

Appendix 4D
Interim Financial Report
IOOF HOLDINGS LTD

ABN 49 100 103 722

1. Reporting Period	31 December 2013
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Previous reporting period

31 December 2012

2. Results for announcement to market
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	\$'000	% change from previous corresponding period
Revenue from Shareholder activities ⁽¹⁾	368,285	up 11%
Life statutory revenue	45,653	down 1%
Profit from ordinary activities after tax attributable to owners of the Company	48,181	up 45%
Underlying Net Profit After Tax (pre-amortisation) ⁽²⁾	58,000	up 14%

		Amount per share (cents)	Franked amount per share (cents)
Final dividend for the year ended 30 June 2013			
Paid:	16 October 2013	22.5	22.5
Interim dividend for the year ended 30 June 2014			
Record date:	18 March 2014		
To be paid:	9 April 2014	22.5	22.5

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

⁽²⁾ Underlying Net Profit After Tax (UNPAT) pre amortisation excludes the impact of amortisation of intangible assets, income tax benefit from acquisition accounting, deferred tax recognition and unwind on intangible assets, onerous contract expense, impairment and restructuring costs.

IOOF Holdings Ltd - Appendix 4D for the six months ended 31 December 2013

	Six months ended 31 December	
	2013 \$'000	2012 \$'000
Profit attributable to Owners of the Company	48,181	33,221
Underlying net profit after tax (UNPAT) pre-amortisation adjustments:		
<u>Reverse the impact of:</u>		
Amortisation of intangible assets	12,152	11,075
Impairment	-	4,578
Acquisition transition costs	-	723
Termination and retention incentive payments	1,518	3,931
Recognition of Plan B onerous lease contracts	-	2,962
Unwind of deferred tax liability recorded on intangible assets	(2,758)	(2,600)
Reinstatement of Perennial non-controlling interests	(638)	(738)
Income tax attributable	(455)	(2,233)
	58,000	50,919

UNPAT pre-amortisation

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

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

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

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

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

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

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

The IOOF Group operates Retail funds. The Australian superannuation funds pool at June 2013 was approximately \$1.6 trillion with retail providers possessing a market share of approximately 26%. Our market share of that sub-set, as represented by our platform administration segment's Funds Under Administration, was around 6%. There is a high degree of competition between the five fund types and fragmentation and competition among the participants within each fund type. The IOOF Group's strategy is to operate 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) at a rate which exceeds those of 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.

IOOF Holdings Ltd - Appendix 4D for the six months ended 31 December 2013

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;
- establishing skilled teams and robust analytical processes to enhance the prospect of achieving above benchmark performance in investment management; and
- continuous improvement in process efficiency to minimise operating costs.

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

The IOOF Group's UNPAT pre-amortisation rose \$7.1m or 13.9% to \$58.0m for the half-year ended 31 December 2013 (the current half) relative to \$50.9m in the prior corresponding period. Analysis of the IOOF Group's result needs to take account of the impact of acquiring Plan B mid-way through the prior corresponding period.

Plan B is a Western Australian based vertically integrated wealth manager. It was acquired on 27 September 2012 and added \$3.2b FUMAS at inception. Plan B generated an additional \$4.9m in UNPAT pre-amortisation in the current half (2012: \$1.5m). Interest and other funding costs, net of tax, of \$0.8m (2012: \$0.3m) were incurred in the current half given \$50m in borrowings were drawn to finance this transaction. Net of associated interest and financing, Plan B's incremental UNPAT pre-amortisation was therefore \$2.9m in the current half.

In the absence of the Plan B profit contribution and associated interest and financing costs, the IOOF Group's UNPAT pre-amortisation increased \$4.1m (8.2%) for the current half. The analysis that follows includes the operations and financial impact of Plan B unless otherwise stated:

Gross margin increased \$20.7m (\$12.6m excluding Plan B)

During the current half FUMAS increased \$3.8b to \$124.0b. This increase was partly offset by a significant transfer of corporate trusteeship in supervised funds. Funds Under Management, Administration and Advice (FUMA) increased by \$6.5b to \$94.1b, which was derived principally from equity market driven increases augmented by net inflows of \$412m from platforms and \$406m from investment management. Platform flows were positively impacted by high rates of satisfaction with service levels and branding initiatives whilst investment management flows reflected performance above benchmark, most notably in the fixed income and multi-manager businesses. Growth in funds contributed \$24.1m to the increase in gross margin.

