Appendix 4D
Interim Financial Report
IOOF HOLDINGS LTD

ABN 49 100 103 722

1. Reporting Period 31 December 2015

Previous reporting period 30 June 2015

2. Results for announcement to the market

	$'000*	% change from previous corresponding period
Revenue from Shareholder activities [(1)]	468,873	up 6%
Profit from ordinary activities after tax attributable to owners of the Company	133,986	up 118%
Underlying Net Profit After Tax (UNPAT) [(2)]	95,376	up 18%

		Amount per share (cents)	Franked amount per share (cents)
Final dividend for the year ended 30 June 2015			
Paid:	15 October 2015	28.0	28.0
Interim dividend for the year ended 30 June 2016			
Record date:	17 March 2016	28.5	28.5
To be paid:	7 April 2016		

[(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 disposal 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.*

* 31 December 2014 has been restated. Refer Notes 2-2 and 4-2 for details.

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	31 Dec 15 $'000	31 Dec 14* $'000
Profit attributable to Owners of the Company	**133,986**	**61,474**
Underlying net profit after tax (UNPAT) adjustments:		
Reverse the impact of:		
Amortisation of intangible assets	19,993	18,679
Acquisition and divestment transaction costs	471	5,733
Termination and retention incentive payments	4,141	2,666
Gain on disposal of subsidiaries	(71,988)	(530)
Profit on sale of assets	(2,976)	-
Non-recurring professional fees	3,099	-
Unwind of deferred tax liability recorded on intangible assets	(5,028)	(4,649)
Reinstatement of Perennial non-controlling interests	(825)	(551)
Income tax attributable	14,503	(2,244)
UNPAT	**95,376**	**80,578**

* 31 December 2014 has been restated. Refer Notes 2-2 and 4-2 for details.

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

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

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

The IOOF Group administers and manages Retail funds. Australian Superannuation assets totalled $2.0 trillion at the end of the September 2015 quarter. Over the 12 months to September 2015 there was a 6.5% increase in total superannuation assets and retail providers had a market share of approximately 26%. Our market share of that sub-set, as represented by our platform administration segment's flows to Funds Under Administration, was approximately 5%. 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 30 September 2015, 49% of the $1.3 trillion investments by APRA regulated entities were invested in equities; with 22% in Australian listed equities, 22% in international listed equities and 5% in unlisted equities. Fixed income and cash investments accounted for 34% of investments; 21% in fixed income and 13% in cash. Property and infrastructure accounted for 13% of investments and 4% were invested in other assets, including hedge funds and commodities. This asset allocation suggests the sector will have contracted in overall funds size as at the reporting date given devaluations in equities more broadly since 30 September 2015, when industry statistics were last aggregated and reported.

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The IOOF Group operates in the Wealth Management sector. The sector has a substantial and growing pool of funds underpinned by government compulsion and both major political parties have policy positions to lift mandatory contribution rates. 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.

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

On 6 August 2014, SFG Australia Ltd (Shadforth) joined the IOOF Group via a scheme of arrangement. Shadforth was an ASX-listed financial advice and end-to-end wealth management firm. Shadforth provides a full range of wealth management services to high net worth and affluent clients, including strategic financial advice, portfolio administration, portfolio construction and management services, insurance solutions, and stockbroking. The company also provides corporate superannuation services as well as accounting and tax services.

Senior employees of IOOF and Shadforth have overseen a rigorous integration process. The first priority was to identify duplicate and non-essential roles, largely at Shadforth head office, and agree exit dates with the individuals affected. All the staff identified in this manner had departed by 31 May 2015. The consequent reduction in employee numbers, particularly among more highly remunerated managerial staff, has provided the bulk of cost synergy savings to date. We have also identified the highest cost suppliers and either terminated them in favour of in-sourced teams or pre-existing external service provision or had their services re-priced downwards as befits the additional scale arising from the increased size of the newly combined group.

The IOOF Group's UNPAT rose $14.8m or 18.4% to $95.4m for the half year ended 31 December 2015 relative to $80.6m in the prior corresponding period. The acquisition of Shadforth is principally responsible for the material increase in our profitability, having contributed $32.1m to overall group UNPAT with $17.2m attributable to Shadforth in the prior corresponding period.

The Shadforth contribution represents a 57% increase on its operating performance in the prior corresponding period. In calculating that increase, we have allowed for it having been operated by the IOOF Group for only five months to 31 December 2014. This increase was driven principally by the realisation of cost synergies resulting from the integration process noted above.

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On 2 November 2015, we announced the successful divestment of our interests in Perennial Fixed Interest and Perennial Growth Management 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. Additionally, two loss making Perennial subsidiaries with sub-scale FUMA were divested in October and November 2014. The other two Perennial subsidiaries, when they operated pre-divestment, were not material in their impact on the IOOF Group's profitability. The results of all four businesses have been disclosed as discontinued operations 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 upon receipt. 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 includes the material impact of acquiring Shadforth one month into the prior corresponding period. As noted above, there was a $14.8m increment to UNPAT as a result of this acquisition. Where the Shadforth acquisition has had an impact on other parts of the IOOF Group, for example in financing additional borrowings, that will be highlighted in the review. The divested Perennial businesses have been excluded from the review and the impact on particular items of revenue or expense highlighted in discontinued operations disclosures.

Gross margin increased $17.7m

During the current period FUMAS declined 1% to $132.6b. Excluding acquisition and divestment impacts, Funds Under Management, Administration and Advice (FUMA) also declined 1% to a total of $103.4b, which was derived largely from equity market driven decreases. Platform and advice flows of $147m were positively impacted by high rates of satisfaction with service levels and branding initiatives, but partly offset by outflows associated with a large, low margin corporate super account. Investment management inflows of $44m were also impacted by that account loss. Reduced funds at period end were not reflective of average funds over the period given the timing of movements. Average FUMA increased in all segments when compared to the prior corresponding period such that $22m of the overall increase in gross margin for the period was attributable to higher average funds.

The contribution from funds growth was partly offset by the impact of product mix on earning rates or margins. Within platform administration, these lower rates principally reflected rising average asset values putting a higher proportion of fund members into lower fee scales under a tiered fee structure. The introduction of the government mandated MySuper product has had no material impact on margins given the charging of flat management fees which are more reflective of actual costs to service these accounts. Investment management margins also reduced given higher custody and transaction costs for actively managed multi-manager portfolios with higher relative performance.

Other revenue increased $0.8m

The IOOF Group's broking businesses', Ord Minnett and Bridges, contributions were broadly equivalent to the prior corresponding period in line with market activity generally. No further individual other revenue item was significant in terms of movement from prior corresponding period or in its importance to the Group's core businesses'.

Operating expenditure decreased by $0.6m

The decrease above excludes the impact of expenditure items identified as reversed in calculating UNPAT. The major source of this was labour cost savings from the realisation of synergies on integrating the Shadforth business, however this was largely offset by having an additional month of Shadforth costs in the current period. In the absence of these two major items, prudent constraint on discretionary activity has resulted in minor movements only in most cost categories.

Net financing costs decreased by $0.8m

Net interest expense was lower due to lower market borrowing rates, partly offset by an additional month's debt funding for the Shadforth acquisition.

Other profit impacts decreased by $6.2m

Share of associates profits declined $0.5m as a result of mandate outflows and higher costs within the Perennial Value Management Group. Income tax expense was $5.5m higher given increased profitability. In the current period, continuing treasury share purchases were partly offset by assessable income from the striking of options giving rise to a net deductible impact on income tax of $1.5m (2014: $2.4m). Non-controlling interests excluded Perennial entities due to divestment and consequent classification as discontinued operations. Non-controlling interests was $0.3m higher in line with Ord Minnett's increased profitability.

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Analysis of financial results - Segments (excluding discontinued operations)

Platform management and administration	**31 Dec 15 $'000**	**31 Dec 14 $'000**	**Movement $'000**	**%**
Net Operating Revenue	113,074	110,578	2,496	2.3%
Other revenue (incl equity accounted	375	(50)	425	Large
Operating expenditure	(48,986)	(46,428)	(2,558)	(5.5%)
Net financing	2	-	2	n/a
Net non-cash items	(2,667)	(1,921)	(746)	(38.8%)
Income tax expense and non-controlling Interest	(19,070)	(19,151)	81	0.4%
Underlying Profit after Tax	**42,728**	**43,028**	**(300)**	**(0.7%)**

● Net operating revenue increase was driven primarily by higher average funds derived from positive markets and sustained organic growth in the 2015 financial year.

● Increased operating expenditure resulted from increased salaries to a broadly unchanged number of staff and IT enhancements to products and services.

