Appendix 4D
Interim Financial Report
IOOF HOLDINGS LTD

ABN 49 100 103 722

1. Reporting Period	31 December 2020
Previous reporting period	30 June 2020

2. Results for announcement to the market

	$'000	% change from prior comparative period
Revenue from continuing Shareholder activities (1)	709,173	up 35.1%
Statutory Net Profit After Tax from Continuing Operations	54,416	up 95.7%
Profit from ordinary activities after tax attributable to owners of the Company	54,416	down 52.7%
Underlying Net Profit After Tax (UNPAT) (2) from Continuing Operations	65,866	up 16.6%
Underlying Net Profit After Tax (UNPAT) (2)	65,866	up 7.4%

		Amount per share (cents)	Franked amount per share (cents)
Final dividend for the year ended 30 June 2020 Paid:	 22 September 2020	11.5	11.5
Special dividend for the year ended 30 June 2020 Paid:	 27 September 2019	7.0	7.0
Interim dividend for the year ending 30 June 2021 Record date: To be paid:	 4 March 2021 18 March 2021	8.0	8.0
Special dividend for the year ending 30 June 2021 Record date: To be paid:	 4 March 2021 18 March 2021	3.5	3.5

(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 certain non-operational financial items. An UNPAT reconciliation is provided on page 3.

IOOF Holdings Ltd - Appendix 4D for the six months ended 31 December 2020

About IOOF

IOOF Holdings Ltd (the Company or Parent) is listed in the top 200 on the Australian Securities Exchange (ASX: IFL). The IOOF Group consists of the Company and its subsidiaries and the consolidated Group's interest in its associates. The Group has offices in Melbourne, Sydney, Adelaide, Brisbane, Perth, and Hobart.

At 31 December 2020, Funds Under Management, Administration and Advice (FUMA) were $202.4b, consistent with FUMA of $202.3b at 30 June 2020. This reflects strong uplift due to market performance. Market movements were largely offset by one-off negative movements of $10 billion, including $8.1b from advice due to the changes to external platform arrangements with BT, $1.5b from the liquidation of IOOF's Cash Management Fund, and $0.4b one-off transfer from the Cash Management Trust. Outflows of $1.2b relating to the early release of super also impacted FUMA.

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

Underlying net profit after tax for the half year was up $4.5m or 7.4% to $65.9m relative to the prior corresponding period (pcp).

Key strategic initiatives

Progress in 1H21 against the Group's key strategic priorities is set out below:

1H21 strategic progress

Advice 2.0

The Advice 2.0 project is focussed on the long term sustainability of the Advice division, an initiative redesigning the Group's Advice division to enable Advisers to deliver even better advice outcomes for their clients. It is looking at how IOOF delivers advice to clients through Employed channels, as well as support services to self-employed and self-licensed advisers. The initiative is addressing the service offers and pricing, support from the Advice division, and the relevant technology and processes underlying the offers.

1H21 progress:

● A new operating structure was announced from 1 September 2020 to convert Bridges to a fully owned and operated network, close the Financial Service Providers licence, and reorganise the self -employed aligned advisers. The aim is to have AFSLs that offer compelling discrete value propositions across each channel providing advisers with choice and reflecting value and risk, and to be profitable without the need for cross-subsidisation.

● The acquisition of Wealth Central to augment the Group's integrated digital ecosystem dramatically changes how clients and advisers interact to ensure goals-based advice is delivered meaningfully. This acquisition creates a unique differentiator and advantage for IOOF's adviser network.

Evolve21

Evolve21 is a key enabler to IOOF’s group strategy supporting the three business pillars, being our clients, our business, and our people. It is a programme of work that will deliver the integrated platform for IOOF’s proprietary retail, advisory and workplace products and services. The project’s objective is to consolidate heritage IOOF's proprietary registry administration platforms to a single contemporary platform by the end of the 2021 calendar year.

1H21 progress:

● Further progress towards purpose built functionality that creates efficiencies for advisers and is enhancing client outcomes and the service experience they receive.

P&I integration

In January 2020 IOOF completed the purchase of ANZ’s OnePath Pensions and Investments business. In doing so, IOOF has now moved to the next phase of separating the business from ANZ and realising the expected benefits via meaningful operating cost synergies. The Integration Program is responsible for managing and/or overseeing the delivery of these activities.

