section 1 of the financial statements for the year ended 30 June 2016. 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 the IOOF Group earns in fees and charges. Deterioration in investment market conditions could also lead to reduced consumer interest in the IOOF Groups' 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.

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Risks (continued)

(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 on the 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 or cyber security 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, mandates staff training which is focused on cyber risk, 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.

(iv) Brands and reputation
The IOOF Group's capacity to attract and retain financial planners, 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.

(v) 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.

(vi) Operational risks
Operational risk is the risk arising from the daily functioning of the Group’s businesses. The IOOF Group has specific operational exposures relevant to the industry in which it operates 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.

(vii) 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.

(viii) Cash flow and fair value 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 managed 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.

(ix) 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 are also regularly reviewed and carefully monitored in accordance with those licence requirements.

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Risks (continued)

(x) 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.

(xi) 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 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.

(xii) 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.

(xiii) 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 its 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.

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

(xv) 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.

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Risks (continued)

(xvi) 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.

(xvii) 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. IOOF’s TSR for the 12 months to 31 December 2016 was 2.2% with strong dividends partly offsetting market devaluations. The market valuation of IOOF is reflective of movements in global equity markets. TSR in the period from the acquisition of Australian Wealth Management on 30 April 2009 to 31 December 2016 was 215% in total and 16% on a compounding annualised basis. The Group is in a strong financial position with low gearing and significant free cash.

	Six months ended 31 December		
	2016	2015	% change
Profit attributable to owners of the Company ($'000s)(1)	74,212	133,986	(44.6%)
Basic EPS (cents per share)	24.7	44.7	(44.6%)
Diluted EPS (cents per share)	24.7	44.5	(44.5%)
Basic EPS (continuing operations) (cents per share)	24.7	25.0	(1.2%)
UNPAT ($'000s)	79,420	95,376	(16.7%)
UNPAT EPS (cents per share)	26.5	31.8	(16.7%)
UNPAT EPS (continuing operations) (cents per share)	26.5	31.1	(14.9%)
Dividends declared ($'000s)	78,035	85,538	(8.8%)
Dividends per share (cents per share)	26.0	28.5	(8.8%)
Opening share price	7.83	9.10	(14.0%)
Closing share price at 31 December	9.21	9.52	(3.3%)
Return on equity (non-statutory measure)(2)	11.2%	13.6%	(17.7%)

(1) Profit attributable to owners of the Company have been calculated in accordance with Australian Accounting Standards.
(2) Return on equity is calculated by dividing UNPAT by average equity during the period.

Returns to shareholders increase / decrease through both dividends and capital growth / decline. Dividends for 2016 and prior years were fully franked.

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UNPAT adjustments

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.

Acquisition and divestment transaction costs: (2015: 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).

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 period, the IOOF Group divested Perennial Investment Management Ltd to Perennial Value Management Ltd. The IOOF Group also partially divested a subsidiary. (2015: Perennial Fixed Interest and Perennial Growth Management).

Profit on sale 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 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.

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 newly legislated 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 of at their accounting values. This DTL reduces in future periods at 30% of the amortisation applicable to those assets which have different accounting values and tax cost bases. The recognition of DTL and subsequent period 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.

Reinstatement of Perennial non-controlling interests: (2015: Embedded derivatives exist 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 period. 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

	31 Dec 2016 (cents)	30 Jun 2016 (cents)
Net tangible assets/(liabilities) per share *	18.5	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 Ltd was lost during the period due to the divestment of this entity to Perennial Value Management Ltd. The Group held 100% of the shares on issue as at 30 June 2016 which is nil as at 31 December 2016.

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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%
Record date for determining entitlement to dividend	9 March 2017		
Date for payment of interim dividend	30 March 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 period %	Previous corresponding period %	Current period $'000	Previous corresponding period $'000
Equity accounted associates				
Perennial Value Management Ltd *	52.4	52.4	1,715	2,172
Other associates			429	643
			2,144	2,815

* 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

	31 Dec 2016 (cents)	31 Dec 2015 (cents)
Basic earnings per share	24.7	44.7
Diluted earnings per share	24.7	44.5
UNPAT earnings per share	26.5	31.8

Weighted average number of ordinary shares	31 Dec 2016 No. '000	31 Dec 2015 No. '000
Basic and UNPAT earnings per share	299,878	299,713
Diluted earnings per share	300,503	301,073

9. Other

The information contained in this Appendix 4D is based on the 31 December 2016 condensed consolidated interim financial report of IOOF Holdings Ltd and its subsidiaries, which have been subject to review by KPMG. The financial report is not subject to qualification. A copy of the financial report is attached.

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

IOOF Holdings Ltd

ABN 49 100 103 722

31 December 2016

Condensed consolidated interim financial report

Contents

The Directors present their report together with the financial report of IOOF Holdings Ltd (the "Company" or "Parent") and of the IOOF Group, being the Company and its subsidiaries and the consolidated Group's interest in associates for the six months ended 31 December 2016 and the auditor's report thereon.

Directors

The Directors of the Company during or since the end of the six months are:

Name

Dr Roger Sexton AM (Chairman), retired 24 November 2016
Mr George Venardos, appointed Chairman 24 November 2016
Mr Christopher Kelaher
Mr Allan Griffiths
Ms Jane Harvey
Ms Elizabeth Flynn
Mr John Selak, appointed 14 October 2016

All Directors held office during and since the end of the period, unless otherwise noted.

Operating and financial review

In accordance with current Australian Accounting Standards, the financial results of the benefit funds of IOOF Ltd are included in the consolidated results of the IOOF Group. The inclusion of the benefit funds has no impact on the profit after tax for the six months ended 31 December 2016 (2015: $nil), but results in offsetting pre-tax profit and income tax amounts not available to shareholders.

The following table, which has not been audited, provides a reconciliation between the reported results of the IOOF Group and underlying net profit after tax pre-amortisation (UNPAT), with the results of the benefit funds excluded. In calculating its UNPAT, the IOOF Group reverses the impact on profit of certain, predominantly non cash, items to enable a better understanding of its operational result. It is the UNPAT result which will be analysed in detail in this section of the Directors' Report. It should be noted, however, that the items reversed, and the rationale for that reversal, is also addressed in detail.

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

		Six months ended	
	Note	31 Dec 16 $'000	31 Dec 15 $'000
Profit attributable to Owners of the Company		**74,212**	**133,986**
Underlying net profit after tax pre-amortisation (UNPAT) adjustments:			
Reverse the impact of:			
Amortisation of intangible assets	2-4	19,253	19,993
Acquisition and divestment transaction costs	2-2, 2-4	-	471
Termination and retention incentive payments	2-4	3,215	4,141
Gain on divestment of subsidiaries	2-2, 2-3	(6,261)	(71,988)
Profit on sale of assets	2-3	(11,133)	(2,976)
Non-recurring professional fees	2-4	1,984	3,099
Unwind of deferred tax liability recorded on intangible assets		(5,028)	(5,028)
Reinstatement of Perennial non-controlling interests		-	(825)
Income tax attributable		3,178	14,503
UNPAT		**79,420**	**95,376**
Discontinued operation		-	(2,097)
UNPAT from continuing operations		**79,420**	**93,279**

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: retail; industry funds; self-managed; corporate and public sector. Further information regarding the differentiating features of these fund types is available in the financial statements for the year ended 30 June 2016.