The contribution from funds growth was partly offset by the impact of lower earning rates or margins. Within platform administration, these lower rates principally reflected a rising proportion of products with lower management fees and the impact of rising asset values which meant that a higher proportion of fund members benefited from lower fee scales under a tiered fee structure. Investment management margins were unchanged. It should be noted, investment management fee scales vary with actively managed equity portfolios generally earning higher management fees than fixed income and multi-manager portfolios.

Other revenue increased \$1.6m (\$1.7m excluding Plan B)

The increase was largely due to higher ASX turnover with the IOOF Group's broking businesses, Ord Minnett and Bridges, maintaining market share amid these higher volumes. In addition, our broking businesses participated strongly in the distribution to retail clients of equity instruments, hybrid note and bond issues. This contribution was partly offset by a lower contribution from equity accounted investees engaged in investment management. The Perennial Value Management (PVM) associated entities experienced a degree of margin contraction which overshadowed the contribution from strong market based funds growth.

Operating expenditure increased \$6.6m (\$3.1m excluding Plan B and associated financing costs)

The major sources of this increase were labour costs and computer expenditure. These costs increased in line with wage inflation generally, a rise in the number of Full Time Equivalent (FTE) employees, related increases in licensed IT users and systems enhancements in response to frequently changing regulatory requirements. The rise in FTE was largely necessitated by the increased volume and complexity of new legislation, particularly Future of Financial Advice (FoFA) and My Super. Partially offsetting FTE reductions were realised in Plan B due to elimination of duplicated roles and centralisation of shared services.

IOOF Holdings Ltd - Appendix 4D for the six months ended 31 December 2013

Other operating expenditure increased \$1.5m (\$1.4m excluding Plan B)

\$0.8m of this increase derived from additional share based payment programs to key stakeholders and executives to ensure retention. There was also an initial recognition of \$0.7m of amortisation of regulation driven software development in the current half.

Other profit impacts - decline of \$7.2m (\$5.6m excluding Plan B)

Income tax expense was \$6.0m higher given increased profitability and the impact of fulfilment of share based payments. The striking of employee share options, partly offset by continuing treasury share purchases, gave rise to net assessable income for taxation purposes in the current half. In the prior corresponding period, purchases of treasury shares with immaterial offsetting assessable income from striking of options gave rise to a deductible. The net impact of this activity increased income tax expense by \$1.7m in the current half. Net interest income was \$1.1m lower due largely to lower average cash balances reflecting the application of funds to acquisitions, cash restructuring costs, software development and dividends. Net interest was also adversely impacted by a full six months of Plan acquisition funding costs and the impact of lower interest earning rates on cash balances. Non-controlling interests (including amounts restated to calculate UNPAT pre-amortisation) moved broadly in line with the profitability of the relevant subsidiaries.

Financial Position

The IOOF Group held cash and cash equivalents of \$82.5m at 31 December 2013 (30 June 2013: \$98.3m; 31 December 2012: \$96.2m). 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. In the current half, \$20m was borrowed to acquire a 12% stake in Equity Trustees Ltd and a \$15m repayment was applied to previously established debt facilities in accordance with contractual requirements. In the prior corresponding period, \$50m was borrowed to fund the acquisition of Plan B adding to \$55m in drawn facilities from previous transactions. The overall debt to equity ratio stood at 14% at 31 December 2013. 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.

2. Earnings per share

	31 December 2013 (cents)	31 December 2012 (cents)
Basic earnings per share	20.8	14.3
UNPAT pre-amortisation earnings per share	25.0	22.0

3. Net tangible assets

	31 December 2013 (cents)	31 December 2012 (cents)
Net tangible assets per share	8.7	3.8

4. Entities over which control has been gained or lost

Control over BD Shepparton Pty Ltd was lost during the period. The Group held 85% of the shares on issue as at 30 June 2013.