Investment management	**31 Dec 15 $'000**	**31 Dec 14 $'000**	**Movement $'000**	**%**
Net Operating Revenue	30,650	30,258	392	1.3%
Other revenue (incl equity accounted	4,042	5,665	(1,623)	(28.6%)
Operating expenditure	(11,834)	(12,028)	194	1.6%
Net financing	362	149	213	Large
Net non-cash items	(697)	(454)	(243)	(53.5%)
Income tax expense and non-controlling Interest	(6,166)	(6,745)	579	8.6%
Underlying Profit after Tax	**16,357**	**16,845**	**(488)**	**(2.9%)**

● Net operating revenue stability reflected higher average funds offset by lower margins. Funds balances were positively impacted by market growth in 2015 whilst margins were affected by higher custody and transaction costs.
● Decreased operating expenditure resulted from Shadforth integration synergies.

Financial advice and distribution	**31 Dec 15 $'000**	**31 Dec 14 $'000**	**Movement $'000**	**%**
Net Operating Revenue	133,234	118,243	14,991	12.7%
Other revenue (incl equity accounted	2,755	3,124	(369)	(11.8%)
Operating expenditure	(74,408)	(79,981)	5,573	7.0%
Net financing	363	431	(68)	(15.8%)
Net non-cash items	(2,182)	(2,661)	479	18.0%
Net non-cash items	(19,158)	(12,423)	(6,735)	(54.2%)
Underlying Profit after Tax	**40,604**	**26,733**	**13,871**	**51.9%**

● Net operating revenue increase reflected funds growth and revenue synergies derived from pricing parity with Shadforth.

● Reduced operating expenditure resulted from Shadforth integration synergies partly offset by wage increases in line with inflation.

Trustee services	**31 Dec 15 $'000**	**31 Dec 14 $'000**	**Movement $'000**	**%**
Net Operating Revenue	14,058	13,052	1,006	7.7%
Other revenue (incl equity accounted	-	-	-	n/a
Operating expenditure	(9,078)	(8,476)	(602)	(7.1%)
Net financing	-	-	-	n/a
Net non-cash items	(120)	(74)	(46)	(62.2%)
Other revenue (incl equity accounted profits)	(1,461)	(1,344)	(117)	(8.7%)
Underlying Profit after Tax	**3,399**	**3,158**	**241**	**7.6%**

● Net operating revenue increase reflected funds growth driven by market movements and increased numbers of estates. In particular, the establishment of a greater east coast distribution presence has driven growth in client numbers.
● Increased operating expenditure resulted from increased staffing to facilitate organic growth initiatives, wage increases in line with inflation and increased litigation claims provisioning.

Financial Position

The IOOF Group held cash and cash equivalents of $178.4m at 31 December 2015 (30 June 2015: $150.5m). 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. During the period, an additional $54.5m in net proceeds was received from the divestment of certain Perennial entities (see discontinued operations) which was the principal driver of the increased level of cash.

The overall debt to equity ratio stood at 13% at 31 December 2015 (30 June 2015: 13%). Net debt, borrowings less cash, stood at 0.2 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.

Risk

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 2015. Material risks faced by the IOOF Group include, but may not be limited to, the following:

(i) Changes in investment markets
IOOF derives a significant proportion of its earnings from fees and charges based on the level of FUMAS. The level of FUMAS will reflect (in addition to other factors such as the funds flowing into and out of FUMAS) the investment performance of those funds. Therefore, changes in domestic and/or global investment market conditions could lead to a decline in FUMAS, adversely impacting the amount we earn in fees and charges. Deterioration in investment market conditions could also lead to reduced consumer interest in our 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 we operate. 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 Group manages this risk by continuously investing in product design and stakeholder relationships.

(iii) Information technology
IOOF relies heavily on information technology. Therefore, any significant or sustained failure in our core technology systems or cyber security could have a materially adverse effect on our operations in the short term, which in turn could undermine longer term confidence and impact our future profitability and financial position.

(iv) Brands and reputation
The 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 adverse effects on 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.

(v) Provision of investment advice
IOOF'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 our 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. IOOF has specific operational exposures relevant to the industry in which we operate including exposures in connection with product disclosure statements, investment management, tax and financial advice, legal and regulatory compliance, product commitments, process error, fraud, system failure, failure of security and physical protection systems and unit pricing errors.

Risk (continued)

(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 loans and other receivables. The Group's counterparties generally do not have an independent credit rating, and we need to assess 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 Group’s earnings and capital arising from changes in market interest rates. The financial instruments held that will be impacted by interest rate risk consist of cash and cash equivalents, loans, and borrowings. Short and long-term investment mixes and loans to related entities are influenced by liquidity policy requirements. Interest rates (both charged and received) are based on market rates, and are closely monitored by management. They are primarily at variable rates of interest, and will expose IOOF to cash flow interest rate risk.

(ix) Liquidity risk
Liquidity risk relates to IOOF having insufficient liquid assets to cover current liabilities and unforeseen expenses. The 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 our 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 which enables it to operate key parts of its business. 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 we are required to hold a higher capital base.

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

- be available in the future on a commercially reasonable basis; or
- provide adequate cover against claims made against or by IOOF, 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).

IOOF 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 IOOF 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 IOOF or its service providers could cause financial or reputation loss.

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

(xiv) Dependence on financial planners
The success of our advice and platform business is highly dependent on the quality of the relationships we have with our financial planners and the quality of their relationships with their clients. Our ability to retain productive planners is in turn dependent on service levels, technological capability, suitability of product offerings and the quality and relevance of professional training.

Risk (continued)

(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.

(xvi) Dilution
IOOF'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.

(xvii) Regulatory and legislative risk and reform
The financial services sectors in which we operate are subject to extensive legislation, regulation and supervision by a number of regulatory bodies in multiple jurisdictions. The regulatory regimes governing our business activities are complex and subject to change. The impact of future regulatory and legislative change upon IOOF 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.

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 appropriate.

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 2015 was 13.3%. TSR in the period from the acquisition of Australian Wealth Management on 30 April 2009 to 31 December 2015 was 210% in total and 18% on a compounding annualised basis. The Group is in a strong financial position with low gearing and significant free cash.

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Shareholder returns (continued)

	Six months ended 31 December		
	2015	2014*	% change
Profit attributable to owners of the Company ($'000s) (1)	133,986	61,474	118.0%
Basic EPS (cents per share)	44.7	21.9	103.9%
Diluted EPS (cents per share)	44.5	21.7	104.8%
UNPAT ($'000s)	95,376	80,578	18.4%
UNPAT EPS (cents per share)	31.8	28.7	10.8%
Dividends declared ($'000s)	85,538	75,033	14.0%
Dividends per share (cents per share)	28.5	25.0	14.0%
Opening share price	9.10	8.34	9.1%
Closing share price at 30 June	9.52	8.90	7.0%
Return on equity (non-statutory measure) (2)	13.6%	12.8%	6.3%
Ratio to long-term bond rate	4.0 times	3.6 times	

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

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

* 31 December 2014 has been restated. Refer Notes 2-2 and 4-2 for details.

Returns to shareholders increase / decrease through both dividends and capital growth / decline. Dividends for 2015 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. The amortisation of software development costs is not reversed in this manner however.

Acquisition and divestment transaction costs: One off payments to external advisers in pursuit of corporate transactions, such as the acquisition of Shadforth and 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 disposal of subsidiaries: During the period, the IOOF Group divested its interests in Perennial Fixed Interest and Perennial Growth Management to Henderson.

Profit on sale of assets: Divestments of non-core businesses, client lists and associates. This was not recognised in 2015 due to low scale activity and immateriality.

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 disposed 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.

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UNPAT adjustments (continued)

Reinstatement of Perennial non-controlling interests: 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 2015 (cents)	30 June 2015 (cents)
Net tangible assets/(liabilities) per share *	16.2	(12.7)

* 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 Fixed Interest Pty Ltd and Perennial Growth Management Pty Ltd was lost during the period. The Group held 100% of the shares on issue as at 30 June 2015 which is nil as at 31 December 2015.