1H21 progress:

● Progress on achieving synergies has been strong and remains on track to achieve the expected $43m annualised synergies by 30 June 2021.

● Approximately 75% of all P&I staff have been transferred from ANZ to IOOF at 31 December 2020.

MLC acquisition

On 31 August 2020, IOOF announced that it had entered into transaction agreement with National Australia Bank (NAB) to acquire 100% of NAB’s wealth management business (MLC) for $1,440 million, (subject to completion adjustments) and upfront integration and transaction costs (approximately $90 million). The acquisition is expected to be completed before 30 June 2021 and is subject to a number of conditions precedent including regulatory approvals from APRA and ACCC.

1H21 progress:

● In September 2020, the IOOF Group completed a capital raising of $1,043m for the purposes of the acquisition of the MLC wealth management business.

● On 8 October 2020, the Group announced that it had received consent from all lenders in the existing syndicated facility agreement for the acquisition of MLC.

● On 14 December 2020, the Group announced that it had received confirmation from the ACCC that it would not oppose IOOF's proposed acquisition of MLC.

Key strategic initiatives (continued)

The IOOF Group has a long-term strategy of pursuing growth through acquisitions and has completed several acquisitions in recent years. Acquisitions have been pursued where they present a logical strategic fit with existing operations and are priced reasonably for the expected value accretion to shareholders.

Divestments of certain operations have been entered into selectively and opportunistically, chiefly with the aim of simplifying the business to focus on the group's core wealth management capabilities. Proceeds from previous period divestments have been applied to reduce borrowings and fund acquisition integration.

Key performance indicators

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. UNPAT is a non-GAAP metric that is used by management to monitor the performance of the Group. In calculating UNPAT, the IOOF Group reverses the impact on profit of certain, predominantly non recurring, items to enable a better understanding of its operational result. The 6 months to 31 December 2019 is denoted as prior comparative period or pcp. 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

	31 Dec 20 $'000	31 Dec 19 $'000
Profit attributable to Owners of the Company	**54,416**	**114,981**
Discontinued operations	-	(87,176)
Profit from continuing operations attributable to Owners of the Company	**54,416**	**27,805**
Underlying net profit after tax (UNPAT) adjustments:		
Reverse the impact of:		
Amortisation of intangible assets	28,178	18,287
Unwind of deferred tax liability recorded on intangible assets	(7,665)	(4,858)
Acquisition costs - Acquisition advisory	3,481	438
Acquisition costs - Integration	15,092	3,744
Acquisition costs - Finance costs	3,232	65
BT settlement income	(59,245)	-
Legal provision	22,000	-
Advice 2.0 costs	727	-
Evolve costs	6,445	5,198
Termination payments	106	2,677
Profit on divestment of assets	(1,341)	(297)
Non-recurring professional fees paid	3,782	4,401
Remediation costs	-	1,511
Governance uplift costs	718	3,187
Other	(72)	719
Income tax attributable	(3,988)	(6,401)
UNPAT from continuing operations	**65,866**	**56,476**
UNPAT from discontinued operations	-	4,878
UNPAT	**65,866**	**61,354**

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 2020 (2019: $nil), but results in offsetting pre-tax profit and income tax amounts not available to shareholders.

Key performance indicators (continued)

UNPAT Adjustments:

Amortisation of intangible assets: Non-cash entry reflective of declining intangible asset values over their useful lives. Intangible assets are recognised upon acquisition. Intangible assets (other than goodwill) are amortised over the expected useful life of the asset. The amortisation of software development costs is not reversed in calculating UNPAT.

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. A deferred tax liability (DTL) is required to be recognised as there is an embedded capital gain should the assets be divested at their accounting values. This DTL reduces in future years at 30% of the amortisation applicable to those assets which have different accounting values and tax cost bases. The recognition of DTL and subsequent reductions are not reflective of conventional recurring operations and are regarded as highly unlikely to be realised due to the IOOF Group's intention to hold these assets long term.

Acquisition costs - Acquisition advisory: One off payments to external advisers for corporate transactions, such as the acquisition of MLC and the ANZ OnePath pensions and investments (ANZ P&I) business (prior comparative period (pcp)), which were not reflective of conventional recurring operations.