Due to the disposal of all shares held, this ownership interest has reduced to nil as at 31 December 2013.

5. Dividends

	Amount \$'000	Cents per share	% Franked
Final dividend for the year ended 30 June 2013	52,227	22.5	100%
Interim dividend for the year ended 30 June 2014	52,227	22.5	100%
Record date for determining entitlements to dividends	18 March 2014		
Date for payment of final dividend	9 April 2014		

6. Dividend reinvestment plans

The Company does not operate a dividend reinvestment plan.

7. Details of associates and joint venture entities

	Ownership interest held at the end of period		Contribution to net profit	
	Current period %	Previous corresponding period %	Current period \$'000	Previous corresponding period \$'000
Equity accounted associates				
Perennial Value Management Ltd *	52.4	52.4	3,061	3,463
Other associates			677	604
			3,738	4,067

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

8. Other

The information contained in this Appendix 4D is based on the 31 December 2013 condensed consolidated interim financial statements of IOOF Holdings Ltd and its subsidiaries, which have been subject to review by our external auditors. The financial statements are not subject to qualification. A copy of the financial statements is attached.

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



IOOF Holdings Ltd

ABN 49 100 103 722

Condensed consolidated interim financial report

31 December 2013

IOOF Interim Financial Report 2013

Note	Contents	Page Number
	Condensed consolidated interim financial report	
	Directors' Report	1
	Directors' Declaration	7
	Lead Auditor's Independence Declaration	8
	Independent Auditor's Review Report to the Members	9
	Condensed Consolidated Statement of Comprehensive Income	11
	Condensed Consolidated Statement of Financial Position	12
	Condensed Consolidated Statement of Changes in Equity	13
	Condensed Consolidated Statement of Cash Flows	15
	Notes to the condensed consolidated interim financial statements	
1	Reporting entity	16
2	Basis of preparation	16
3	Significant accounting policies	16
4	Financial Instruments	17
5	Risk Management	18
6	Operating segments	18
7	Revenue	20
8	Expenses	20
9	Finance costs	21
10	Cash and cash equivalents	21
11	Receivables	21
12	Other financial assets	21
13	Other assets	21
14	Equity-accounted investees	22
15	Other intangible assets	22
16	Goodwill	22
17	Tax assets and liabilities	22
18	Payables	23
19	Borrowings	23
20	Other financial liabilities	23
21	Provisions	24
22	Other liabilities	24
23	Share capital	24
24	Reserves	25
25	Accumulated losses	25
26	Dividends	25
27	Statutory funds	26
28	Contingencies and commitments	27
29	Subsequent events	27

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2013 and any public announcements made by IOOF Holdings Ltd during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

IOOF Interim Financial Report 2013

Directors' report

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 2013 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 (Managing Director)
 Mr Ian Griffiths
 Ms Jane Harvey
 Mr George Venardos
 Mr Kevin White

All Directors held office during and since the end of the six months.

Operating and financial review

In accordance with current Australian accounting standards, the reviewed 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 (2012: \$nil), but results in offsetting pre-tax profit and income tax amounts not available to shareholders.

The following table, which has not been subject to auditor review, provides a reconciliation between the reported results of the IOOF Group and underlying net profit after tax (UNPAT) pre-amortisation, with the results of the benefit funds excluded. In calculating its UNPAT pre-amortisation, 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 pre-amortisation 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

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IOOF Interim Financial Report 2013

Directors' report

Operating and financial review (continued)

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The increase was largely due to higher ASX turnover with the IOOF Group's broking businesses, Ord Minnett and Bridges, maintaining market share amid these higher volumes. In addition, our broking businesses participated strongly in the distribution to retail clients of equity instruments, hybrid note and bond issues. This contribution was partly offset by a lower contribution from equity accounted investees engaged in investment management. The Perennial Value Management (PVM) associated entities experienced a degree of margin contraction which overshadowed the contribution from strong market based funds growth.