5. Dividends

	Amount $'000	Cents per share	% Franked
Final dividend for the year ended 30 June 2015	75,033	25.0	100%
Interim dividend for the year ended 30 June 2016	85,538	28.5	100%
Record date for determining entitlement to dividend	17 March 2016		
Date for payment of interim dividend	7 April 2016		

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		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	2,172	2,636
Other associates			643	670
			2,815	3,306

* 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.*

IOOF Holdings Ltd - Appendix 4D for the six months ended 31 December 2015

8. Earnings per share

	31 Dec 2015 (cents)	31 Dec 2014 (cents)
Basic earnings per share	44.7	21.9
Diluted earnings per share	44.5	21.7
UNPAT earnings per share	31.8	28.7

Weighted average number of ordinary shares	31 Dec 2015 No. '000	30 Jun 2015 No. '000
Basic and UNPAT earnings per share	299,713	280,347
Diluted earnings per share	301,073	282,853

9. Other

The information contained in this Appendix 4D is based on the 31 December 2015 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 2015

Condensed consolidated interim financial report

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Notes to the financial statements

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 2015 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)
Mr Christopher Kelaher
Mr Allan Griffiths
Mr Ian Griffiths (resigned 2 October 2015)
Ms Jane Harvey
Mr George Venardos
Ms Elizabeth Flynn (appointed 15 September 2015)

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 audited 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 2015 (2014: $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 15 $'000	31 Dec 14* $'000
Profit attributable to Owners of the Company		**133,986**	**61,474**
Underlying net profit after tax pre-amortisation (UNPAT) adjustments:			
Reverse the impact of:			
Amortisation of intangible assets	2-4	19,993	18,679
Acquisition and divestment transaction costs	2-2, 2-4	471	5,733
Termination and retention incentive payments	2-4	4,141	2,666
Gain on disposal of subsidiaries	2-2	(71,988)	(530)
Profit on sale of assets	2-3	(2,976)	-
Non-recurring professional fees	2-4	3,099	-
Unwind of deferred tax liability recorded on intangible assets		(5,028)	(4,649)
Reinstatement of Perennial non-controlling interests		(825)	(551)
Income tax attributable		14,503	(2,244)
UNPAT		**95,376**	**80,578**

* 31 December 2014 has been restated. Refer Notes 2-2 and 4-2 for details.

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

Operating and financial review (continued)

Retail - privately operated trusts and other schemes. The majority of funds are channelled to administration services and investment management products through financial advisers. However, technological development is enabling an increasing range of offerings direct to fund members.

Industry Funds - superannuation entities which historically have provided for employees working in the same union, industry or group of related industries. Many industry funds now offer membership to members of the public. Industry funds generally administer these funds, but may outsource the management of investments.

Self-Managed - the fund member acts as trustee for his or her pool of funds, which may include funds from a limited number of other family members and associates. These funds are predominantly utilised where the trustee perceives they have the requisite time and expertise to manage their own investment strategy and a sufficient scale of funds to make the fixed administration costs economically justifiable.

Corporate - funds established for the benefit of employees of a particular entity or a group of related entities, with joint member and employer control.

Public Sector - funds which provide benefits largely for government employees or employees of statutory authorities, or are schemes established by a Commonwealth, State or Territory law.

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

The IOOF Group administers and manages Retail funds. Australian Superannuation assets totalled $2.0 trillion at the end of the September 2015 quarter. Over the 12 months to September 2015 there was a 6.5% increase in total superannuation assets and retail providers had a market share of approximately 26%. Our market share of that sub-set, as represented by our platform administration segment's flows to Funds Under Administration, was approximately 5%. 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 30 September 2015, 49% of the $1.3 trillion investments by APRA regulated entities were invested in equities; with 22% in Australian listed equities, 22% in international listed equities and 5% in unlisted equities. Fixed income and cash investments accounted for 34% of investments; 21% in fixed income and 13% in cash. Property and infrastructure accounted for 13% of investments and 4% were invested in other assets, including hedge funds and commodities. This asset allocation suggests the sector will have contracted in overall funds size as at the reporting date given devaluations in equities more broadly since 30 September 2015, when industry statistics were last aggregated and reported.

The IOOF Group operates in the Wealth Management sector. The sector has a substantial and growing pool of funds underpinned by government compulsion and both major political parties have policy positions to lift mandatory contribution rates. 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.

IOOF also has a long-term strategy of pursuing growth through acquisitions and has completed several acquisitions in previous years. IOOF 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.

Operating and financial review (continued)

On 6 August 2014, SFG Australia Ltd (Shadforth) joined the IOOF Group via a scheme of arrangement. Shadforth was an ASX-listed financial advice and end-to-end wealth management firm. Shadforth provides a full range of wealth management services to high net worth and affluent clients, including strategic financial advice, portfolio administration, portfolio construction and management services, insurance solutions, and stockbroking. The company also provides corporate superannuation services as well as accounting and tax services.

Senior employees of IOOF and Shadforth have overseen a rigorous integration process. The first priority was to identify duplicate and non-essential roles, largely at Shadforth head office, and agree exit dates with the individuals affected. All the staff identified in this manner had departed by 31 May 2015. The consequent reduction in employee numbers, particularly among more highly remunerated managerial staff, has provided the bulk of cost synergy savings to date. We have also identified the highest cost suppliers and either terminated them in favour of in-sourced teams or pre-existing external service provision or had their services re-priced downwards as befits the additional scale arising from the increased size of the newly combined group.

The IOOF Group's UNPAT rose $14.8m or 18.4% to $95.4m for the half year ended 31 December 2015 relative to $80.6m in the prior corresponding period. The acquisition of Shadforth is principally responsible for the material increase in our profitability, having contributed $32.1m to overall group UNPAT with $17.2m attributable to Shadforth in the prior corresponding period.

The Shadforth contribution represents a 57% increase on its operating performance in the prior corresponding period. In calculating that increase, we have allowed for it having been operated by the IOOF Group for only five months to 31 December 2014. This increase was driven principally by the realisation of cost synergies resulting from the integration process noted above.

On 2 November 2015, we announced the successful divestment of our interests in Perennial Fixed Interest and Perennial Growth Management 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. Additionally, two loss making Perennial subsidiaries with sub-scale FUMA were divested in October and November 2014. The other two Perennial subsidiaries, when they operated pre-divestment, were not material in their impact on the IOOF Group's profitability. The results of all four businesses have been disclosed as discontinued operations 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 upon receipt. 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 includes the material impact of acquiring Shadforth one month into the prior corresponding period. As noted above, there was a $14.8m increment to UNPAT as a result of this acquisition. Where the Shadforth acquisition has had an impact on other parts of the IOOF Group, for example in financing additional borrowings, that will be highlighted in the review. The divested Perennial businesses have been excluded from the review and the impact on particular items of revenue or expense highlighted in discontinued operations disclosures.

Gross margin increased $17.7m

During the current period FUMAS declined 1% to $132.6b. Excluding acquisition and divestment impacts, Funds Under Management, Administration and Advice (FUMA) also declined 1% to a total of $103.4b, which was derived largely from equity market driven decreases. Platform and advice flows of $147m were positively impacted by high rates of satisfaction with service levels and branding initiatives, but partly offset by outflows associated with a large, low margin corporate super account. Investment management inflows of $44m were also impacted by that account loss. Reduced funds at period end were not reflective of average funds over the period given the timing of movements. Average FUMA increased in all segments when compared to the prior corresponding period such that $22m of the overall increase in gross margin for the period was attributable to higher average funds.

The contribution from funds growth was partly offset by the impact of product mix on earning rates or margins. Within platform administration, these lower rates principally reflected rising average asset values putting a higher proportion of fund members into lower fee scales under a tiered fee structure. The introduction of the government mandated MySuper product has had no material impact on margins given the charging of flat management fees which are more reflective of actual costs to service these accounts. Investment management margins also reduced given higher custody and transaction costs for actively managed multi-manager portfolios with higher relative performance.

Other revenue increased $0.8m

The IOOF Group's broking businesses', Ord Minnett and Bridges, contributions were broadly equivalent to the prior corresponding period in line with market activity generally. No further individual other revenue item was significant in terms of movement from prior corresponding period or in its importance to the Group's core businesses'.

Operating and financial review (continued)

Operating expenditure decreased by $0.6m

The decrease above excludes the impact of expenditure items identified as reversed in calculating UNPAT. The major source of this was labour cost savings from the realisation of synergies on integrating the Shadforth business, however this was largely offset by having an additional month of Shadforth costs in the current period. In the absence of these two major items, prudent constraint on discretionary activity has resulted in minor movements only in most cost categories.

Net financing costs decreased by $0.8m

Net interest expense was lower due to lower market borrowing rates, partly offset by an additional month's debt funding for the Shadforth acquisition.

Other profit impacts decreased by $6.2m

Share of associates profits declined $0.5m as a result of mandate outflows and higher costs within the Perennial Value Management Group. Income tax expense was $5.5m higher given increased profitability. In the current period, continuing treasury share purchases were partly offset by assessable income from the striking of options giving rise to a net deductible impact on income tax of $1.5m (2014: $2.4m). Non-controlling interests excluded Perennial entities due to divestment and consequent classification as discontinued operations. Non-controlling interests was $0.3m higher in line with Ord Minnett's increased profitability.