Operating and financial review (continued)

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 $2.1 trillion as at 30 September 2016. Over the 12 months to September 2016 there was a 7.4% 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 6%. 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 September 2016, for funds with greater than four members, 49.0% of investments were invested in equities; with 22.9% in Australian listed equities, 21.8% in international listed equities and 4.3% in unlisted equities. Fixed income and cash investments accounted for 33.4% of investments; 20.9% in fixed income and 12.5% in cash. Property and infrastructure accounted for 13.5% of investments and 4.0% 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 member experience through continued technology development and experienced knowledgeable support staff;
- enhanced training initiatives and leading minimum qualification standards to give our staff and advisers every opportunity to optimise the experience of our clients and members;
- 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.

The IOOF Group's UNPAT of $79.4m was a $1.4m or 1.8% increase relative to $78.0m UNPAT for the immediate preceding period of the six months to 30 June 2016. The IOOF Group's UNPAT decreased $13.9m or 14.9% to $79.4m for the half year ended 31 December 2016 relative to $93.3m UNPAT from continuing operations in the prior corresponding period.

In the prior corresponding period 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. The results of these businesses have been disclosed as a discontinued operation in the financial statements. These divestments allow IOOF to concentrate on its core advice, superannuation, multimanager and trustee business. The proceeds from the sale will potentially fund congruent acquisitions, retire debt or be returned to shareholders depending on opportunities and circumstances. Perennial Value Management and its subsidiary entities will remain a strategic portfolio investment for the IOOF Group.

Analysis of financial results - 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 from the six month period to 31 December 2015 are denoted prior corresponding period or *pcp* . Additional disclosure relating to variances from the six month period to 30 June 2016 are denoted immediate preceding period or *ipp* .

Operating and financial review (continued)

Gross margin decreased $17.5m pcp and $1.2m ipp

During the current period, average Funds Under Management, Administration and Advice (FUMA) were $106.8b, an increase of 2% on *pcp* and 4% on *ipp*. The increases were derived largely from equity market performance in the current period augmented by organic growth in advice based funds. Platform flows of $401m were up 5% on *ipp* and over 200% on *pcp*. The *ipp* improvement resulted from better penetration of the existing member base. The transfer of members from the Bridges aligned TPS platform to IOOF's contemporary, more marketable, Pursuit offering was the prime cause of this positive outcome. The *pcp* improvement was largely impacted by the loss of a single low margin corporate account which had an outsize impact in that prior half.

The revenue impact from higher average funds was offset by negative impacts from product mix on earning rates or margins. Those negative impacts were $22m on *pcp* and $10m on *ipp*. Within platform administration, these lower rates 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. Investment management margins also reduced given higher custody and transaction costs for actively managed multi-manager portfolios with higher relative performance. Shadforth margins also declined, largely due to divestment and service mix impacts.

Other revenue increased $0.4m pcp and $5.4m ipp

The IOOF Group's broking businesses', (Ord Minnett and Bridges) contributions were up in comparison to both prior periods due to improved equity market conditions for new issues and traded volumes more broadly. In comparison to *pcp*, service charges to associated entities were reduced in line with the significant number of divested holdings enacted in 2015 and 2016. However this is more stable relative to *ipp* given lower levels of divestment activity.

Operating expenditure increased by $0.1m pcp and $3.6m ipp

The increase in operating expenditure excludes the impact of expenditure items identified as reversed in calculating UNPAT. As a financial services provider, labour represents the group's most material cost. Labour costs have increased marginally over each of the three halves. This reflects market based wage increases largely offset by a lowering of staff numbers in response to rationalisation initiatives. Platform rationalisation has also seen computer expenditure reduced by approximately $1.5m relative to both preceding halves. Professional fees have increased largely because specialist advisers have been engaged to assess significant acquisition opportunities. In addition, the Group has outsourced research which has the effect of increasing professional fees, but lowering staff numbers.

Net financing costs decreased by $0.5m pcp and $0.3m ipp

Net financing costs have not varied materially as there has been a stable interest rate environment over the eighteen months to 31 December 2016 in addition to similar patterns of sources and applications of funds over that period.

Other profit impacts increased by $2.8m pcp and $0.5m ipp

Non-controlling interests excluded Perennial entities due to classification as discontinued operations and was $0.8m higher in line with Ord Minnett's increased profitability. Share of associates profits declined $0.7m relative to *pcp* as a result of mandate outflows and higher costs within the Perennial Value Management Group, however this has stabilised relative to *ipp*. Share-based payments expense was $0.4m lower due to the roll off of non-employee stakeholder plans although this increased slightly on *ipp* with new executive performance rights issues. Income tax expense relative to *pcp* reflected reduced profitability from continuing operations. Variability in the rate of tax relative to pre-tax profits in any given period reflects the timing and extent to which software development expenditure enables research and development tax concessions to be recognised.

Analysis of financial results - Segments (excluding discontinued operations)

	31 Dec 16	31 Dec 15	Movement	
Platform management and administration	**$'000**	**$'000**	**$'000**	**%**
Net operating revenue	103,716	113,074	(9,358)	(8.3%)
Other revenue (incl equity accounted profits)	-	375	(375)	(100.0%)
Operating expenditure	(49,810)	(48,986)	(824)	(1.7%)
Net financing	-	2	(2)	(100.0%)
Net non-cash items	(2,733)	(2,667)	(66)	(2.5%)
Income tax expense and non-controlling interest	(15,656)	(19,070)	3,414	17.9%
Underlying Profit after Tax	**35,517**	**42,728**	**(7,211)**	**(16.9%)**

Operating and financial review (continued)

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

- Average funds benefited from significantly improved organic growth. 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 six months of MySuper pricing on higher balance accounts.
- Marginally increased operating expenditure resulted primarily from market based wage increases partly offset by reduced staff numbers following platform rationalisation. Costs have been reduced relative to the immediate preceding six months.

Investment management	31 Dec 16	31 Dec 15	Movement	
	$'000	$'000	$'000	%
Net operating revenue	27,681	30,650	(2,969)	(9.7%)
Other revenue (incl equity accounted profits)	1,752	4,042	(2,290)	(56.7%)
Operating expenditure	(7,301)	(11,834)	4,533	38.3%
Net financing	282	362	(80)	(22.1%)
Net non-cash items	(401)	(697)	296	42.5%
Income tax expense and non-controlling interest	(6,133)	(6,166)	33	0.5%
Underlying Profit after Tax	**15,880**	**16,357**	**(477)**	**(2.9%)**

- Net operating revenue declines reflected lower average margins. Margins were affected by higher custody and transaction costs.
- Decreased operating expenditure resulted from lower allocation of group services costs following the divestment of Perennial.