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The major sources of this increase were labour costs and computer expenditure. These costs increased in line with wage inflation generally, a rise in the number of Full Time Equivalent (FTE) employees, related increases in licensed IT users and systems enhancements in response to frequently changing regulatory requirements. The rise in FTE was largely necessitated by the increased volume and complexity of new legislation, particularly Future of Financial Advice (FoFA) and My Super. Partially offsetting FTE reductions were realised in Plan B due to elimination of duplicated roles and centralisation of shared services.

Other operating expenditure increased \$1.5m (\$1.4m excluding Plan B)

\$0.8m of this increase derived from additional share based payment programs to key stakeholders and executives to ensure retention. There was also an initial recognition of \$0.7m of amortisation of regulation driven software development in the current half.

Other profit impacts - decline of \$7.2m (\$5.6m excluding Plan B)

Income tax expense was \$6.0m higher given increased profitability and the impact of fulfilment of share based payments. The striking of employee share options, partly offset by continuing treasury share purchases, gave rise to net assessable income for taxation purposes in the current half. In the prior corresponding period, purchases of treasury shares with immaterial offsetting assessable income from striking of options gave rise to a deductible. The net impact of this activity increased income tax expense by \$1.7m in the current half. Net interest income was \$1.1m lower due largely to lower average cash balances reflecting the application of funds to acquisitions, cash restructuring costs, software development and dividends. Net interest was also adversely impacted by a full six months of Plan acquisition funding costs and the impact of lower interest earning rates on cash balances. Non-controlling interests (including amounts restated to calculate UNPAT pre-amortisation) moved broadly in line with the profitability of the relevant subsidiaries.

IOOF Interim Financial Report 2013

Directors' report

Operating and financial review (continued)

Financial Position

The IOOF Group held cash and cash equivalents of \$82.5m at 31 December 2013 (30 June 2013: \$98.3m; 31 December 2012: \$96.2m). 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. In the current half, \$20m was borrowed to acquire a 12% stake in Equity Trustees Ltd and a \$15m repayment was applied to previously established debt facilities in accordance with contractual requirements. In the prior corresponding period, \$50m was borrowed to fund the acquisition of Plan B adding to \$55m in drawn facilities from previous transactions. The overall debt to equity ratio stood at 14% at 31 December 2013. 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.

Shareholder returns

The IOOF Group dividend is calibrated to provide shareholders with a benefit which reflects performance and offers a reasonable 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 pre-amortisation is appropriate. In both the current half and prior corresponding period, the dividend pay-out ratio has been at the upper end of this range. This reflected the availability of cash and the use of borrowings to fund acquisitions.

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 twelve months to 31 December 2013 was 31%. TSR in the period from the acquisition of Australian Wealth Management on 30 April 2009 to 31 December 2013 was 169% in total and 23% on a compounding annualised basis.

	Six months ended 31 December		
	2013	2012	% change
Profit attributable to owners of the Company (\$'000s) ¹	48,181	33,221	up 31%
Basic EPS (cents per share)	20.8	14.3	up 31%
Diluted EPS (cents per share)	20.5	14.2	up 31%
UNPAT pre-amortisation	58,000	50,919	up 12%
UNPAT pre-amortisation EPS (cents per share)	25.0	22.0	up 12%
Dividends declared (\$'000s)	52,227	45,258	up 13%
Dividends per share (cents per share)	22.5	19.5	up 13%
Share price at 1 July	\$ 7.25	\$ 6.03	up 17%
Share price at 31 December	\$ 8.96	\$ 7.21	up 20%
Return on equity (non-statutory measure) ²	13.8%	12.2%	up 12%
Ratio to long-term bond rate	3.4 times	3.9 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 annualised UNPAT pre-amortisation by average equity during the year.

Returns to shareholders increase / decrease through both dividends and capital growth / decline. Dividends for 2013 and prior years were fully franked.

Operating and financial review (continued)

UNPAT pre-amortisation 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.

Impairment: Non-cash entry which reflects a point in time valuation of assets which is unable to be reversed to profit in future periods should the original value prove to be restored. The entry is not related to the conventional recurring operations of the IOOF Group.