Analysis of financial results - Segments (excluding discontinued operations)

	31 Dec 15	31 Dec 14	Movement	
Platform management and administration	$'000	$'000	$'000	%
Net Operating Revenue	113,074	110,578	2,496	2.3%
Other revenue (incl equity accounted profits)	375	(50)	425	Large
Operating expenditure	(48,986)	(46,428)	(2,558)	(5.5%)
Net financing	2	-	2	n/a
Net non-cash items	(2,667)	(1,921)	(746)	(38.8%)
Income tax expense and non-controlling Interest	(19,070)	(19,151)	81	0.4%
Underlying Profit after Tax	**42,728**	**43,028**	**(300)**	**(0.7%)**

- Net operating revenue increase was driven primarily by higher average funds derived from positive markets and sustained organic growth in the 2015 financial year.
- Increased operating expenditure resulted from increased salaries to a broadly unchanged number of staff and IT enhancements to products and services.

	31 Dec 15	31 Dec 14	Movement	
Investment management	$'000	$'000	$'000	%
Net Operating Revenue	30,650	30,258	392	1.3%
Other revenue (incl equity accounted profits)	4,042	5,665	(1,623)	(28.6%)
Operating expenditure	(11,834)	(12,028)	194	1.6%
Net financing	362	149	213	Large
Net non-cash items	(697)	(454)	(243)	(53.5%)
Income tax expense and non-controlling Interest	(6,166)	(6,745)	579	8.6%
Underlying Profit after Tax	**16,357**	**16,845**	**(488)**	**(2.9%)**

- Net operating revenue stability reflected higher average funds offset by lower margins. Funds balances were positively impacted by market growth in 2015 whilst margins were affected by higher custody and transaction costs.
- Decreased operating expenditure resulted from Shadforth integration synergies.

	31 Dec 15	31 Dec 14	Movement	
Financial advice and distribution	$'000	$'000	$'000	%
Net Operating Revenue	133,234	118,243	14,991	12.7%
Other revenue (incl equity accounted profits)	2,755	3,124	(369)	(11.8%)
Operating expenditure	(74,408)	(79,981)	5,573	7.0%
Net financing	363	431	(68)	(15.8%)
Net non-cash items	(2,182)	(2,661)	479	18.0%
Income tax expense and non-controlling Interest	(19,158)	(12,423)	(6,735)	(54.2%)
Underlying Profit after Tax	**40,604**	**26,733**	**13,871**	**51.9%**

Operating and financial review (continued)

Financial advice and distribution (continued)

- Net operating revenue increase reflected funds growth and revenue synergies derived from pricing parity with Shadforth.
- Reduced operating expenditure resulted from Shadforth integration synergies partly offset by wage increases in line with inflation.

Trustee services	**31 Dec 15 $'000**	**31 Dec 14 $'000**	**Movement $'000**	**%**
Net Operating Revenue	14,058	13,052	1,006	7.7%
Other revenue (incl equity accounted profits)	-	-	-	n/a
Operating expenditure	(9,078)	(8,476)	(602)	(7.1%)
Net financing	-	-	-	n/a
Net non-cash items	(120)	(74)	(46)	(62.2%)
Income tax expense and non-controlling Interest	(1,461)	(1,344)	(117)	(8.7%)
Underlying Profit after Tax	**3,399**	**3,158**	**241**	**7.6%**

- Net operating revenue increase reflected funds growth driven by market movements and increased numbers of estates. In particular, the establishment of a greater east coast distribution presence has driven growth in client numbers.
- Increased operating expenditure resulted from increased staffing to facilitate organic growth initiatives, wage increases in line with inflation and increased litigation claims provisioning.

Financial Position

The IOOF Group held cash and cash equivalents of $178.4m at 31 December 2015 (30 June 2015: $150.5m). 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. During the period, an additional $54.5m in net proceeds was received from the divestment of certain Perennial entities (see discontinued operations) which was the principal driver of the increased level of cash.

The overall debt to equity ratio stood at 13% at 31 December 2015 (30 June 2015: 13%). Net debt, borrowings less cash, stood at 0.2 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.

Risk

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 2015. Material risks faced by the IOOF Group include, but may not be limited to, the following:

(i) Changes in investment markets

IOOF derives a significant proportion of its earnings from fees and charges based on the level of FUMAS. The level of FUMAS will reflect (in addition to other factors such as the funds flowing into and out of FUMAS) the investment performance of those funds. Therefore, changes in domestic and/or global investment market conditions could lead to a decline in FUMAS, adversely impacting the amount we earn in fees and charges. Deterioration in investment market conditions could also lead to reduced consumer interest in our 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 we operate. 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 Group manages this risk by continuously investing in product design and stakeholder relationships.

(iii) Information technology

IOOF relies heavily on information technology. Therefore, any significant or sustained failure in our core technology systems or cyber security could have a materially adverse effect on our operations in the short term, which in turn could undermine longer term confidence and impact our future profitability and financial position.

Operating and financial review (continued)

Risk (continued)

(iv) Brands and reputation
The 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 adverse effects on 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.

(v) Provision of investment advice

IOOF’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 our 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. IOOF has specific operational exposures relevant to the industry in which we operate including exposures in connection with product disclosure statements, investment management, tax and financial advice, legal and regulatory compliance, product commitments, process error, fraud, system failure, failure of security and physical protection systems and unit pricing errors.

(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 loans and other receivables. The Group's counterparties generally do not have an independent credit rating, and we need to assess 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 Group’s earnings and capital arising from changes in market interest rates. The financial instruments held that will be impacted by interest rate risk consist of cash and cash equivalents, loans, and borrowings. Short and long-term investment mixes and loans to related entities are influenced by liquidity policy requirements. Interest rates (both charged and received) are based on market rates, and are closely monitored by management. They are primarily at variable rates of interest, and will expose IOOF to cash flow interest rate risk.

(ix) Liquidity risk
Liquidity risk relates to IOOF having insufficient liquid assets to cover current liabilities and unforeseen expenses. The 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 our 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 which enables it to operate key parts of its business. 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 we are required to hold a higher capital base.

(xi) Insurance
IOOF holds insurance policies, including errors and omissions (professional indemnity) and directors’ and officers’ insurance, which we regard as commensurate with industry standards, and adequate having regard to our business activities. These policies provide a degree of protection for IOOF’s assets, liabilities, officers and employees. However, no assurance can be given that any insurance that IOOF currently maintains will:
• be available in the future on a commercially reasonable basis; or
• provide adequate cover against claims made against or by IOOF, 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).
IOOF 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 IOOF incurs uninsured losses or liabilities, its assets, profits and prospects may be adversely affected.

Operating and financial review (continued)

Risk (continued)

(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 IOOF or its service providers could cause financial or reputation loss.

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

(xiv) Dependence on financial planners
The success of our advice and platform business is highly dependent on the quality of the relationships we have with our financial planners and the quality of their relationships with their clients. Our ability to retain productive planners is in turn dependent on 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.

(xvi) Dilution
IOOF'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.

(xvii) Regulatory and legislative risk and reform
The financial services sectors in which we operate are subject to extensive legislation, regulation and supervision by a number of regulatory bodies in multiple jurisdictions. The regulatory regimes governing our business activities are complex and subject to change. The impact of future regulatory and legislative change upon IOOF 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.

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 appropriate.

Operating and financial review (continued)

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 2015 was 13.3%. TSR in the period from the acquisition of Australian Wealth Management on 30 April 2009 to 31 December 2015 was 210% in total and 18% 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		
	2015	2014*	% change
Profit attributable to owners of the Company ($'000s)(1)	133,986	61,474	118.0%
Basic EPS (cents per share)	44.7	21.9	103.9%
Diluted EPS (cents per share)	44.5	21.7	104.8%
UNPAT ($'000s)	95,376	80,578	18.4%
UNPAT EPS (cents per share)	31.8	28.7	10.8%
Dividends declared ($'000s)	85,538	75,033	14.0%
Dividends per share (cents per share)	28.5	25.0	14.0%
Opening share price	$ 9.10	$ 8.34	9.1%
Closing share price at 31 December	$ 9.52	$ 8.90	7.0%
Return on equity (non-statutory measure)(2)	13.6%	12.8%	6.3%
Ratio to long-term bond rate	4.0 times	3.6 times	

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

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

* 31 December 2014 has been restated. Refer Notes 2-2 and 4-2 for details.