Financial advice and distribution	31 Dec 16	31 Dec 15	Movement	
	$'000	$'000	$'000	%
Net operating revenue	130,845	133,234	(2,389)	(1.8%)
Other revenue (incl equity accounted profits)	2,503	2,755	(252)	(9.1%)
Operating expenditure	(76,961)	(74,408)	(2,553)	(3.4%)
Net financing	310	363	(53)	(14.6%)
Net non-cash items	(1,629)	(2,182)	553	25.3%
Income tax expense and non-controlling interest	(18,509)	(19,158)	649	3.4%
Underlying Profit after Tax	**36,559**	**40,604**	**(4,045)**	**(10.0%)**

- Average funds growth has been offset by Shadforth fee mix impacts and divestments of owned advice business into owner operated dealer groups. Net operating revenue has declined marginally as a result.
- 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 advisors under the Group's Client First initiatives.

Trustee services	31 Dec 16	31 Dec 15	Movement	
	$'000	$'000	$'000	%
Net operating revenue	14,116	14,058	58	0.4%
Other revenue (incl equity accounted profits)	-	-	-	n/a
Operating expenditure	(9,549)	(9,078)	(471)	(5.2%)
Net financing	(1)	-	(1)	n/a
Net non-cash items	(296)	(120)	(176)	(146.7%)
Income tax expense and non-controlling interest	(1,286)	(1,461)	175	12.0%
Underlying Profit after Tax	**2,984**	**3,399**	**(415)**	**(12.2%)**

- Gross revenue has increased in line with higher client numbers. Net operating revenue, however, has been adversely impacted by one-off higher legal costs classified as a fund administration expense.
- Increased operating expenditure resulted from a major IT upgrade, increased staffing to facilitate organic growth initiatives and wage increases in line with inflation.

Operating and financial review (continued)

Financial Position

The IOOF Group held cash and cash equivalents of $192.2m at 31 December 2016 (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 31 December 2016 (30 June 2016: 13%). Net debt, borrowings less cash, stood at 0.1 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.

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 is outlined in Section 1 of the financial statements for the year ended 30 June 2016. 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 the IOOF Group earns in fees and charges. Deterioration in investment market conditions could also lead to reduced consumer interest in the IOOF Groups' 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 on the 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 or cyber security 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, mandates staff training which is focused on cyber risk, 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.

(iv) Brands and reputation
The IOOF Group's capacity to attract and retain financial planners, 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.

(v) 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.

Operating and financial review (continued)

Risks (continued)

(vi) Operational risks
Operational risk is the risk arising from the daily functioning of the Group's businesses. The IOOF Group has specific operational exposures relevant to the industry in which it operates 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.

(vii) 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.

(viii) Cash flow and fair value 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 managed 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.

(ix) 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 are also regularly reviewed and carefully monitored in accordance with those licence requirements.

(x) 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.

(xi) 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 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.

(xii) 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.

Operating and financial review (continued)

Risks (continued)

(xiii) 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 its 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.

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

(xv) 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.

(xvi) 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.

(xvii) 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. IOOF's TSR for the 12 months to 31 December 2016 was 2.2% with strong dividends partly offsetting market devaluations. The market valuation of IOOF is reflective of movements in global equity markets. TSR in the period from the acquisition of Australian Wealth Management on 30 April 2009 to 31 December 2016 was 215% in total and 16% on a compounding annualised basis. The Group is in a strong financial position with low gearing and significant free cash.

Operating and financial review (continued)

Shareholder returns (continued)

	Six months ended 31 December 2016	2015	% change
Profit attributable to owners of the Company ($'000s)[1]	74,212	133,986	(44.6%)
Basic EPS (cents per share)	24.7	44.7	(44.6%)
Diluted EPS (cents per share)	24.7	44.5	(44.5%)
Basic EPS (continuing operations) (cents per share)	24.7	25.0	(1.2%)
UNPAT ($'000s)	79,420	95,376	(16.7%)
UNPAT EPS (cents per share)	26.5	31.8	(16.7%)
UNPAT EPS (continuing operations) (cents per share)	26.5	31.1	(14.9%)
Dividends declared ($'000s)	78,035	85,538	(8.8%)
Dividends per share (cents per share)	26.0	28.5	(8.8%)
Opening share price	$ 7.83	$ 9.10	(14.0%)
Closing share price at 31 December	$ 9.21	$ 9.52	(3.3%)
Return on equity (non-statutory measure)[2]	11.2%	13.6%	(17.7%)

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

(2) Return on equity is calculated by dividing UNPAT by average equity during the period.

Returns to shareholders increase / decrease through both dividends and capital growth / decline. Dividends for 2016 and prior years were fully franked.

UNPAT adjustments

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.

Acquisition and divestment transaction costs: (2015: 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).

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 period, the IOOF Group divested Perennial Investment Management Ltd to Perennial Value Management Ltd. The IOOF Group also partially divested a subsidiary. (2015: Perennial Fixed Interest and Perennial Growth Management).

Profit on sale 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 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.

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 newly legislated 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 of at their accounting values. This DTL reduces in future periods at 30% of the amortisation applicable to those assets which have different accounting values and tax cost bases. The recognition of DTL and subsequent period 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.

Operating and financial review (continued)

UNPAT adjustments (continued)

Reinstatement of Perennial non-controlling interests: (2015: Embedded derivatives exist 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 period. 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.

Dividends

In respect of the six months ended 31 December 2016, the Directors declared the payment of an interim dividend of 26.0 cents per share franked to 100% at 30% corporate income tax rate to the holders of fully paid ordinary shares to be paid on 30 March 2017. This dividend will be paid to all shareholders recorded on the Register of Members on 9 March 2017.

In respect of the financial year ended 30 June 2016, a final dividend of 26.0 cents per share franked to 100% at 30% corporate income tax rate was paid to the holders of fully paid ordinary shares on 13 October 2016.

Events occurring after balance date

As at 31 December 2016, a $90.0m tranche of the overall $206.8m syndicated facility (Note 1-1 Financial instruments) was due and payable on 5 August 2017. On 9 January 2017 the payment date of this $90.0m tranche was extended to 5 February 2018 by mutual agreement of all parties.

The Directors are not aware of any other matter or circumstance not otherwise dealt with in this report, or the accompanying financial statements and notes thereto, that has arisen since 31 December 2016 that has significantly affected, or may significantly affect:

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

Lead auditor's independence declaration

The lead auditor's independence declaration is included on page 11 of the interim financial report and forms part of the Directors' Report for the six months ended 31 December 2016.

Rounding off of amounts

The Company is a company of the kind referred to in ASIC Corporations Instrument 2016/191, dated 24 March 2016, and in accordance with that Instrument amounts in the financial report are rounded off to the nearest thousand dollars, narrative disclosures are expressed in whole dollars or as otherwise indicated.