Acquisition transition costs: One off payments in the prior comparative period to external advisers by both Plan B Group Holdings Limited (Plan B) and the IOOF Group in pursuit of a successful acquisition 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. The prior comparative period was largely due to the Plan B acquisition.

Recognition of Plan B onerous lease contracts: Non-cash entry in the prior comparative period to record the estimated present value of expected costs of meeting the obligations under contracts where the costs exceed the economic benefits expected to be received pursuant to the contracts.

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. IFRS 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 of the adjustment items outlined above.

Dividends

In respect of the six months ended 31 December 2013, on 25 February 2014 the Directors declared the payment of an interim dividend of 22.5 cents per share franked to 100% at 30% corporate income tax rate to the holders of fully paid ordinary shares to be paid on 9 April 2014. This dividend will be paid to all shareholders recorded on the Register of Members on 18 March 2014.

In respect of the financial year ended 30 June 2013, a final dividend of 22.5 cents per share franked to 100% at 30% corporate income tax rate was paid to the holders of fully paid ordinary shares on 16 October 2013.

Subsequent events

There has not been any matter or circumstance occurring subsequent to the end of the reporting period that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

IOOF Interim Financial Report 2013

Directors' report

Lead auditor's independence declaration

The lead auditor's independence declaration is included on page 8 of the interim financial report and forms part of the Directors' Report for the six months ended 31 December 2013.

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.

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



Dr Roger Sexton AM

Chairman

25 February 2014

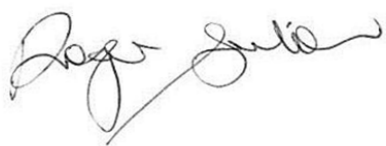
IOOF Interim Financial Report 2013

Directors' declaration

1. In the opinion of the Directors of the Company:

- (a) the financial statements and notes set out on pages 11 to 27, 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 2013 and of its performance for the six month period 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
25 February 2014



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 interim period ended 31 December 2013 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

KPMG

Dean M Waters
Partner

Melbourne

25 February 2014



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 2013, 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 to 29 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 2013 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 2013 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

A handwritten signature in blue ink, appearing to read 'Dean M Waters', written over a horizontal line.

Dean M Waters
Partner

Melbourne

25 February 2014

IOOF Interim Financial Report 2013
Condensed consolidated statement of comprehensive income

For the six months ended 31 December

	Note	2013 \$'000	2012 \$'000
Revenue	7	368,285	332,776
Expenses	8	(299,987)	(287,805)
Life statutory revenue*	27(c)	45,653	46,170
Life statutory expenses*	27(c)	(31,077)	(31,458)
Share of profits of associates accounted for using the equity method (net of income tax)		3,738	4,067
Finance costs	9	(1,747)	(1,771)
Profit before income tax expense		84,865	61,979
Income tax (expense)/benefit - shareholder		(21,158)	(13,705)
Income tax (expense)/benefit - statutory*	27(c)	(14,576)	(14,712)
Profit for the period		49,131	33,562
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Net change in fair value of share buy back liability		(886)	8,016
Items that may be reclassified subsequently to profit or loss:			
Net change in fair value of available-for-sale financial assets		6,666	785
Exchange differences on translating foreign operations		2	13
Income tax on other comprehensive income		(1,764)	-
<i>Total items that may be reclassified subsequently to profit or loss</i>		4,904	798
Other comprehensive income/(expense) for the period, net of income tax		4,018	8,814
Total comprehensive income for the period		53,149	42,376
Profit attributable to:			
Owners of the Company		48,181	33,221
Non-controlling interest		950	341
Profit for the period		49,131	33,562
Total comprehensive income attributable to:			
Owners of the Company		52,199	42,035
Non-controlling interest		950	341
Total comprehensive income for the period		53,149	42,376
Earnings per share:			
Basic earnings per share (cents per share)		20.8	14.3
Diluted earnings per share (cents per share)		20.5	14.2

Notes to the condensed consolidated financial statements are included on pages 16 to 27.

*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.