Returns to shareholders increase / decrease through both dividends and capital growth / decline. Dividends for 2015 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. The amortisation of software development costs is not reversed in this manner however.

Acquisition and divestment transaction costs: One off payments to external advisers in pursuit of corporate transactions, such as the acquisition of Shadforth and 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 disposal of subsidiaries: During the period, the IOOF Group divested its interests in Perennial Fixed Interest and Perennial Growth Management to Henderson.

Profit on sale of assets: Divestments of non-core businesses, client lists and associates. This was not recognised in 2015 due to low scale activity and immateriality.

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.

Operating and financial review (continued)

UNPAT adjustments (continued)

Unwind of deferred tax liability recorded on intangible assets: Acquired intangible asset valuations for AASB 3 Business Combinations accounting are higher than the required cost base as set under 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 disposed 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: 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 2015, the Directors declared the payment of an interim dividend of 28.5 cents per share franked to 100% at 30% corporate income tax rate to the holders of fully paid ordinary shares to be paid on 7 April 2016. This dividend will be paid to all shareholders recorded on the Register of Members on 17 March 2016.

In respect of the financial year ended 30 June 2015, a final dividend of 28.0 cents per share franked to 100% at 30% corporate income tax rate was paid to the holders of fully paid ordinary shares on 15 October 2015.

Events occurring after balance date

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 2015 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 2015.

Rounding off of amounts

The Company is a company of the kind referred to in ASIC Class Order 98/100, dated 10 July 1998, and in accordance with that Class Order 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.

Chairman
24 February 2016

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 2015 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:

Dr Roger Sexton AM
Chairman
Melbourne
24 February 2016

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 2015 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 professional conduct in relation to the review.

KPMG

KPMG

Dean M Waters
Partner

Melbourne

24 February 2016

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, which comprises the condensed consolidated statement of financial position as at 31 December 2015, condensed consolidated statement of 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 interim period's end or from time to time during the interim period.

Directors' responsibility 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

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 2015 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 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 2015 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

24 February 2016

Condensed consolidated statement of profit or loss and comprehensive income

For the six months ended		31 Dec 15	31 Dec 14*
Continuing operations	**Note**	**$'000**	**$'000**
Revenue	2-3	468,873	443,206
Expenses	2-4	(365,195)	(360,921)
Share of profits of associates accounted for using the equity method		2,815	3,306
Finance costs		(3,712)	(4,437)
Profit before tax		102,781	81,154
Income tax expense	2-5	(26,394)	(20,171)
Statutory fund			
Statutory fund revenue**	5-3	42,618	36,033
Statutory fund expenses**	5-3	(37,823)	(31,342)
Income tax (expense)/benefit - statutory**	5-3	(4,795)	(4,691)
Statutory fund contribution to profit, net of tax		-	-
Profit for the period from continuing operations		76,387	60,983
Discontinued operation			
Profit for the period from discontinued operation	2-2	58,924	1,528
Profit for the period		135,311	62,511
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Net change in fair value of share buy back liability		-	(3,870)
Items that may be reclassified subsequently to profit or loss:			
Net change in fair value of available-for-sale financial assets		500	1,030
Exchange differences on translating foreign operations		70	16
Income tax on other comprehensive income		(164)	(309)
Total items that may be reclassified subsequently to profit or loss		406	737
Other comprehensive income/(expense) for the period, net of income tax		406	(3,133)
Total comprehensive income for the period		135,717	59,378
Profit attributable to:			
Owners of the Company		**133,986**	**61,474**
Non-controlling interest		1,325	1,037
Profit for the period		135,311	62,511
Total comprehensive income attributable to:			
Owners of the Company		134,392	58,341
Non-controlling interest		1,325	1,037
Total comprehensive income for the period		135,717	59,378
Earnings per share:			
Basic earnings per share (cents per share)		44.7	21.9
Diluted earnings per share (cents per share)		44.5	21.7
Earnings per share - continuing operations:			
Basic earnings per share (cents per share)		25.0	21.4
Diluted earnings per share (cents per share)		24.9	21.2

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

* 31 December 2014 has been restated. Refer Notes 2-2 and 4-2 for details.

**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 consoldiated statement of financial position

	Note	31 Dec 15 $'000	30 Jun 2015 $'000
Assets			
Cash	1-1	178,449	150,533
Receivables	1-1	106,509	103,340
Other financial assets		36,870	42,911
Prepayments		10,374	12,455
Assets held for sale		-	9,055
Deferred acquisition costs		3,060	3,639
Associates		23,195	21,898
Property and equipment		22,756	21,507
Intangible assets	4-3	502,731	523,457
Goodwill	4-4	991,712	1,013,105
Assets relating to statutory funds	5-1	893,193	901,187
Total assets		**2,768,849**	**2,803,087**
Liabilities			
Payables	1-1	68,599	71,519
Borrowings	3-1	207,440	207,846
Current tax liabilities		6,978	44,028
Contingent consideration	1-1	1,660	7,298
Share buy-back liabilities	1-1	-	27,327
Provisions	4-1	56,242	67,676
Deferred tax liabilities		107,065	92,527
Liabilities held for sale		-	4,725
Deferred revenue liability		3,096	3,736
Lease incentives		2,730	2,960
Liabilities relating to statutory funds	5-2	893,193	901,187
Total liabilities		**1,347,003**	**1,430,829**
Net assets		**1,421,846**	**1,372,258**
Equity			
Share capital	3-2	1,438,627	1,437,757
Reserves	3-4	8,435	(8,918)
Accumulated losses		(34,872)	(66,224)
Total equity attributable to equity holders of the Company		**1,412,190**	**1,362,615**
Non-controlling interest		9,656	9,643
Total equity		**1,421,846**	**1,372,258**

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**
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**
Recognition of Operating Risk Financial Reserve	-	-	2,798	-	**2,798**	-	**2,798**
Proceeds from exercise of options under executive and employee share option plan	211	-	-	-	**211**	-	**211**
Transfer from employee equity-settled benefits reserve on exercise of options	5,862	-	(5,862)	-	**-**	-	**-**
Treasury shares transferred to recipients during the period	(11,650)	11,650	-	-	**-**	-	**-**
Disposal of discontinued operations	-	-	18,728	(18,728)	**-**	-	**-**
Transfer of lapsed share options to retained earnings	-	-	(35)	35	**-**	-	**-**
Purchase of treasury shares	-	(5,203)	-	-	**(5,203)**	-	**(5,203)**
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 changes in equity

For the six months ended 31 December 2014*	**Ordinary shares $'000**	**Treasury shares $'000**	**Reserves $'000**	**Accumulated losses $'000**	**Total $'000**	**Non-controlling interest $'000**	**Total equity $'000**
Balance at 1 July 2014	868,084	(8,119)	(4,456)	(55,004)	**800,505**	12,835	813,340
Total comprehensive income for the period							
Profit for the period attributable to owners of the Company	-	-	-	61,474	**61,474**	1,037	62,511
Other comprehensive income for the period, net of income tax	-	-	(3,133)	-	**(3,133)**	-	(3,133)
Total comprehensive income for the period	-	-	(3,133)	61,474	**58,341**	1,037	59,378
Transactions with owners, recorded directly in equity							
Contributions by and (distributions to) owners							
Dividends to equity holders	-	-	-	(74,803)	**(74,803)**	(2,009)	(76,812)
Share-based payment expense	-	-	2,162	-	**2,162**	-	2,162
Transaction costs of issuing new shares	(11)	-	-	-	**(11)**	-	(11)
Fair value of shares issued in business combination	581,535	-	-	-	**581,535**	-	581,535
Proceeds from exercise of options under executive and employee share option plan	2,618	-	-	-	**2,618**	-	2,618
Transfer from employee equity-settled benefits reserve on exercise of options	7,170	-	(7,170)	-	**-**	-	-
Treasury shares transferred to recipients during the period	(13,720)	13,720	-	-	**-**	-	-
Purchase of treasury shares	-	(10,987)	-	-	**(10,987)**	-	(10,987)
Transfer of lapsed share options to retained earnings	-	-	(164)	164	**-**	-	-
Return of capital to non-controlling members of subsidiary entities	-	-	-	-	**-**	(1,640)	(1,640)
On-market purchase of shares transferred to option and rights holders during the period	(243)	-	-	-	**(243)**	-	(243)
Total transactions with owners	577,349	2,733	(5,172)	(74,639)	**500,271**	(3,649)	496,622
Balance at 31 December 2014	1,445,433	(5,386)	(12,761)	(68,169)	**1,359,117**	10,223	1,369,340

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

* 31 December 2014 has been restated. Refer Notes 2-2 and 4-2 for details.