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

George Venardos

Chairman
15 February 2017

Directors' declaration

In the opinion of the Directors of the Company:

(a) the condensed consolidated financial statements and notes set out on pages 14 to 34, are in accordance with the Corporations Act 2001 including:

(i) giving a true and fair view of the Group's financial position as at 31 December 2016 and of its performance for the six months ended on that date; and

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

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

Signed in accordance with a resolution of the Directors:

George Venardos
Chairman
Melbourne
15 February 2017

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

To: the directors of IOOF Holdings Ltd

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2016 there have been:

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

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

KPMG

KPMG

Dean M Waters
Partner

Melbourne
15 February 2017

Independent auditor's review report to the members of IOOF Holdings Ltd

Report on the financial report

We have reviewed the accompanying interim financial report of IOOF Holdings Ltd (the "Company"), which comprises the condensed consolidated statement of financial position as at 31 December 2016, condensed consolidated statement of profit and loss and comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the interim period ended on that date, notes 1-1 to 6-5 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the Company and the entities it controlled at the half-year's end or from time to time during the interim period.

Responsibility of the Directors for the interim financial report

The directors of the Company are responsible for the preparation of the interim financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the interim financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility for the review of the interim financial report

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity,* in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2016 and its performance for the interim period ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of IOOF Holdings Ltd, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an interim 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.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of IOOF Holdings Pty Ltd is not in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 31 December 2016 and of its performance for the interim period ended on that date; and

(b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

KPMG

KPMG

Dean M Waters

Partner

Melbourne

15 February 2017

Condensed consolidated statement of profit or loss and comprehensive income

For the six months ended		31 Dec 16	31 Dec 15
Continuing operations	**Note**	**$'000**	**$'000**
Revenue	2-3	457,390	468,873
Expenses	2-4	(352,558)	(365,195)
Share of profits of associates accounted for using the equity method		2,144	2,815
Finance costs		(3,390)	(3,712)
Profit before tax		103,586	102,781
Income tax expense	2-5	(27,258)	(26,394)
Statutory fund			
Statutory fund revenue*	5-3	37,483	42,618
Statutory fund expenses*	5-3	(26,685)	(37,823)
Income tax (expense)/benefit - statutory*	5-3	(10,798)	(4,795)
Statutory fund contribution to profit, net of tax		-	-
Profit for the period from continuing operations		**76,328**	**76,387**
Discontinued operation			
Profit for the period from discontinued operation	2-2	-	58,924
Profit for the period		76,328	135,311
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Net change in fair value of available-for-sale financial assets		1,408	500
Exchange differences on translating foreign operations		15	70
Income tax on other comprehensive income		(422)	(164)
Total items that may be reclassified subsequently to profit or loss		1,001	406
Other comprehensive income/(expense) for the period, net of income tax		1,001	406
Total comprehensive income for the period		77,329	135,717
Profit attributable to:			
Owners of the Company from continuing operations		**74,212**	**75,062**
Owners of the Company from discontinued operations		**-**	**58,924**
Total profit attributable to owners of the Company		**74,212**	**133,986**
Non-controlling interest		2,116	1,325
Profit for the period		76,328	135,311
Total comprehensive income attributable to:			
Owners of the Company		75,213	134,392
Non-controlling interest		2,116	1,325
Total comprehensive income for the period		77,329	135,717
Earnings per share:			
Basic earnings per share (cents per share)		24.7	44.7
Diluted earnings per share (cents per share)		24.7	44.5
Earnings per share - continuing operations:			
Basic earnings per share (cents per share)		24.7	25.0
Diluted earnings per share (cents per share)		24.7	24.9

Notes to the consolidated financial statements are included on pages 19 to 34.

*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.

Condensed consolidated statement of financial position

	Note	31 Dec 16 $'000	30 Jun 16 $'000
Assets			
Cash	1-1	192,155	186,992
Receivables	1-1	101,440	102,378
Other financial assets		40,374	43,378
Prepayments		10,255	11,828
Deferred acquisition costs		2,121	2,482
Associates		23,490	22,667
Property and equipment		20,316	21,863
Intangible assets	4-2	460,639	480,169
Goodwill	4-3	991,712	991,712
Assets relating to statutory funds	5-1	916,566	879,349
Total assets		**2,759,068**	**2,742,818**
Liabilities			
Payables	1-1	69,701	68,781
Borrowings	3-1	206,911	206,975
Current tax liabilities		7,384	17,930
Contingent consideration	1-1	2,342	1,491
Provisions	4-1	55,762	62,394
Deferred tax liabilities		99,267	101,163
Deferred revenue liability		2,065	2,499
Lease incentives		2,380	2,536
Liabilities relating to statutory funds	5-2	916,566	879,349
Total liabilities		**1,362,378**	**1,343,118**
Net assets		**1,396,690**	**1,399,700**
Equity			
Share capital	3-2	1,436,002	1,436,460
Reserves	3-4	11,409	11,266
Accumulated losses		(60,878)	(57,501)
Total equity attributable to equity holders of the Company		**1,386,533**	**1,390,225**
Non-controlling interest		10,157	9,475
Total equity		**1,396,690**	**1,399,700**

Notes to the consolidated financial statements are included on pages 19 to 34.

Condensed consolidated statement of changes in equity

For the six months ended 31 December 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 2016	1,439,276	(2,816)	11,266	(57,501)	**1,390,225**	9,475	**1,399,700**
Total comprehensive income for the period							
Profit for the period attributable to owners of the Company	-	-	-	74,212	**74,212**	2,116	**76,328**
Other comprehensive income for the period, net of income tax	-	-	1,001	-	**1,001**	-	**1,001**
Total comprehensive income for the period	-	-	1,001	74,212	**75,213**	2,116	**77,329**
Contributions by and (distributions to) owners							
Dividends to equity holders	-	-	-	(77,986)	**(77,986)**	(1,434)	**(79,420)**
Share-based payment expense	-	-	862	-	**862**	-	**862**
Transfer from employee equity-settled benefits reserve on exercise of options	1,323	-	(1,323)	-	**-**	-	**-**
Treasury shares transferred to recipients during the period	(1,997)	1,997	-	-	**-**	-	**-**
Transfer of lapsed share options to retained earnings	-	-	(397)	397	**-**	-	**-**
Purchase of treasury shares	-	(1,781)	-	-	**(1,781)**	-	**(1,781)**
Total transactions with owners	(674)	216	(858)	(77,589)	**(78,905)**	(1,434)	**(80,339)**
Balance at 31 December 2016	1,438,602	(2,600)	11,409	(60,878)	**1,386,533**	10,157	**1,396,690**

Notes to the consolidated financial statements are included on pages 19 to 34.

Condensed consolidated statement of changes in equity

For the six months ended 31 December 2015	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 period							
Profit for the period attributable to owners of the Company	-	-	-	133,986	**133,986**	1,325	135,311
Other comprehensive income for the period, net of income tax	-	-	406	-	**406**	-	406
Total comprehensive income for the period	-	-	406	133,986	**134,392**	1,325	135,717
Transactions with owners, recorded directly in equity							
Contributions by and (distributions to) owners							
Dividends to equity holders	-	-	-	(83,941)	**(83,941)**	(1,312)	(85,253)
Share-based payment expense	-	-	1,318	-	**1,318**	-	1,318
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	5,863	-	(5,863)	-	**-**	-	-
Treasury shares transferred to recipients during the period	(11,650)	11,650	-	-	**-**	-	-
Recognition of Operating Risk Financial Reserve	-	-	2,799	-	**2,799**	-	2,799
Purchase of treasury shares	-	(5,203)	-	-	**(5,203)**	-	(5,203)
Disposal of discontinued operation	-	-	18,728	(18,728)	**-**	-	-
Transfer of lapsed share options to retained earnings	-	-	(35)	35	**-**	-	-
Total transactions with owners	(5,577)	6,447	16,947	(102,634)	**(84,817)**	(1,312)	(86,129)
Balance at 31 December 2015	1,439,326	(699)	8,435	(34,872)	**1,412,190**	9,656	1,421,846

Notes to the consolidated financial statements are included on pages 19 to 34.