IOOF Interim Financial Report 2013
Condensed consolidated statement of financial position

	Note	31 Dec 2013 \$'000	30 Jun 2013 \$'000
Assets			
Cash and cash equivalents	10	82,460	98,252
Receivables	11	78,043	69,653
Other financial assets	12	58,664	27,243
Other assets	13	19,801	23,301
Equity-accounted investees	14	26,946	27,770
Property and equipment		10,471	11,626
Other intangible assets	15	294,012	304,044
Goodwill	16	578,090	578,090
Assets relating to statutory funds	27(a)	857,305	807,141
Total assets		2,005,792	1,947,120
Liabilities			
Payables	18	54,458	57,109
Borrowings	19	111,327	106,615
Current tax liabilities	17	18,687	11,845
Other financial liabilities	20	28,255	30,259
Provisions	21	43,381	48,068
Deferred tax liabilities	17	60,782	58,308
Other liabilities	22	9,760	11,224
Liabilities relating to statutory funds	27(b)	857,305	807,141
Total liabilities		1,183,955	1,130,569
Net assets		821,837	816,551
Equity			
Share capital	23	867,307	862,321
Reserves	24	(2,216)	(6,088)
Accumulated losses	25	(56,096)	(52,139)
Total equity attributable to equity holders of the Company		808,995	804,094
Non-controlling interest		12,842	12,457
Total equity		821,837	816,551

Notes to the condensed consolidated financial statements are included on pages 16 to 27.

IOOF Interim Financial Report 2013
Condensed consolidated statement of changes in equity

For the six months ended 31 December

	Note	Ordinary shares	Treasury shares	Reserves	Accumulated losses	Total	Non- controlling interest	Total equity
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2013	23,24,25	869,269	(6,948)	(6,088)	(52,139)	804,094	12,457	816,551
Total comprehensive income for the period								
Profit for the period attributable to owners of the Company		-	-	-	48,181	48,181	950	49,131
Other comprehensive income for the year, net of income tax		-	-	4,018	-	4,018	-	4,018
Total comprehensive income for the period		-	-	4,018	48,181	52,199	950	53,149
Transactions with owners, recorded directly in equity								
<i>Contributions by and (distributions to) owners</i>								
Dividends to equity holders		-	-	-	(52,138)	(52,138)	(574)	(52,712)
Share-based payment expense		-	-	2,766	-	2,766	-	2,766
Proceeds from exercise of options under executive and employee share option plan		7,048	-	-	-	7,048	-	7,048
Performance rights vested during the period		551	-	(551)	-	-	-	-
Transfer from employee equity-settled benefits reserve on exercise of options		2,361	-	(2,361)	-	-	-	-
Treasury shares transferred to employees during the period		(10,916)	10,916	-	-	-	-	-
Purchase of treasury shares		-	(4,974)	-	-	(4,974)	-	(4,974)
Non-controlling interest in subsidiaries disposed		-	-	-	-	-	9	9
Total transactions with owners		(956)	5,942	(146)	(52,138)	(47,298)	(565)	(47,863)
Balance at 31 December 2013	23,24,25	868,313	(1,006)	(2,216)	(56,096)	808,995	12,842	821,837

Notes to the condensed consolidated financial statements are included on pages 16 to 27.

IOOF Interim Financial Report 2013
Condensed consolidated statement of changes in equity