Acquisition costs - Integration: Staff and specialist contractor costs related to integration for the acquisition of the ANZ P&I and MLC businesses. Costs include project labour costs, redundancy and termination costs, IT and other consultancy fees, outsourced hosting services, and Advisor recognition accruals.

Acquisition costs - Finance costs: Upfront costs of securing finance for the acquisition of the MLC transaction and ex-ANZ businesses (pcp).

BT settlement income: One-off settlement income in connection with the termination of the platform relationship with BT Portfolio Services Ltd, net of debtors previously recognised.

Legal provision: Costs in connection with the judgement in the Kerr v Australia Executor Trustees (SA) Ltd proceedings in excess of amounts covered by the Group's insurance.

Advice 2.0: One-off costs, including redundancy costs, legal fees, project labour, and consultancy fees in connection with the implementation of Advice 2.0.

Evolve: Project labour costs and IT consultancy fees associated with the Group's new proprietary Evolve platform.

Termination payments: Represents termination payments to staff which facilitates restructuring to ensure long term efficiency gains.

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

Non-recurring professional fees paid/ (recovered): Payment of specific legal costs that are not reflective of conventional recurring operations. Includes costs associated with assistance with APRA and ASIC related matters.

Remediation costs: Remediation costs that arose predominantly as a result of fees for no service and quality of advice remediation programs.

Governance uplift costs: Costs incurred in undertaking projects that are outside the ordinary course of business. Costs predominantly relate to project labour costs and consultancy fees.

Other: Losses on divestment of non-current assets and impairment of customer related intangibles.

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

Key performance indicators (continued)

Key financial results for the half

The IOOF Group's UNPAT from continuing operations increased $9.4m to $65.9m for the 6 months ended 31 December 2020, compared to $56.5m UNPAT for the 6 months ended 31 December 2019, which is denoted as pcp.

This increase relates to the inclusion of the ex-ANZ P&I business in the results for the 6 months to 31 December 2020 (pcp: interest on debt note coupon only). This has been partially offset by declines in profitability of other segments predominantly driven by the impact of COVID-19 on market based returns throughout the period.

The below analysis compares the 6 months to 31 December 2020 with the 6 months to 31 December 2019, for the continuing operations of the Group. The net profit arising from divesting IOOF New Zealand, Ord Minnett and Perennial Value Management, and their operating performance whilst owned, have been excluded from the review and the impact on particular items of revenue or expense.

	31 Dec 20	31 Dec 19	Movement	
	$'000	$'000	$'000	%
Gross margin	349,310	248,334	100,976	40.7%
Other net operating revenue	1,113	1,017	96	9.4%
Other revenue (incl share of net profits of associates)	(24)	4,049	(4,073)	(100.6%)
Operating expenditure	(239,754)	(163,664)	(76,090)	(46.5%)
Net financing	(3,163)	1,755	(4,918)	(280.2%)
Net non-cash items	(14,855)	(11,797)	(3,058)	(25.9%)
Income tax expense and non-controlling interest	(26,761)	(23,218)	(3,543)	(15.3%)
Underlying Profit after Tax - continuing	**65,866**	**56,476**	**9,390**	**16.6%**

Gross margin increased by $101.0m

The gross margin increase related to the inclusion of the ex-ANZ P&I business for the full 6 month period, which contributed $145.3m to gross margin for the half year (pcp: nil). This was partially offset by declines in profitability of other segments, predominantly driven by the cessation of grandfathered commissions and the impact of COVID-19 on market based returns compared to pre COVID-19 returns of pcp.

Other revenue decreased by $4.1m

Other revenue largely related to conference and other professional development income in pcp which did not recur in 2020 due to the impacts of COVID-19.

Operating expenditure increased by $76.1m

Operating expenditure has been held steady year on year with the exception of the inclusion of the ex-ANZ P&I business which accounts for the significant increase in operating expenditure ($76.1m).

Net financing income decreased by $4.9m

Financing income decreased as a debt note issued to ANZ was redeemed on 31 January 2020 to fund the acquisition of the ex-ANZ P&I businesses. In pcp, interest income of $8.1m was recognised in connection with the debt note. Financing costs also reduced with the repayment of debt under the SFA.