Condensed consolidated statement of cash flows

For the six months ended	Note	31 Dec 16 $'000	31 Dec 15 $'000
Cash flows from operating activities			
Receipts from customers		468,674	500,363
Payments to suppliers and employees		(350,590)	(378,533)
Dividends from associates		1,199	214
Net stockbroking purchases		182	(183)
Non-recurring professional fees		(1,984)	(3,099)
Termination and retention incentive payments		(3,108)	(4,141)
Income taxes paid		(34,522)	(45,184)
Net cash provided by/(used in) operating activities		79,851	69,437
Cash flows from investing activities			
Dividends and distributions received		544	424
Interest received		2,269	2,354
Net proceeds on divestment of discontinued operation, net of tax	2-2	-	54,517
Acquisition and divestment transaction costs		-	(471)
Interest and other costs of finance paid		(3,302)	(3,588)
Gain on divestment of subsidiaries		6,261	-
Proceeds on divestment of other assets		9,949	2,920
Receipt/(payment) of deferred purchase consideration		135	(4,869)
Purchase of non-controlling interests in subsidiaries		-	(2,112)
Net proceeds from sales/(purchases) of financial assets		(64)	(775)
Payments for property and equipment		(2,458)	(5,333)
Amounts borrowed from/(advanced to) other entities		(67)	248
Payments for intangible assets		(4,275)	(600)
Net cash provided by/(used in) investing activities		8,992	42,715
Cash flows from financing activities			
Net borrowings drawn/(repaid)		(133)	(439)
Purchase of treasury shares		(1,781)	(5,203)
Proceeds from exercise of IFL share options		-	210
Dividends paid:			
- members of the Company		(77,986)	(83,941)
- non-controlling members of subsidiary entities		(1,434)	(1,312)
- shareholders entitled to contractual share buy-back		-	(1,698)
Net cash provided by/(used in) financing activities		(81,334)	(92,383)
Net increase/(decrease) in cash and cash equivalents		7,509	19,769
Cash and cash equivalents at the beginning of period		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		-	2,799
Effects of exchange rate changes on cash and cash equivalents		4	34
Cash and cash equivalents at the end of period		192,155	178,449

Notes to the consolidated financial statements are included on pages 19 to 34.

Section 1 - Risk management

The IOOF Group's activities expose it to a variety of financial and non-financial risks. Financial risks include: market risks (including price risk, currency risk and interest rate risk), credit risk, statutory fund and liquidity risk. The nature of the financial risk exposures arising from financial instruments, the objectives, policies and processes for managing these risks, and the methods used to measure them are unchanged from the year ended 30 June 2016.

1-1 Financial Instruments

Fair value hierarchy

The fair values of financial assets and liabilities are equal to the carrying amounts shown in the statement of financial position with the exception of finance lease liabilities which are disclosed in note 3-1 Borrowings.

The table below analyses financial instruments carried at fair value, by valuation method.

	Carrying amount			Fair value			
	Current	Non-Current	Total	Level 1	Level 2	Level 3	Total
31 December 2016	$'000	$'000	$'000	$'000	$'000	$'000	
Cash	192,155	-	192,155				
Financial assets measured at fair value							
Available-for-sale investments	-	23,086	23,086	23,086	-	-	23,086
Shares in listed companies	100	-	100	100	-	-	100
Unlisted unit trusts	-	1,628	1,628	-	1,628	-	1,628
Fair value through profit or loss	100	1,628	1,728	100	1,628	-	1,728
Financial assets not measured at fair value							
Trade receivables	46,918	-	46,918				
Other receivables	47,750	1,377	49,127				
Security bonds	-	5,395	5,395				
Trade and other receivables	94,668	6,772	101,440				
Loans to directors and executives of associated entities	-	8,407	8,407				
Seed capital receivable	-	7,153	7,153				
Loans and other receivables	-	15,560	15,560				
Total financial assets	**286,923**	**47,046**	**333,969**				
Financial liabilities							
Contingent consideration	1,760	583	2,342	-	-	2,342	2,342
Payables	68,590	3	68,593				
Payables to statutory benefit funds	1,108	-	1,108				
Total payables	69,698	3	69,701				
Borrowing facilities	90,000	116,794	206,794				
Finance lease liabilities	117	-	117				
Borrowings	90,117	116,794	206,911				
Total financial liabilities	**161,575**	**117,380**	**278,954**				

Section 1 - Risk management

1-1 Financial Instruments (continued)

	Carrying amount			Fair value			
	Current	Non-Current	Total	Level 1	Level 2	Level 3	Total
30 June 2016	$'000	$'000	$'000	$'000	$'000	$'000	
Cash	186,992	-	186,992				
Financial assets measured at fair value							
Available-for-sale investments	-	20,999	20,999	20,999	-	-	20,999
Certificates of deposit	132	-	132	-	132	-	132
Shares in listed companies	181	-	181	181	-	-	181
Unlisted unit trusts	-	1,963	1,963	-	1,963	-	1,963
Fair value through profit or loss	313	1,963	2,276	181	2,095	-	2,276
Financial assets not measured at fair value							
Trade receivables	50,458	-	50,458				
Other receivables	44,761	1,785	46,546				
Security bonds	-	5,374	5,374				
Trade and other receivables	95,219	7,159	102,378				
Loans to directors and executives of associated entities	-	8,409	8,409				
Receivables from statutory benefit funds	4,541	-	4,541				
Seed capital receivable	-	7,153	7,153				
Loans and other receivables	4,541	15,562	20,103				
Total financial assets	**287,065**	**45,683**	**332,748**				
Financial liabilities							
Contingent consideration	721	770	1,491	-	-	1,491	1,491
Payables	68,778	3	68,781				
Borrowing facilities	-	206,730	206,730				
Finance lease liabilities	192	53	245				
Borrowings	192	206,783	206,975				
Total financial liabilities	**69,691**	**207,556**	**277,247**				

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

- Level 1: quoted closing prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included with Level 1 that are observable for the asset or liability, either directly (ie. as prices) or indirectly (ie. derived from prices). Level 2 fair values for the over-the-counter foreign exchange and index swap are provided by the counterparty and verified by the IOOF Group. Fair values are derived from published market indices and include adjustments to take account of the credit risk of the IOOF Group entity and counterparty.
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The IOOF Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the transfer has occurred. There were no transfers between Level 1 to Level 2 of the fair value hierarchy during the six months ended 31 December 2016. (2015: nil).