Condensed consolidated statement of cash flows

For the six months ended	Note	31 Dec 15 $'000	31 Dec 14* $'000
Cash flows from operating activities			
Receipts from customers		500,363	489,347
Payments to suppliers and employees		(381,632)	(386,295)
Dividends from associates		214	4,127
Net stockbroking purchases		(183)	(504)
Termination and retention incentive payments		(4,141)	(2,666)
Income taxes paid		(45,184)	(26,037)
Net cash provided by/(used in) operating activities		69,437	77,972
Cash flows from investing activities			
Dividends and distributions received		424	435
Interest received		2,354	2,050
Net proceeds on disposal of discontinued operation, net of tax	2-2	54,517	227
Acquisition of subsidiary, net of cash acquired		-	(35,779)
Acquisition and divestment transaction costs		(471)	(5,733)
Interest and other costs of finance paid		(3,588)	(4,110)
Proceeds on disposal of other assets		2,920	503
Receipt/(payment) of deferred purchase consideration		(4,869)	865
Purchase of non-controlling interests in subsidiaries		(2,112)	(975)
Net proceeds from sales/(purchases) of financial assets		(775)	5,152
Payments for property and equipment		(5,333)	(2,208)
Amounts borrowed from/(advanced to) other entities		248	(252)
Payments for intangible assets		(600)	(1,403)
Net cash provided by/(used in) investing activities		42,715	(41,228)
Cash flows from financing activities			
Net borrowings drawn/(repaid)		(439)	75,952
Purchase of treasury shares		(5,203)	(11,229)
Proceeds from exercise of IFL share options		211	2,618
Proceeds from exercise of share options in subsidiaries		-	662
Cost of issuing additional shares		-	(11)
Return of capital to non-controlling members of Group entities		-	(1,640)
Dividends paid:			
- members of the Company		(83,941)	(74,803)
- non-controlling members of subsidiary entities		(1,312)	(2,009)
- shareholders entitled to contractual share buy-back		(1,698)	(1,378)
Net cash provided by/(used in) financing activities		(92,382)	(11,838)
Net increase/(decrease) in cash and cash equivalents		19,770	24,906
Cash and cash equivalents at the beginning of period		150,533	109,505
Effects of cash reclassified as assets held for sale at 30 June 2015		5,314	-
Operating Risk Financial Reserve cash requirement		2,798	-
Effects of exchange rate changes on cash and cash equivalents		34	27
Cash and cash equivalents at the end of period		178,449	134,438

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

* 31 December 2014 has been restated. Refer Notes 2-2 and 4-2 for details.

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 2015.

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 2015	$'000	$'000	$'000	$'000	$'000	$'000	
Cash	178,449	-	178,449				
Financial assets measured at fair value							
Available-for-sale investments	-	17,992	17,992	17,992	-	-	17,992
Certificates of deposit	130	-	130	130	-	-	130
Shares in listed companies	18	-	18	18	-	-	18
Unlisted unit trusts	-	1,839	1,839	-	1,839	-	1,839
Fair value through profit or loss	148	1,839	1,987	148	1,839	-	1,987
Financial assets not measured at fair value							
Trade receivables	56,389	-	56,389				
Other receivables	43,003	1,742	44,745				
Security bonds	-	5,375	5,375				
Trade and other receivables	99,392	7,117	106,509				
Loans to directors and executives	-	8,412	8,412				
Receivables from statutory benefit funds	1,326	-	1,326				
Seed capital receivable	-	7,153	7,153				
Loans and other receivables	1,326	15,565	16,891				
Total financial assets	**279,315**	**42,513**	**321,828**				
Financial liabilities							
Contingent consideration	706	954	1,660	-	-	1,660	1,660
Payables	68,596	3	68,599				
Borrowing facilities	-	206,640	206,640				
Finance lease liabilities	-	800	800				
Borrowings	-	207,440	207,440				
Total financial liabilities	**69,302**	**208,397**	**277,699**				

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 2015	$'000	$'000	$'000	$'000	$'000	$'000	
Cash	150,533	-	150,533				
Financial assets measured at fair value							
Available-for-sale investments	-	17,474	17,474	17,474	-	-	17,474
Certificates of deposit	129	-	129	129	-	-	129
Shares in listed companies	68	-	68	68	-	-	68
Unlisted unit trusts	-	1,044	1,044	-	1,044	-	1,044
Fair value through profit or loss	197	1,044	1,241	197	1,044	-	1,241
Financial assets not measured at fair value							
Trade receivables	55,606	-	55,606				
Other receivables	40,082	2,280	42,362				
Security bonds	-	5,372	5,372				
Trade and other receivables	95,688	7,652	103,340				
Loans to directors and executives	-	10,059	10,059				
Receivables from statutory benefit funds	6,984	-	6,984				
Seed capital receivable	-	7,153	7,153				
Loans and other receivables	6,984	17,212	24,196				
Total financial assets	253,402	43,382	296,784				
Financial liabilities							
Share buy-back liabilities	-	27,327	27,327	-	-	27,327	27,327
Contingent consideration	6,164	1,134	7,298	-	-	7,298	7,298
Payables	71,519	-	71,519				
Borrowing facilities	-	206,562	206,562				
Finance lease liabilities	-	1,284	1,284				
Borrowings	-	207,846	207,846				
Total financial liabilities	77,683	236,307	313,990				

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 fair value of level 3 share buy-back liabilities is determined using valuation techniques in consultation with professional accounting and specialist valuation firms, using generally accepted valuation methodologies.

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 2015.

Section 1 - Risk management

1-1 Financial Instruments (continued)

Reconciliation of movements in level 3 financial liabilities	**Contingent considera-tion $'000**	**Share buy-back liabilities $'000**
Opening balance as at 1 July 2015	7,298	27,327
Acquisition of intangibles	349	-
Fair value gain from derecognition of contingent consideration payable	(597)	-
Unwinding of discount	91	-
Settlement of contingent consideration	(5,481)	-
New buy-back entitlements	-	541
Dividends paid to shareholders entitled to contractual share buy-back	-	(1,698)
Purchase of non-controlling interest	-	(2,112)
Disposal of discontinued operation	-	(24,058)
Closing balance as at 31 December 2015	1,660	-

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.

The results of Shadforth are now shown in the respective segments of investment management and financial advice and distribution. Comparative disclosures have been restated to be on a comparable basis. Further detail on Shadforth's impact on these segments is available in the results presentation which can be accessed at the Company website at www.ioof.com.au

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	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000	2015 $'000	2014 $'000	2015 $'000	2014 $'000	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Continuing operations												
External management and service fee revenue	203,468	199,766	52,665	52,260	132,124	116,125	12,771	11,231	-	-	401,028	379,382
External other fee revenue	3,337	4,124	946	935	12,246	11,560	1,931	1,723	354	361	18,814	18,703
Service fees and other direct costs	(59,015)	(55,447)	(22,827)	(22,740)	(61,632)	(61,556)	(806)	(47)	182	217	(144,098)	(139,573)
Deferred acquisition costs	(290)	(671)	-	-	(334)	(458)	-	-	-	-	(624)	(1,129)
Gross Margin	**147,500**	**147,772**	**30,784**	**30,455**	**82,404**	**65,671**	**13,896**	**12,907**	**536**	**578**	**275,120**	**257,383**
Stockbroking revenue	-	-	-	-	38,008	36,858	-	-	-	-	38,008	36,858
Stockbroking service fees expense	-	-	-	-	(21,507)	(21,463)	-	-	-	-	(21,507)	(21,463)
Stockbroking net contribution	**-**	**-**	**-**	**-**	**16,501**	**15,395**	**-**	**-**	**-**	**-**	**16,501**	**15,395**
Inter-segment revenue(i)	-	-	-	-	36,735	37,247	162	145	69	69	36,966	37,461
Inter-segment expenses(i)	(34,426)	(37,194)	(134)	(197)	(2,406)	(70)	-	-	-	-	(36,966)	(37,461)
Net Operating Revenue	**113,074**	**110,578**	**30,650**	**30,258**	**133,234**	**118,243**	**14,058**	**13,052**	**605**	**647**	**291,621**	**272,778**
Other external revenue	375	-	1,870	3,029	2,095	2,268	-	-	883	224	5,223	5,521
Finance income	2	-	418	291	405	660	-	-	1,999	1,791	2,824	2,742
Inter-segment revenue(i)	-	-	-	-	17	136	-	-	-	142	17	278
Share of net profits of associates	-	(50)	2,172	2,636	643	720	-	-	-	-	2,815	3,306
Operating and other expenditure	(48,969)	(46,307)	(11,834)	(12,028)	(74,408)	(79,981)	(9,078)	(8,476)	(20,937)	(19,665)	(165,226)	(166,457)
Share-based payments expense	(336)	(404)	(149)	(156)	(350)	(1,170)	(10)	(13)	(461)	(389)	(1,306)	(2,132)
Finance costs	-	-	(56)	-	(42)	(229)	-	-	(3,614)	(4,208)	(3,712)	(4,437)
Inter-segment expenses(i)	(17)	(121)	-	(142)	-	-	-	-	-	(15)	(17)	(278)
Depreciation	(1,480)	(736)	(548)	(298)	(1,832)	(1,491)	(110)	(61)	-	-	(3,970)	(2,586)
Amortisation of intangible assets - IT Development	(851)	(781)	-	-	-	-	-	-	-	-	(851)	(781)
Non-controlling interests	-	-	-	-	(1,325)	(1,037)	-	-	-	-	(1,325)	(1,037)
Income tax expense	(19,070)	(19,151)	(6,166)	(6,745)	(17,833)	(11,386)	(1,461)	(1,344)	11,716	11,265	(32,814)	(27,361)
UNPAT from continuing operations	**42,728**	**43,028**	**16,357**	**16,845**	**40,604**	**26,733**	**3,399**	**3,158**	**(9,809)**	**(10,208)**	**93,279**	**79,556**
Discontinued Operations											2,097	1,022
UNPAT											**95,376**	**80,578**