Other non-cash item impacts decreased by $3.1m

Depreciation expense increased $3.1m, largely attributable to depreciation of right-of-use assets recognised upon acquisition of the ex-ANZ P&I businesses. Share-based payments expense was $0.6m lower as a staff incentive plan was not offered with a share-based option in the current half year. Profit attributable to non-controlling interest reduced by $0.6m due to decreased profitability of subsidiaries with non-controlling interests.

Income tax expense increased by $3.5m

The increase in income tax expense reflects higher profitability. IOOF's effective tax rate is 21.7%, lower than the 30% corporate tax rate in the current period due to a capital loss triggered on the deregistration of a subsidiary.

Financial Position

The IOOF Group held cash and cash equivalents of $899.4m at 31 December 2020 (30 June 2020: $374.7m), plus a certificate of deposit of $100.0m. 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 increase in cash is as a result of the equity raising undertaken and the Share Purchase Plan offered to fund the MLC acquisition, which is expected to complete in the second half of the financial year, net of the repayment of borrowings. The revolving cash advance facility outstanding at 31 December 2020 was nil, compared with $457.9m at 30 June 2020.

Shareholder returns
The IOOF Group dividend is determined based on company financial performance, and seeks to offer an attractive yield when assessed against other investment options. The Board also understands that dividend payments should not hinder future organisational plans. The Board has therefore determined that a pay-out ratio range of 60% - 90% of UNPAT is generally appropriate, but not binding, in relation to ordinary dividends.

Total Shareholder Return (TSR) measures the change in share value over a specified period together with the return by way of dividends received. The IOOF Group's TSR in the 5 year period from 1 January 2016 was -40.2% in total and -8.7% on a compounding annualised basis. The TSR for the 12 months to 31 December 2020 was -52.2% with a share price decline of 55.2% partially offset by a dividend yield of 3.0%. Dividend yield has been negatively impacted by reduced revenue from market volatility as a result of COVID-19, and additionally, in the current period, by the issue of additional shares in advance of the MLC acquisition.

	Six months ended 31 December		
	2020	2019	% change
Profit attributable to owners of the Company ($'000s) (1)	54,416	114,981	(52.7%)
Basic EPS (cents per share) (2)	10.2	33.3	(69.2%)
Diluted EPS (cents per share) (2)	10.2	33.2	(69.2%)
UNPAT ($'000s)	65,866	61,354	7.4%
UNPAT EPS (cents per share) (2)	12.4	17.5	(29.3%)
Dividends declared ($'000s) (3)	74,672	80,747	(7.5%)
Dividends per share (cents per share) (3)	11.5	23.0	(50.0%)
Opening share price	$ 4.92	$ 5.17	(4.8%)
Closing share price at 31 December	$ 3.52	$ 7.86	(55.2%)
Return on equity (4)	5.7%	7.2%	(21.4%)

(1) Profit attributable to owners of the Company has been calculated in accordance with Australian Accounting Standards, and includes discontinued operations of $88.8m in the pcp.

(2) Earnings per share has been impacted by the issue of 298,248,329 shares during the period.

(3) Dividends comprise both interim and special dividends, and are fully franked.

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

Capital and liquidity management

In September 2020, the IOOF Group completed a capital raising for the purposes of the acquisition of the MLC wealth management business. The capital raising consisted of a $1,040 million fully underwritten institutional placement and accelerated non-renounceable entitlement offer, and a non-underwritten share purchase plan. Under these offers, the Group raised additional capital of $1,043 million, representing 298,248,329 ordinary shares, and incurred transaction costs of $20.5 million.

On 27 November 2020, the IOOF group entered into an additional accommodation agreement to provide an additional $250m cash advance under the syndicated facility agreement (SFA) on acquisition of MLC. This facility has a 5 year repayment term from the SFA effective date. The amended SFA consists of the following facilities:

- $240m revolving cash advance facility with a 4 year repayment term from the SFA effective date.
- $625m revolving cash advance facility with a 5 year repayment term from the SFA effective date.
- Multi-option facility with a 3 year repayment term from the SFA effective date, comprising a contingent liability facility.

The overall debt to equity ratio stood at nil at 31 December 2020 (30 June 2020: 25%) with facilities temporarily repaid until they are required to be drawndown to complete the MLC transaction.

Cash flow forecasting is conducted monthly, principally to ensure sufficient liquidity for future needs and to monitor adherence to licence conditions, and stress testing of lending covenants is conducted when assessing funding options for acquisition opportunities.