Section 1 - Risk management

1-1 Financial Instruments (continued)

Reconciliation of movements in level 3 financial liabilities	Contingent consideration $'000
Opening balance as at 1 July 2016	1,491
Acquisition of intangibles	1,069
Unwinding of discount	20
Settlement of contingent consideration	(238)
Closing balance as at 31 December 2016	2,342

Section 2 - Results for the period

This section focuses on the results and performance of the IOOF Group. On the following pages you will find disclosures explaining the Group's results for the period, segment information, taxation and earnings per share.

2-1 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.

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.

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.

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 2 - Results for the period

2-1 Operating segments (continued)

	Platform management and administration		Investment management		Financial advice and distribution		Trustee services		Corporate and other		Total	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000	2016 $'000	2015 $'000	2016 $'000	2015 $'000	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Continuing operations												
External management and service fee revenue	189,747	203,468	41,343	52,665	129,788	132,124	13,234	12,771	-	-	374,112	401,028
External other fee revenue	3,477	3,337	1,356	946	8,671	12,246	1,990	1,931	205	354	15,699	18,814
Service fees and other direct costs	(55,936)	(59,015)	(14,892)	(22,827)	(59,954)	(61,632)	(1,320)	(806)	183	182	(131,919)	(144,098)
Deferred acquisition costs	(70)	(290)	-	-	(212)	(334)	-	-	-	-	(282)	(624)
Gross Margin	**137,218**	**147,500**	**27,807**	**30,784**	**78,293**	**82,404**	**13,904**	**13,896**	**388**	**536**	**257,610**	**275,120**
Stockbroking revenue	-	-	-	-	44,260	38,008	-	-	-	-	44,260	38,008
Stockbroking service fees expense	-	-	-	-	(25,055)	(21,507)	-	-	-	-	(25,055)	(21,507)
Stockbroking net contribution	**-**	**-**	**-**	**-**	**19,205**	**16,501**	**-**	**-**	**-**	**-**	**19,205**	**16,501**
Inter-segment revenue(i)	3	-	-	-	35,877	36,735	212	162	69	69	36,161	36,966
Inter-segment expenses(i)	(33,505)	(34,426)	(126)	(134)	(2,530)	(2,406)	-	-	-	-	(36,161)	(36,966)
Net Operating Revenue	**103,716**	**113,074**	**27,681**	**30,650**	**130,845**	**133,234**	**14,116**	**14,058**	**457**	**605**	**276,815**	**291,621**
Other external revenue	-	375	37	1,870	2,074	2,095	-	-	826	883	2,937	5,223
Finance income	-	2	282	418	333	405	-	-	2,373	1,999	2,988	2,824
Inter-segment revenue(i)	-	-	-	-	-	17	-	-	-	-	-	17
Share of net profits of associates	-	-	1,715	2,172	429	643	-	-	-	-	2,144	2,815
Operating and other expenditure	(49,810)	(48,969)	(7,301)	(11,834)	(76,961)	(74,408)	(9,549)	(9,078)	(21,660)	(20,937)	(165,281)	(165,226)
Share-based payments expense	(136)	(336)	(146)	(149)	(54)	(350)	(16)	(10)	(510)	(461)	(862)	(1,306)
Finance costs	-	-	-	(56)	(23)	(42)	(1)	-	(3,366)	(3,614)	(3,390)	(3,712)
Inter-segment expenses(i)	-	(17)	-	-	-	-	-	-	-	-	-	(17)
Depreciation	(1,721)	(1,480)	(255)	(548)	(1,575)	(1,832)	(280)	(110)	-	-	(3,831)	(3,970)
Amortisation of intangible assets - IT Development	(876)	(851)	-	-	-	-	-	-	-	-	(876)	(851)
Non-controlling interests	-	-	-	-	(2,116)	(1,325)	-	-	-	-	(2,116)	(1,325)
Income tax expense	(15,656)	(19,070)	(6,133)	(6,166)	(16,393)	(17,833)	(1,286)	(1,461)	10,360	11,716	(29,108)	(32,814)
UNPAT from continuing operations	**35,517**	**42,728**	**15,880**	**16,357**	**36,559**	**40,604**	**2,984**	**3,399**	**(11,520)**	**(9,809)**	**79,420**	**93,279**
Discontinued Operations											-	2,097
UNPAT											**79,420**	**95,376**

(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 the Operating and financial review section of the Directors' Report.

Section 2 - Results for the period

2-1 Operating segments (continued)

Reconciliation of reportable segment revenues and expenses

	Note	31 Dec 16 $'000	31 Dec 15 $'000
Total profit after tax for reportable segments		**79,420**	**93,279**
UNPAT adjustments - continuing operations			
Amortisation of intangible assets	2-4	(19,253)	(19,993)
Acquisition and divestment transaction costs	2-4	-	(380)
Termination and retention incentive payments	2-4	(3,215)	(4,141)
Gain on divestment of subsidiaries	2-3	6,261	-
Profit on sale of assets	2-3	11,133	2,976
Non-recurring professional fees	2-4	(1,984)	(3,099)
Unwind of deferred tax liability recorded on intangible assets		5,028	5,028
Income tax attributable		(3,178)	1,392
Profit for the period from continuing operations attributable to owners of the Company		**74,212**	**75,062**
Non-controlling interest		2,116	1,325
Profit for the period from continuing operations		**76,328**	**76,387**
Profit for the period from discontinued operation		-	58,924
Profit/(loss) for the period		**76,328**	**135,311**

The significant accounting policies are consistent with those adopted for the last annual consolidated financial statements as at and for the year ended 30 June 2016.

2-2 Discontinued operation

In the prior period 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 sale to Henderson was completed on 1 November 2015. No amounts have been recognised as deferred consideration. 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 sale of discontinued operation	71,988
Income tax on gain on sale of discontinued operation	(15,894)
Gain on disposal of discontinued operation, net of tax	56,094
Profit for the period	58,924
Basic earnings per share	19.7
Diluted earnings per share	19.6

Section 2 - Results for the period

2-2 Discontinued operation (continued)

Cash flows from the discontinued operation	4 months ended 1 Nov 15 $'000
Net cash provided by operating activities	2,830
Net cash provided by investing activities	54,517
Net cash flow for the period	57,347

2-3 Revenue

	31 Dec 16 $'000	31 Dec 15 $'000
Management and service fees revenue	374,112	401,028
Stockbroking revenue	44,260	38,008
External other fee revenue	15,699	18,814
Finance income		
Interest income on loans to Directors of controlled and associated entities	129	164
Interest income from non-related entities	2,223	2,233
Dividends and distributions received	544	424
Net fair value gains/(losses) on other financial assets at fair value through profit or loss	92	3
	2,988	2,824
Other revenue		
Service revenue charged to related parties	-	1,866
Gain on divestment of subsidiaries	6,261	-
Profit on sale of assets	11,133	2,976
Other	2,937	3,357
	20,331	8,199
Total revenue from continuing operations	457,390	468,873