(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. Comparatives have been restated to be on a comparable basis.

#The results of Shadforth are now shown in the respective segments of investment management, financial advice and distribution and corporate and other. Comparative disclosures have been restated to be on a comparable basis.

Section 2 - Results for the period

2-1 Operating segments (continued)

Reconciliation of reportable segment revenues and expenses

	Note	31 Dec 15 $'000	31 Dec 14 $'000
Total profit after tax for reportable segments		**93,279**	**79,556**
Non-controlling interest		1,325	1,037
UNPAT adjustments - continuing operations			
Amortisation of intangible assets	2-4	(19,993)	(18,679)
Acquisition and divestment transaction costs	2-4	(380)	(5,455)
Termination and retention incentive payments	2-4	(4,141)	(2,666)
Profit on sale of assets	2-3	2,976	-
Non-recurring professional fees	2-4	(3,099)	-
Unwind of deferred tax liability recorded on intangible assets		5,028	4,649
Income tax attributable		1,392	2,541
Profit for the period from continuing operations		**76,387**	**60,983**
Profit for the period from discontinued operation		58,924	1,528
Profit/(loss) for the period		**135,311**	**62,511**

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 2015.

Section 2 - Results for the period

2-2 Discontinued operation

On 2 June 2015, we announced that we expected to divest our interests in Perennial Fixed Interest and Perennial Growth Management 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 at 31 December 2015.
Perennial Real Estate Investments and Perennial International Equities Management were disposed in the 2015 financial year. These were not disclosed as a discontinued operation in the 2015 interim financial report due to immateriality. The 31 December 2014 figures below also include the impact of these divestments.

	4 months ended 1 Nov 15 $'000	6 months ended 31 Dec 14 $'000
Results of the discontinued operation		
Revenue	9,486	14,756
Expenses	(5,435)	(11,952)
Results from operating activities	4,051	2,804
Income tax	(1,221)	(1,503)
Results from operating activities, net of tax	2,830	1,301
Gain on sale of discontinued operation	71,988	530
Income tax on gain on sale of discontinued operation	(15,894)	(303)
Gain on disposal of discontinued operation, net of tax	56,094	227
Profit for the period	58,924	1,528
Basic earnings per share	19.7	0.5
Diluted earnings per share	19.6	0.5
Cash flows from the discontinued operation		
Net cash provided by operating activities	2,830	1,301
Net cash provided by investing activities	54,517	227
Net cash flow for the period	57,347	1,528

Assets and liabilities of disposal group

The net assets of the disposal group at the date of disposal are shown below. As at 30 June 2015 the related balances were classified as held for sale.

	1 Nov 15 $'000
Assets	
Cash	1,201
Receivables	1,231
Other financial assets	1,992
Prepayments	167
Deferred tax assets	339
Goodwill	21,393
Total assets	26,323
Liabilities	
Payables	1,481
Current tax liabilities	95
Share buy-back liabilities	24,058
Provisions	1,005
Total liabilities	26,639
Net assets and liabilities	(316)
Consideration received in cash	71,612
Income tax paid	(15,894)
Cash and cash equivalents disposed of	(1,201)
Net cash inflow	54,517

Section 2 - Results for the period

2-3 Revenue

	Note	31 Dec 15 $'000	31 Dec 14* $'000
Management and service fees revenue		401,028	379,382
Stockbroking revenue		38,008	36,858
External other fee revenue		18,814	18,703
Finance income			
Interest income on loans to Directors of controlled and associated entities		164	212
Interest income from non-related entities		2,233	2,015
Dividends and distributions received		424	437
Net fair value gains/(losses) on other financial assets at fair value through profit or loss		3	78
		2,824	2,742
Other revenue			
Service revenue charged to related parties		1,866	2,948
Profit on sale of assets		2,976	210
Other		3,357	2,363
		8,199	5,521
Total revenue from continuing operations		468,873	443,206

2-4 Expenses

	Note	31 Dec 15 $'000	31 Dec 14* $'000
Service Fees and other direct costs			
Service and marketing fees expense		131,030	124,628
Stockbroking service fees expense		21,507	21,463
Other direct costs		13,068	14,945
		165,605	161,036
Operating expenditure			
Salaries and related employee expenses		99,961	102,354
Employee defined contribution plan expense		7,718	7,276
Information technology costs		25,269	24,401
Professional fees		3,108	3,891
Marketing		5,307	5,042
Office support and administration		9,518	9,431
Occupancy related expenses		10,953	10,615
Travel and entertainment		3,225	3,409
Other		-	14
		165,059	166,433
Other expenses			
Share-based payments expense		1,306	2,132
Acquisition and divestment transaction costs		380	5,455
Termination and retention incentive payments		4,141	2,666
Depreciation of property and equipment		3,970	2,586
Amortisation of intangible assets	4-3	19,993	18,679
Amortisation of intangible assets - IT development	4-3	851	781
Loss on disposal of non-current assets		167	24
Deferred acquisition costs		624	1,129
Non-recurring professional fees		3,099	-
		34,531	33,452
Total expenses from continuing operations		365,195	360,921

* 31 December 2014 has been restated. Refer Notes 2-2 and 4-2 for details.

Section 2 - Results for the period

2-5 Income Taxes

Reconciliation of effective tax rate	31 Dec 2015 %	31 Dec 2015 $'000	31 Dec 14* %	31 Dec 14* $'000
Profit before tax from continuing operations		102,781		81,154
Tax using the IOOF Group's domestic tax rate	30.0%	30,834	30.0%	24,346
Tax effect of:				
Share of tax credits with statutory funds	0.7%	749	1.1%	901
(Non assessable income)/Non-deductible expenses	(1.8%)	(1,862)	(3.8%)	(3,057)
Share of net profits of associates	(0.8%)	(845)	(1.2%)	(992)
Assessable associate dividends	2.4%	2,457	4.6%	3,694
Imputation credits	(2.5%)	(2,583)	(4.7%)	(3,815)
Other	(1.0%)	(1,044)	(0.7%)	(548)
Under/(over) provided in prior periods	(1.3%)	(1,312)	(0.4%)	(358)
Tax expense from continuing operations	**25.7%**	**26,394**	**24.9%**	**20,171**

In December 2015 the ATO published in its tax transparency report the tax information in respect of large public taxpayers. For the IOOF Holdings Ltd tax consolidated group the ATO published that IOOF paid $41m in income tax relating to the financial year ended 30 June 2014.

This represents an effective tax rate of 22 per cent on IOOF's net taxable profit for that year compared to a statutory corporate tax rate of 30%. The rate difference 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%.

* 31 December 2014 has been restated. Refer Notes 2-2 and 4-2 for details.

2-6 Dividends

The following dividends were declared by the Group:

	Six months ended 31 December 2015		Six months ended 31 December 2014	
	Cents per share	Total '000	Cents per share	Total '000
Fully paid ordinary shares				
Interim dividend	28.5	85,538	25.0	75,033

In respect of the six months ended 31 December 2015, the Directors declared the payment of an interim dividend of 28.5 cents per share franked to 100% at 30% corporate income tax rate to the holders of fully paid ordinary shares to be paid on 7 April 2016. This dividend will be paid to all shareholders recorded on the Register of Members on 17 March 2016.