Segment analysis

Financial advice	31 Dec 20 $'000	31 Dec 19 $'000	Movement $'000	Movement %
Net operating revenue	83,336	93,519	(10,183)	(10.9%)
Other revenue (incl share of net profits of associates)	(628)	2,415	(3,043)	(126.0%)
Operating expenditure	(52,240)	(52,489)	249	0.5%
Net financing	(221)	(252)	31	(12.3%)
Net non-cash items	(4,311)	(4,957)	646	13.0%
Income tax expense and non-controlling interest	(8,062)	(11,570)	3,508	30.3%
Underlying Profit after Tax	**17,874**	**26,666**	**(8,792)**	**(33.0%)**

● Net operating revenue has been adversely impacted due to a combination of lower financial planning revenue, an end to grandfathered commissions and repricing of 3rd party administrator fees.

Ex-ANZ Wealth management	31 Dec 20 $'000	31 Dec 19 $'000	Movement $'000	Movement %
Net operating revenue	8,216	9,449	(1,233)	(13.0%)
Other revenue (incl share of net profits of associates)	436	1,146	(710)	(62.0%)
Operating expenditure	(22,014)	(26,107)	4,093	15.7%
Net financing	10	104	(94)	(90.4%)
Net non-cash items	(784)	(588)	(196)	(33.3%)
Income tax expense and non-controlling interest	4,247	5,325	(1,078)	20.2%
Underlying Profit after Tax	**(9,889)**	**(10,671)**	**782**	**(7.3%)**

● Net operating revenue has been adversely impacted by lower financial planning revenue and the ending of grandfathered commissions.
● Lower operating expenses driven by Advice 2.0 synergy benefits relating to Elders divestment and commencement of Financial Services Partners closure.

Portfolio & estate administration	31 Dec 20 $'000	31 Dec 19 $'000	Movement $'000	Movement %
Net operating revenue	102,121	111,462	(9,341)	(8.4%)
Operating expenditure	(60,911)	(58,883)	(2,028)	(3.4%)
Net financing	(16)	(15)	(1)	6.7%
Net non-cash items	(5,451)	(5,773)	322	5.6%
Income tax expense and non-controlling interest	(10,972)	(14,559)	3,587	24.6%
Underlying Profit after Tax	**24,771**	**32,232**	**(7,461)**	**(23.1%)**

● Net operating revenue reflected market movements impacted by COVID-19, including the Early Release of Super scheme, further compounded by the impact of basis points margin reduction. Basis point margin outcomes are largely the result of client preference for contemporary lower priced services.

Investment management	31 Dec 20 $'000	31 Dec 19 $'000	Movement $'000	Movement %
Net operating revenue	30,798	34,551	(3,753)	(10.9%)
Operating expenditure	(6,999)	(5,198)	(1,801)	(34.6%)
Net non-cash items	(779)	(1,104)	325	29.4%
Income tax expense and non-controlling interest	(6,950)	(8,617)	1,667	19.3%
Underlying Profit after Tax	**16,070**	**19,632**	**(3,562)**	**(18.1%)**

● Net operating revenue declined due to lower margins achieved on cash products, and the repricing of legacy products.

Ex-ANZ pensions and investments	31 Dec 20 $'000	31 Dec 19 $'000	Movement $'000	Movement %
Gross margin	145,293	-	145,293	100.0%
Other net operating revenue	(19,950)	-	(19,950)	100.0%
Operating expenditure	(76,104)	-	(76,104)	100.0%
Net financing	498	8,066	(7,568)	93.8%
Net non-cash items	(3,302)	-	(3,302)	100.0%
Income tax expense and non-controlling interest	(13,934)	(2,420)	(11,514)	(475.8%)
Underlying Profit after Tax	**32,501**	**5,646**	**26,855**	**475.6%**

● The IOOF Group completed of the acquisition of the ex-ANZ P&I business on 31 January 2020. Accordingly, there are no operational results for the pcp. Financing income and related tax expense in the pcp relate to a debt note issued to ANZ which was redeemed on 31 January 2020 to fund the acquisition.

Risk management

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

Strategic and Tactical

(i) Competition

In the markets in which the IOOF Group operates a variety of participants compete for investments from clients and for the provision of wealth management services. Competitive market conditions may limit the level of assets managed and earnings available to us. We manage this risk by continuously investing in client service, product design and stakeholder relationships, among other improvements. The future product strategy and integration of IOOF, ex-ANZ P&I, and MLC products will need to take into account changes such as the 'design and distribution' obligations and proposed changes to the way members are allocated to superannuation funds.