For the six months ended 31 December 2012

	Note	Ordinary shares	Treasury shares	Reserves	Accumulated losses	Total	Non- controlling interest	Total equity
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2012	23,25	869,070	-	(9,486)	(47,138)	812,446	14,876	827,322
Total comprehensive income for the period								
Profit for the period attributable to owners of the Company		-	-	-	33,221	33,221	341	33,562
Other comprehensive income for the year, net of income tax		-	-	8,814	-	8,814	-	8,814
Total other comprehensive income		-	-	8,814	-	8,814	-	8,814
Total comprehensive income for the period		-	-	8,814	33,221	42,035	341	42,376
Transactions with owners, recorded directly in equity								
Contributions by and (distributions to) owners								
Dividends to equity holders		-	-	-	(41,767)	(41,767)	(615)	(42,382)
Share-based payment expense		-	-	1,937	-	1,937	-	1,937
Proceeds from exercise of options under executive and employee share option plan		160	-	-	-	160	-	160
Performance rights vested during the period		926	-	(926)	-	-	-	-
Transfer from employee equity-settled benefits reserve on exercise of options		67	-	(67)	-	-	-	-
Treasury shares transferred to employees during the period		(1,424)	1,424	-	-	-	-	-
Purchase of treasury shares		-	(2,509)	-	-	(2,509)	-	(2,509)
Derecognition of non-controlling interest on disposal of subsidiary		-	-	-	-	-	(40)	(40)
Acquisition of non-controlling interests in subsidiaries		-	-	-	-	-	(14)	(14)
Total transactions with owners		(271)	(1,085)	944	(41,767)	(42,179)	(669)	(42,848)
Balance at 31 December 2012		868,799	(1,085)	272	(55,684)	812,302	14,548	826,850

Notes to the condensed consolidated financial statements are included on pages 16 to 27.

IOOF Interim Financial Report 2013
Condensed consolidated statement of cash flows

For the six months ended 31 December

	2013 \$'000	2012 \$'000
Cash flows from operating activities		
Receipts from customers	379,362	321,944
Payments to suppliers and employees	(306,078)	(268,263)
Dividends from equity-accounted investees	3,699	3,043
Net stockbroking purchases	(170)	(3,961)
Termination and retention incentive payments	(1,518)	(3,931)
Income taxes paid	(14,991)	(25,115)
Net cash provided by/(used in) operating activities	60,304	23,717
Cash flows from investing activities		
Dividends and distributions received	260	240
Interest received	1,832	2,993
Acquisition of subsidiary, net of cash acquired	-	(39,982)
Acquisition costs of subsidiary	-	(723)
Interest and other costs of finance paid	(1,669)	(1,695)
Proceeds on disposal of interests in associates	1,000	-
Proceeds on disposal of intangible assets	1,253	-
Net proceeds from sales and purchases of financial assets	(25,035)	2,146
Payments for property and equipment	(936)	(862)
Amounts (advanced to)/borrowed from other entities	85	1,251
Payments for intangible assets	(5,893)	(5,254)
Net cash provided by/(used in) investing activities	(29,103)	(41,886)
Cash flows from financing activities		
Net borrowings drawn	4,679	49,011
Purchase of treasury shares	(4,974)	(2,509)
Proceeds from exercise of share options	7,048	160
Dividends paid:		
- members of the Company	(52,138)	(41,767)
- non-controlling members of subsidiary entities	(574)	(615)
- shareholders entitled to contractual share buy-back	(1,054)	(793)
- shareholders of Plan B Group Holdings Ltd	-	(2,453)
Net cash provided by/(used in) financing activities	(47,013)	1,034
Net increase/(decrease) in cash and cash equivalents	(15,812)	(17,135)
Cash and cash equivalents at the beginning of period	98,252	113,344
Effects of exchange rate changes on cash and cash equivalents	20	-
Cash and cash equivalents at the end of period	82,460	96,209

Notes to the condensed consolidated financial statements are included on pages 16 to 27.

IOOF Interim Financial Report 2013

Notes to the financial statements

1 Reporting entity

IOOF Holdings Ltd (the "Company") is a public company listed on the Australian Stock Exchange (trading under the symbol 'IFL'), domiciled in Australia. The condensed consolidated interim financial report of the Company as at and for the six months ended 31 December 2013 comprise the Company and its controlled entities (together referred to as the "IOOF Group") and the IOOF Group's interests in associates.

The IOOF Group 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 2013 are available upon request from the Company's registered office or at www.ioof.com.au

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 2013. 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 25 February 2014.

(b) Judgements and estimates

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

In preparing this condensed consolidated interim financial report the significant judgements made by management in applying the IOOF Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 30 June 2013.

3 Significant accounting policies

Except as described below, 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 2013. The following changes in accounting policies are also expected to be reflected in the IOOF Group's consolidated financial statements as at and for the year ending 30 June 2014.