Section 2 - Results for the period

2-4 Expenses

		31 Dec 16 $'000	31 Dec 15 $'000
Service Fees and other direct costs			
Service and marketing fees expense		119,746	131,030
Stockbroking service fees expense		25,055	21,507
Other direct costs		12,173	13,068
		156,974	165,605
Operating expenditure			
Salaries and related employee expenses		101,006	99,961
Employee defined contribution plan expense		7,142	7,718
Information technology costs		23,501	25,269
Professional fees		6,143	3,108
Marketing		4,889	5,307
Office support and administration		8,767	9,518
Occupancy related expenses		10,445	10,953
Travel and entertainment		3,388	3,225
		165,281	165,059
Other expenses			
Share-based payments expense		862	1,306
Acquisition and divestment transaction costs		-	380
Termination and retention incentive payments		3,215	4,141
Depreciation of property and equipment		3,831	3,970
Amortisation of intangible assets	4-2	19,253	19,993
Amortisation of intangible assets - IT development	4-2	876	851
Loss on disposal of non-current assets		-	167
Deferred acquisition costs		282	624
Non-recurring professional fees		1,984	3,099
		30,303	34,531
Total expenses from continuing operations		352,558	365,195

2-5 Income Taxes

Reconciliation of effective tax rate	31 Dec 16 %	31 Dec 16 $'000	31 Dec 15 %	31 Dec 15 $'000
Profit before tax from continuing operations		103,586		102,781
Tax using the IOOF Group's domestic tax rate	30.0%	31,076	30.0%	30,834
Tax effect of:				
Share of tax credits with statutory funds	0.5%	551	0.7%	749
(Non assessable income)/Non-deductible expenses	(1.5%)	(1,557)	(1.8%)	(1,862)
Share of net profits of associates	(0.6%)	(643)	(0.8%)	(845)
Assessable associate dividends	1.3%	1,373	2.4%	2,457
Imputation credits	(1.5%)	(1,536)	(2.5%)	(2,583)
Other	(0.6%)	(631)	(1.0%)	(1,045)
Under/(over) provided in prior periods	(1.3%)	(1,375)	(1.3%)	(1,311)
Tax expense from continuing operations	**26.3%**	27,258	**25.7%**	26,394

Section 2 - Results for the period

2-5 Income Taxes (continued)

The IOOF Holdings Ltd tax consolidated group (the IOOF tax group) paid $66.6m in income tax relating to the financial year ended 30 June 2016. In December 2016 the ATO published the tax information in respect of large public taxpayers in its tax transparency report. For the IOOF tax group the ATO published payment of $78.9m in income tax relating to the financial year ended 30 June 2015.

For statutory reporting purposes, the Group incurred an effective tax rate of 26.3% on its continuing operations for the 6 months to 31 December 2016 (2015: 25.7%) compared to a statutory corporate tax rate of 30%. The rate difference across both years is primarily due to research and development tax offsets and tax offsets for fully franked dividend income. Excluding these items IOOF's effective tax rate would be 30%.

The IOOF tax group is committed to tax transparency and is a signatory to the Board of Taxation's Voluntary Tax Transparency Code (the Code). The Code is a set of principles and 'minimum standards' to guide disclosure of tax information by businesses. The Code was developed by the Board of Taxation at the Treasurer's request:

• To encourage large and medium-sized businesses to publicly disclose their tax affairs to highlight those that are paying their fair share and to encourage all businesses not to engage in aggressive tax avoidance; and

• For large businesses to take the lead, to become more transparent and help educate the public about their compliance with Australia's tax laws.

The Treasurer released the Code on 3 May 2016.

2-6 Dividends

The following dividends were declared by the Group:

	Six months ended 31 December 2016		Six months ended 31 December 2015	
	Cents per share	Total '000	Cents per share	Total '000
Fully paid ordinary shares				
Interim dividend	26.0	78,035	28.5	85,538

In respect of the six months ended 31 December 2016, the Directors declared the payment of an interim dividend of 26.0 cents per share franked to 100% at 30% corporate income tax rate to the holders of fully paid ordinary shares to be paid on 30 March 2017. This dividend will be paid to all shareholders recorded on the Register of Members on 9 March 2017.

2-7 Earnings per share

	31 Dec 16 $'000	31 Dec 15 $'000
Basic earnings per share	24.7	44.7
Diluted earnings per share	24.7	44.5
Basic earnings per share - continuing operations	24.7	25.0
Diluted earnings per share - continuing operations	24.7	24.9

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:

	31 Dec 16 $'000	31 Dec 15 $'000
Profit for the period attributable to owners of the Company	74,212	133,986
Earnings used in the calculation of basic EPS	74,212	133,986
Weighted average number of ordinary shares	No. '000	No. '000
Weighted average number of ordinary shares (basic)	299,878	299,713
Effect of unvested performance rights	625	1,356
Effect of share options on issue	-	4
Weighted average number of ordinary shares (diluted)	300,503	301,073

Section 3 - 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.

3-1 Borrowings

IOOF Group's interest-bearing borrowings are measured at amortised cost.

	31 Dec 16 $'000	30 Jun 16 $'000
Syndicated facility agreement	206,794	206,730
Finance lease liabilities	117	245
	206,911	206,975

3-2 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.

	31 Dec 16 $'000	30 Jun 16 $'000
300,133,752 fully paid ordinary shares (30 June 2016: 300,133,752)	1,438,602	1,439,276
301,411 treasury shares (30 June 2016: 320,731)	(2,600)	(2,816)
	1,436,002	1,436,460

	Six months ended 31 Dec 16		Year ended 30 Jun 16	
	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	-	1,323	-	5,931
Treasury shares transferred to recipients during the period	-	(1,997)	-	(11,768)
On issue at the end of the period	300,134	1,438,602	300,134	1,439,276
Treasury shares				
On issue at 1 July	(321)	(2,816)	(732)	(7,146)
Purchase of treasury shares	(205)	(1,781)	(830)	(7,438)
Treasury shares transferred to recipients during the period	225	1,997	1,241	11,768
On issue at the end of the period	(301)	(2,600)	(321)	(2,816)
	299,833	1,436,002	299,813	1,436,460

Section 3 - Capital management and financing

3-2 Share capital (continued)

Issue of performance rights

During the six months, the Company issued the following performance rights to executives:

Recipients	No. of Rights Issued	Fair Value $
Managing Director	120,000	4.50
Senior Management	235,000	6.10
	355,000	

3-3 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.

3-4 Reserves

	31 Dec 16 $'000	30 Jun 16 $'000
Available-for-sale investment revaluation reserve	11,422	10,436
Business combinations reserve	(326)	(326)
Foreign currency translation reserve	124	109
Operating Risk Financial Reserve*	2,799	2,799
Share-based payments reserve	(2,610)	(1,752)
	11,409	11,266

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

Section 4 - 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. Liabilities relating to the Group's financing activities are addressed in Section 3.