(ii) Dependence on key personnel

The IOOF Group's continued ability to compete effectively depends on our capacity to attract, retain and motivate our employees. The loss of key executives or staff without suitable replacements could cause material disruption to our operations in the short to medium term. We undertake succession planning and offer competitive employment conditions and benefits to manage this risk.

(iii) Advice relationships

The success of the IOOF Group's advice and platform business is dependent on the quality of our relationships with financial advisers and, in turn, the quality of their relationships with their clients. Our ability to maintain productive adviser relationships is managed by monitoring and, where necessary, enhancing our service levels, technological capability, product offerings and professional training.

(iv) Acquisitions

Acquisitions involve inherent risks which could negatively impact the potential benefits of a new business and could have a material effect on the IOOF Group's financial position. Our prior experience with acquisitions means that we have a significant complement of experienced staff and relationships with specialist advisers to support the assessment of acquisition opportunities. In addition, a Chief Transformation Officer role has recently been created as a direct report of the CEO with appropriate governance structures to manage integrations.

(v) Environmental, social and governance (ESG)

ESG risks can have a material impact on our ability to deliver good long-term outcomes for our clients, investors and the community. To ensure we fulfil our purpose, we consider a broad range of ESG risks and opportunities, including climate change, human capital management, modern slavery, diversity and inclusion and tax transparency, among others. Our ESG activities are discussed in the ESG section of the annual report.

Governance

(vi) Governance

IOOF applies the Three Lines of Defence governance model to govern risk management and compliance activities across the Group. All IOOF entities are supported by a number of committees, including their respective designated Risk and Compliance and Audit Committees. These committees provide the required structure to manage governance issues such as conflicts of interest, board independence, appropriate audit and review, among others. If these are inadequate, we may not meet our legal, compliance and regulatory responsibilities, and the expectations the community has of a listed company.

In addition, IOOF has strengthened governance activities through the establishment of the Office of the Superannuation Trustee and the Office of the Responsible Entity. As independent functions, they are focussed on uplifting governance and ensuring member and investor driven outcomes.

Reputation

(vii) Brand and reputation

Actions which damage the IOOF Group's brand and reputation may impact our ability to attract and retain the support of clients, employees, financial advisers, and employers, as well as our future profitability and financial position. We actively monitor media and other public domain commentary on our affairs, proactively promote the value of our services, products and community initiatives and focus on building a ClientFirst culture.

Conduct

(viii) Conduct risk

Conduct risk is the risk of intentionally or unintentionally delivering poor outcomes for stakeholders (including clients, staff and shareholders) as a result of improper conduct (including conduct that is not consistent with our values, Code of Conduct and ClientFirst philosophy) or inadequate systems (including complexity). Conduct risk goes beyond our legal and regulatory obligations. It is about how we treat our stakeholders (includes fairness of outcomes) and whether our products and services meet our stakeholders' needs and expectations. Our management of conduct risk is supported by the IOOF Group Code of Conduct, which sets out the tenets of professional and personal conduct which apply to all our people.

Conduct (continued)

(ix) Inappropriate advice

The IOOF Group's financial advisers and authorised representatives provide advice to clients and may be exposed to regulatory action or litigation if the advice is judged to be incorrect, if the authorised representative otherwise becomes liable for client losses, and in certain other circumstances. This risk is managed by having high professional, educational, compliance, assurance and training standards for our advisers. The potential financial impact is mitigated by taking out appropriate insurance cover.

The assurance and governance framework, used to monitor and supervise advisers, has been enhanced to ensure compliance with ASIC's 515 Report. It has also been reviewed by an external independent expert.

Financial and Liquidity

(x) Credit

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

(xi) Interest rate and cash flow

Interest rate risk is the risk to the IOOF Group's earnings and capital arising from changes in market interest rates. Financial instruments that may be impacted by interest rate risk consist of cash and cash equivalents, certificates of deposit, loans and borrowings. Short and long-term investment mixes and loans to related entities are influenced by liquidity policy requirements. Interest rates (both charged and received) are based on market rates and are closely monitored by management. They are primarily at variable rates of interest and may expose the Group to cash flow interest rate risk.