Section 2 - Results for the period

2-7 Earnings per share

	31 Dec 15 $'000	31 Dec 14* $'000
Basic earnings per share	44.7	21.9
Diluted earnings per share	44.5	21.7

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 15 $'000	31 Dec 14* $'000
Profit for the period attributable to owners of the Company	133,986	61,474
Earnings used in the calculation of basic EPS	133,986	61,474

Weighted average number of ordinary shares	No. '000	No. '000
Weighted average number of ordinary shares (basic)	299,713	280,347
Effect of unvested performance rights	1,356	2,401
Effect of share options on issue	4	105
Weighted average number of ordinary shares (diluted)	301,073	282,853

* 31 December 2014 has been restated. Refer Note 4-2 for details.

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 15 $'000	30 Jun 2015 $'000
Syndicated facility agreement	206,640	206,562
Finance lease liabilities	800	1,284
	207,440	207,846

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 15 $'000	30 Jun 2015 $'000
300,133,752 fully paid ordinary shares (30 June 2015: 300,133,752)	1,439,326	1,444,903
73,231 treasury shares (30 June 2015: 732,002)	(699)	(7,146)
	1,438,627	1,437,757

Section 3 - Capital management and financing

3-2 Share capital (continued)

	Six months ended 31 Dec 15		Year ended 30 Jun 2015	
	No. '000	$'000	No. '000	$'000
Ordinary shares				
On issue at 1 July	300,134	1,444,903	232,118	868,084
Fair value of shares issued in business combination	-	-	68,016	581,535
Transaction costs of issuing new shares	-	-	-	(293)
Issue of shares on exercise of options under executive and employee share option plan	-	211	-	4,880
Transfer from employee equity-settled benefits reserve on exercise of options	-	5,862	-	7,938
Treasury shares transferred to recipients during the period	-	(11,650)	-	(16,999)
On-market purchase of shares transferred to option and performance rights holders during the period	-	-	-	(242)
On issue at the end of the period	300,134	1,439,326	300,134	1,444,903
Treasury shares				
On issue at 1 July	(732)	(7,146)	(961)	(8,119)
Purchase of treasury shares	(570)	(5,203)	(1,750)	(16,026)
Treasury shares transferred to recipients during the period	1,229	11,650	1,979	16,999
On issue at the end of the period	(73)	(699)	(732)	(7,146)
	300,061	1,438,627	299,402	1,437,757

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	75,000	5.19
Senior Management*	135,000	6.17
	210,000	

* 30,000 performance rights lapsed during the period.

3-3 Contingent liabilities

Plaintiff law firm Maurice Blackburn has announced that it has conducted investigations and is seeking expressions of interest from IOOF shareholders in joining a class action. IOOF is confident that the proposed action described by Maurice Blackburn is misconceived both factually and at law. It would be purely speculative and is not in IOOF shareholders' interests.

IOOF has rejected a claim that it breached its continuous disclosure obligations or engaged in misleading or deceptive conduct.

IOOF complies with the law in relation to its continuous disclosure obligations and rejects any suggestion that its approach is inadequate. In the interests of its shareholders, IOOF will vigorously defend any claim.

Other 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.

Section 3 - Capital management and financing

3-4 Reserves

	31 Dec 15 $'000	30 Jun 2015 $'000
Available-for-sale investment revaluation reserve	8,233	7,897
Business combinations reserve	(326)	(326)
Share buy-back revaluation reserve	-	(19,010)
Foreign currency translation reserve	61	(9)
Operating Risk Financial Reserve*	2,798	-
Share-based payments reserve	(2,331)	2,530
	8,435	(8,918)

* 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 15 $'000	30 Jun 2015 $'000
Directors' retirement obligations	475	475
Onerous contracts	2,664	3,617
Employee entitlements	49,875	59,864
Other provisions	3,228	3,720
	56,242	67,676

4-2 Acquisitions

On 6 August 2014, Shadforth joined the IOOF Group via a scheme of arrangement. Shadforth is a leading non-aligned client focused financial advice and end-to-end wealth management firm. Shadforth provides services to high net worth and affluent clients including strategic financial advice, portfolio administration solutions, portfolio construction and management services, insurance (both general and risk) solutions, finance broking, stockbroking, corporate superannuation, accounting and tax services.

At the date of the prior year interim financial report, the acquisition accounting balances were provisional due to ongoing work finalising valuations of identifiable intangibles that impacted acquisition accounting entries.

The provisional balances were restated to actual balances post measurement period in the last annual consolidated financial statements as at and for the year ended 30 June 2015.

Goodwill

Goodwill arising from the acquisition has been recognised as follows.

	31 Dec 2014 Restated $'000	31 Dec 2014 Reported $'000
Total consideration	658,196	658,196
Fair value of assets acquired	(223,384)	(6,097)
Goodwill acquired	**434,812**	**652,099**

Amortisation on intangibles has also been restated as follows:

	31 Dec 2014 Restated $'000	31 Dec 2014 Reported $'000
Amortisation of intangible assets	18,679	12,300
Unwind of deferred tax liability recorded on intangible assets	(1,892)	-
Net restatement	16,787	12,300

Section 4 - Operating assets and liabilities

4-3 Intangible assets (other than goodwill)

	31 Dec 15 $'000	30 Jun 2015 $'000
Cost	671,803	671,810
Accumulated amortisation and impairment losses	(169,072)	(148,353)
	502,731	523,457

	IT Developm-ent $'000	Computer software $'000	Customer relationsh-ips $'000	Brand names $'000	Other Intangibles $'000	Total $'000
Carrying value at 1 July 2015	4,115	7,711	431,771	69,348	10,512	523,457
Additions	-	-	36	-	943	979
Disposals	-	(1)	(860)	-	-	(861)
Amortisation expense	(851)	(1,023)	(17,552)	(400)	(1,018)	(20,844)
Carrying value at 31 December	3,264	6,687	413,395	68,948	10,437	502,731

4-4 Goodwill

	31 Dec 15 $'000	30 Jun 2015 $'000
Cost	1,008,721	1,030,114
Accumulated impairment	(17,009)	(17,009)
Net carrying value of goodwill	991,712	1,013,105
Carrying value at beginning of period	1,013,105	578,090
Disposal of discontinued operation	(21,393)	-
Acquisition of Shadforth	-	434,812
Acquisition of CUA FP	-	203
Balance at end of period	991,712	1,013,105

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 15 $'000	30 Jun 2015 $'000
Cash at bank	4,052	2,677
Receivables	8,975	15,899
Shares in listed companies	-	16,243
Unlisted unit trusts	866,799	853,348
Loans to policyholders	13,367	13,020
Investments backing policyholder liabilities designated at fair value through profit or loss	893,193	901,187

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 15 $'000	30 Jun 2015 $'000
Payables	2,567	9,347
Seed capital	7,153	7,153
Deferred tax liabilities	9,825	9,972
Investment contracts liabilities with DPF	310,082	338,709
Investment contract liabilities	563,566	533,281
Non-controlling interests in controlled trusts	-	2,725
	893,193	901,187

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 Contribution to profit or loss of statutory funds

	Statutory	
	31 Dec 15 $'000	31 Dec 14 $'000
Statutory fund revenue		
Interest income	264	269
Dividends and distributions received	12,443	13,070
Net fair value gains/(losses) on other financial assets designated as fair value through profit or loss	2,601	6,892
Investment contracts with DPF:		
Contributions received - investment contracts with DPF	1,824	5,213
DPF policyholder liability decrease	28,626	17,576
Non - DPF policyholder liability (decrease)/increase	(5,035)	(9,274)
Other fee revenue	1,895	2,287
	42,618	**36,033**
Statutory fund expenses		
Service and marketing fees expense	6,263	6,655
Direct operating expenses	2	45
Investment contracts with DPF:		
Benefits and withdrawals paid	31,475	24,253
Termination bonuses	36	76
Distribution to policyholders	-	253
Interest	47	60
	37,823	**31,342**
Income tax	**4,795**	**4,691**
Net contribution to profit or loss of statutory funds	-	-

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 2016 or later years. We explain how these changes are expected to impact the financial position and performance of the IOOF Group.

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 2015 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 2015 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 2015. 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 24 February 2016.

(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 expese. 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 2015.

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 2015.

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

6-4 New standards and interpretations not yet adopted

The following new or amended standards are not expected to have a significant impact on the Group's consolidated financial statements:

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

6-5 Subsequent events

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.