4-1 Provisions

	31 Dec 16 $'000	30 Jun 16 $'000
Directors' retirement obligations	-	475
Onerous contracts	734	2,063
Employee entitlements	52,442	57,999
Other provisions	2,586	1,857
	55,762	62,394

4-2 Intangible assets (other than goodwill)

	31 Dec 16 $'000	30 Jun 16 $'000
Cost	669,502	669,101
Accumulated amortisation and impairment losses	(208,863)	(188,932)
	460,639	480,169

	IT Developm-ent $'000	Computer software $'000	Customer relationsh-ips $'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	-	176	5,344	-	-	5,520
Disposals	-	-	(3,416)	-	(1,505)	(4,921)
Amortisation expense	(876)	(504)	(17,400)	(399)	(950)	(20,129)
Carrying value at 31 December 2016	1,502	5,762	378,760	68,148	6,467	460,639

4-3 Goodwill

	31 Dec 16 $'000	30 Jun 16 $'000
Cost	1,008,721	1,008,721
Accumulated impairment	(17,009)	(17,009)
Net carrying value of goodwill	991,712	991,712
Carrying value at beginning of period	991,712	1,013,105
Disposal of discontinued operation	-	(21,393)
Balance at end of period	991,712	991,712

Section 5 - Statutory funds

A subsidiary of the Company, IOOF Ltd, is a friendly society in accordance with the Life Insurance Act 1995. Balances below are disclosed inclusive of amounts collected/receivable from or paid/payable to IOOF Group entities. These funds are not available to shareholders.

5-1 Assets relating to statutory funds

	Statutory	
	31 Dec 16 $'000	30 Jun 16 $'000
Cash at bank	2,555	5,263
Receivables	12,420	26,716
Unlisted unit trusts	886,042	832,061
Loans to policyholders	15,549	15,309
Investments backing policyholder liabilities designated at fair value through profit or loss	916,566	879,349

Assets held in the Statutory Funds (including the Benefit Funds) are subject to the distribution and transfer restrictions and other requirements of the Life Insurance Act 1995. Monies held in the benefit funds and controlled trusts are held for the benefit of the members of those funds, and are subject to the constitution and rules of those funds.

Accordingly, with the exception of permitted profit distributions, the investments held in the statutory funds are not available for use by other entities in the IOOF Group.

The IOOF Group has determined that all financial assets held within its reported statutory funds (including the benefit funds which are treated as statutory funds) represent the assets backing policy liabilities and are measured at fair value through profit or loss. Other than loans and receivables held by the IOOF Group and its controlled entities, assets backing policy liabilities have been designated at fair value through profit or loss as the assets are managed on a fair value basis.

5-2 Liabilities relating to statutory funds

	Statutory	
	31 Dec 16 $'000	30 Jun 16 $'000
Payables	3,233	6,421
Seed capital	7,153	7,153
Deferred tax liabilities	10,252	1,718
Investment contracts liabilities with DPF	285,091	300,259
Investment contract liabilities	610,837	563,798
	916,566	879,349

Policy liabilities have been determined in accordance with applicable accounting standards. Policy liabilities for life insurance contracts are valued in accordance with AASB 1038, whereas life investment contracts are valued in accordance with AASB 139 and AASB 118. There are differences between the valuation requirements of the accounting standards and those of the Life Insurance Act 1995.

Section 5 - Statutory funds

5-3 Statutory fund contribution to profit or loss, net of tax

	Statutory	
	31 Dec 16 $'000	31 Dec 15 $'000
Statutory fund revenue		
Interest income	270	264
Dividends and distributions received	12,536	12,443
Net fair value gains/(losses) on other financial assets designated as fair value through profit or loss	26,861	2,601
Investment contracts with DPF:		
Contributions received - investment contracts with DPF	5,146	1,824
DPF policyholder liability decrease	15,167	28,626
Non - DPF policyholder liability (increase)	(23,536)	(5,035)
Other fee revenue	1,039	1,895
	37,483	**42,618**
Statutory fund expenses		
Service and marketing fees expense	5,201	6,263
Direct operating expenses	2	2
Investment contracts with DPF:		
Benefits and withdrawals paid	21,427	31,475
Termination bonuses	7	36
Interest	48	47
	26,685	**37,823**
Income tax	**10,798**	**4,795**
Statutory fund contribution to profit or loss, net of tax	-	-

Section 6 - Basis of preparation

This section sets out the IOOF Group's accounting policies that relate to the financial statements as a whole. Where an accounting policy is specific to a single note, the policy is described in the note to which it relates. This section also shows new accounting standards, amendments and interpretations, and whether they are effective in 2017 or later years.

6-1 Reporting entity

The Company is a public company listed on the Australian Stock Exchange (trading under the symbol 'IFL'), domiciled in Australia. The consolidated financial statements of the Company as at and for the six months ended 31 December 2016 comprise the Company and its controlled entities and the IOOF Group's interests in associates.

The IOOF Group is a for-profit entity and is primarily involved in the provision of wealth management services.

The consolidated financial statements of the IOOF Group as at and for the year ended 30 June 2016 are available upon request from the Company's registered office or at www.ioof.com.au

The Company's registered office and its principal place of business are Level 6, 161 Collins Street, Melbourne.

6-2 Basis of preparation

(a) Statement of compliance

This condensed consolidated interim financial report has been prepared in accordance with AASB 134 Interim Financial Reporting, Corporations Act 2001 and with IAS 34 Interim Financial Reporting. 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 IOOF Group since the last annual consolidated financial statements as at and for the year ended 30 June 2016. This condensed consolidated interim financial report does not include all of the information required for full annual financial statements.

This condensed consolidated interim financial report was approved by the Board of Directors on 15 February 2017.

(b) Use of estimates and judgements

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

In preparing this condensed consolidated interim financial report the significant judgements made by management in applying the IOOF Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 30 June 2016.

(c) Rounding of amounts

The Company is a company of the kind referred to in ASIC Corporations Instrument 2016/191, dated 24 March 2016, and in accordance with that Instrument amounts in the financial report are rounded off to the nearest thousand dollars, narrative disclosures are expressed in whole dollars or as otherwise indicated.

6-3 Other significant accounting policies

The accounting policies applied in these interim financial statements are the same as those applied in the IOOF Group’s consolidated financial statements as at and for the year ended 30 June 2016.

Certain comparative amounts have been reclassified to conform with the current year's presentation.

6-4 New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2016 reporting periods. The IOOF Group will apply the standards and amendments for the next reporting period commencing after the effective date. The impact of the adoption of these changes to the IOOF Group's financial statements or accounting policies is in the process of being assessed.

New standards or amendments	Effective date
IFRS 15 Revenue from Contracts with Customers	1 January 2018
IFRS 9 Financial Instruments	1 January 2018
IFRS 16 Leases	1 January 2019

Section 6 - Basis of preparation

6-5 Subsequent events

As at 31 December 2016, a $90.0m tranche of the overall $206.8m syndicated facility (Note 1-1 Financial instruments) was due and payable on 5 August 2017. On 9 January 2017 the payment date of this $90.0m tranche was extended to 5 February 2018 by mutual agreement of all parties.

The Directors are not aware of any other event or circumstance since the end of the financial period not otherwise dealt with in this report or the consolidated financial report 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.