(xii) Liquidity

Liquidity risk relates to the IOOF Group having insufficient liquid assets to cover cash flow requirements. We manage liquidity risk by maintaining sufficient liquid assets and an ability to access a committed line of credit. The liquidity requirements for our licensed entities are regularly reviewed and carefully monitored in accordance with their licence requirements.

(xiii) 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 examining the relevant factors and circumstances prevailing at that time.

(xiv) Financing

Financing risk refers to the IOOF Group's inability to refinance debt facilities or to secure new financing on satisfactory terms which could adversely affect our financial performance and prospects. To the extent that this occurs, we may not be able to take advantage of acquisition and other growth opportunities, develop new ideas or respond to competitive pressures, which may have an adverse impact on our financial position and performance. This risk is minimised through oversight by a dedicated Treasury function with established policies and procedures which are subject to continuous monitoring and review. Banking covenants are regularly reviewed to ensure any potential issues are identified well in advance.

Investment Governance

(xv) Changes in investment markets

The IOOF Group derives a significant proportion of its earnings from fees and charges based on the level of funds under management, administration, advice, and supervision (FUMAS). Among other factors, the level of FUMAS reflects the performance of investment markets. Changes in domestic or global investment market conditions could lead to a decline in FUMAS, adversely impacting the amount we earn in fees and charges, as well as reduced client interest in our financial products and services. To manage this risk, we offer a range of products and services suitable for different investment markets and establish comprehensive investment governance committees, policies and procedures that are subject to continuous monitoring and oversight.

Operational

(xvi) Operational

Operational risks may arise in the daily functioning of the IOOF Group's businesses, in connection with, investment management, financial advice, legal and regulatory compliance, product commitments, process error, system failure, failure of security and unit pricing errors, among other functions. These risks are managed through IOOF's Risk Management Framework which includes systems, structures, policies, procedures and staff to identify, measure, evaluate, monitor, report, control and mitigate internal and external risks.

IOOF's response to the COVID-19 crisis resulted in the execution of the organisation's Crisis Management Plan, including pandemic planning process, which resulted in the deployment of the organisation's work from home strategy and has now become part of 'Our Work Life'.

Operational (continued)

(xvii) Unit pricing errors

A unit pricing error by the IOOF Group or its service providers could cause financial or reputation loss. This risk affects the broader funds management industry and may result in significant financial losses and brand damage to several financial services organisations. We minimise this risk through controls, procedures and contractual enforcement which are subject to continuous monitoring and oversight. We maintain a significant complement of experienced staff and utilise specialist service providers to maintain robust systems and accurate inputs.

(xviii) Information technology

The IOOF Group relies heavily on information technology (IT). A significant or sustained failure in the core technology systems could materially affect our operations, which could impact our future profitability and financial position. We have implemented a next-generation firewall, pursue continuous improvements to protect user devices and impose segregation of duties between technology environments. More broadly, we apply controls (including disaster recovery testing) and procedures which are subject to continuous monitoring and oversight, maintain a significant complement of experienced staff and employ specialist IT advisers. Our IT controls are aligned with our management of cyber security risks (below).

(xix) Cyber security

There is a risk of significant failure in the IOOF Group's operations or material financial loss as a result of cyber-attacks. We have implemented measures and controls that cover identification, detection, monitoring and response in relation to cyber threats. Cyber security controls are aligned with those employed to minimise IT risks.

(xx) COVID-19

The existence of COVID-19 was confirmed in early 2020 and in March 2020 was declared a pandemic by the World Health Organisation. This has resulted in significant volatility in global and domestic financial markets.

There is still significant uncertainty on the likely duration and the ultimate impact COVID-19 will have on world economies. Given the high degree of correlation between IOOF’s revenue and movements in the stock markets, there are potential unpredictable short or longer term financial impacts on the Company.

Insurance

(xxi) Insurance

If the IOOF Group incurs uninsured losses or liabilities, its assets, profits and prospects may be adversely affected. To protect against this risk, we hold insurance policies, including professional indemnity and directors’ and officers’ insurance, which are commensurate with industry standards and adequate having regard to our business activities. These policies provide a degree of protection for our assets, liabilities, officers and employees. However, there are some risks that are uninsurable (e.g. nuclear, chemical or biological incidents) and risk incidents where the insurance coverage is reduced (e.g. cyclone, earthquake, flood, fire). In addition, we face risks associated with the financial strength of our insurers to meet indemnity obligations when called on which could have an adverse effect on earnings.

Legal and Compliance

(xxi) Reliance on licences and authorities

A number of the IOOF Group's controlled entities are required to hold a number of licences, most notably Australian Financial Services (AFS) or Registrable Superannuation Entity (RSE) licences. Failure to comply with the general obligations and conditions of a licence could result in the suspension or cancellation of a licence, which would have a material adverse effect on our 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. Policies and procedures are in place across the organisation to ensure compliance with licences is monitored closely.

(xxiii) Regulatory and legislative reform

The financial services sector in which the IOOF Group operates is subject to extensive legislation, regulation and supervision by regulatory bodies across multiple jurisdictions. The regulatory regimes governing our business activities are complex and subject to change. If the amount and complexity of new regulation increases, so too may the costs of compliance and risks of non-compliance. We maintain an appropriately skilled and experienced staff and relationships with specialist advisers to minimise this risk.

Impact of COVID-19 pandemic

The existence of COVID-19 was confirmed in early 2020 and in March 2020 was declared a pandemic by the World Health Organisation. This has resulted in significant volatility in global and domestic financial markets over calendar year 2020. While the IOOF Group has experienced reduced revenues flowing from market volatility and Federal Government initiatives related to the pandemic, the Group has been able to manage operations without impacting debt covenants or longer-term viability.

The initial share market decline in March 2020 as a result of COVID-19 largely recovered by 31 December 2020. Market returns have been largely positive throughout first half 2021, however there may be ongoing market volatility as the global market recovers from the virus.

3. Net tangible assets

	31 Dec 2020 (cents)	30 Jun 2020** (cents)
Net tangible assets/(liabilities) per share *	122.3	(62.5)

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

** Net tangible assets as at 30 June 2020 has been restated in line with the finalisation of the purchase price allocation relating to its acquisition of the ex-ANZ P&I businesses.

4. Entities over which control has been gained or lost

Control over Wealth Central Pty Ltd, Lifetime Financial Advisers Pty Ltd, and Lifetime Mortgage Solutions Pty Ltd was gained during the period. The Group held 100% of the shares on issue of these entities as at 31 December 2020, and nil as at 31 December 2019.

In the prior corresponding period, IOOF completed the divestment of its shareholding in Ord Minnett Holdings Pty Ltd. The Group held 70% of the shares on issue as at 30 June 2019, and nil as at 31 December 2019.

5. Dividends

	Amount $'000	Cents per share	% Franked
Final dividend for the year ended 30 June 2020	40,374	11.5	100%
Special dividend for the year ended 30 June 2020	24,575	7.0	100%
Interim dividend for the year ending 30 June 2021	51,946	8.0	100%
Special dividend for the year ending 30 June 2021	22,726	3.5	100%
Record date for determining entitlement to dividends	4 March 2021		
Date for payment of interim dividend	18 March 2021		

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 %	Prior comparative period %	Current period $'000	Prior comparative period $'000
Equity accounted associates				
Perennial Value Management Ltd *	-	-	-	1,043
Thornton Group (SA) Pty Ltd **	56.7	56.7	5	220
Grow Super	12.1	7.1	(806)	(425)
Other associates			127	96
			(674)	934

* 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.* This investment is included within discontinued operations within the 31 December 2019 comparative information.
** The Group has determined that it does not have control of Thornton Group (SA) Pty Ltd as it has no controlling interest over the appointment of the Board and as a result does not have power over the investee to direct its operations.

8. Earnings per share

	31 Dec 2020 (cents)	31 Dec 2019 (cents)
Basic earnings per share	10.2	33.3
Diluted earnings per share	10.2	33.2
UNPAT earnings per share	12.4	17.5

Weighted average number of ordinary shares	31 Dec 2020 No. '000	31 Dec 2019 No. '000
Basic and UNPAT earnings per share	531,050	350,062
Diluted earnings per share	531,891	350,752

9. Other

The information contained in this Appendix 4D is based on the 31 December 2020 condensed consolidated interim financial report of IOOF Holdings Ltd and its subsidiaries, which has been subject to review by KPMG. 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