The IOOF Group has adopted the following new standards and amendments to standards, with a date of initial application of 1 July 2013.

AASB 10 *Consolidated Financial Statements (2011)*

AASB 11 *Joint Arrangements*

AASB 13 *Fair Value Measurement*

AASB 119 *Employee Benefits (2011)*

Annual Improvements to Australian Accounting Standards 2009-2011 Cycle.

The only standard which had an impact on the IOOF Group has been further explained below.

(a) Fair Value Measurement

AASB 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements, when such measurements are required or permitted by other AASBs.

In particular, it unifies the definition of fair value as the price at which an orderly transaction to sell an asset or to transfer a liability would take place between market participants at the measurement date. It also replaces and expands the disclosure requirements about fair value measurements in other AASBs, including AASB 7 *Financial Instruments: Disclosures*. Some of these disclosures are specifically required in interim financial statements for financial instruments; accordingly, the IOOF Group has included additional disclosures in this regard (see note 4).

In accordance with the transitional provisions of AASB 13, the IOOF Group has applied the new fair value measurement guidance prospectively, and has not provided any comparative information for new disclosures. Notwithstanding the above, the change had no significant impact on the measurements of the IOOF Group's assets and liabilities.

IOOF Interim Financial Report 2013

Notes to the financial statements

4 Financial Instruments

Carrying amounts versus fair values

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 19 Borrowings. The basis for determining fair values is disclosed below.

Fair value hierarchy

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

The different levels have been defined as follows:

- Level 1: quoted 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 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The IOOF Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the transfer has occurred. There were no transfers between Level 1 to Level 2 of the fair value hierarchy during the six months ended 31 December 2013.

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total
31 December 2013				
Assets				
Available-for-sale investments	35,395	-	-	35,395
Financial assets designated at fair value through profit or loss	657	5,148	-	5,805
	36,052	5,148	-	41,200
Liabilities				
Share buy-back liabilities	-	-	25,689	25,689
	-	-	25,689	25,689

Level 2 fair values

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 fair values

The fair value of level 3 share buy-back liabilities is determined using valuation techniques. Valuation models have been established in consultation with professional accounting and specialist valuation firms, using generally accepted valuation methodologies. These include estimated discounted cash flows. Certain assumptions are made that are based on market conditions existing at each balance date. Assumptions used included terminal growth rates in the range of 3 - 5% which do not exceed the long-term average growth rate for each of the businesses and pre-tax discount rates in the range of 12-16%. The estimated fair values resulting from the valuation techniques are reasonable and the most appropriate at the balance date.

Reconciliation of movements in level 3 financial liabilities

	Share buy-back liabilities \$'000
Opening balance as at 1 July	25,857
Dividends paid to shareholders entitled to contractual share buy-back	(1,054)
Revaluation of shareholder liabilities in other comprehensive income	886
Closing balance as at 31 December	25,689

IOOF Interim Financial Report 2013

Notes to the financial statements

5 Risk Management

The Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial report as at and for the year ended 30 June 2013.

6 Operating segments

The IOOF Group's chief operating decision maker is the IOOF Group Managing Director. The strategic business units offer different products and services, and are managed separately because they require different technology and marketing strategies. The principal products and services of each of these strategic business units are as follows:

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. Investment management segment includes revenue and results of the Perennial Group.

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 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.

Reconciliation of reportable segment revenues and expenses

	2013	2012
	\$'000	\$'000
Revenues		
External management and service fee revenue	311,287	278,447
External other fee revenue	14,362	16,537
Stockbroking revenue	37,669	31,573
Other external revenue	2,361	2,875
Finance income	2,606	3,344
Consolidated revenue	368,285	332,776

	2013	2012
	\$'000	\$'000
Expenses		
Service fees and other direct costs	130,685	119,038
Stockbroking service fees expense	22,487	18,720
Amortisation of deferred acquisition costs	1,181	2,830
Operating expenditure	127,919	127,460
Share-based payments expense	2,766	1,937
Depreciation and amortisation	14,949	13,242
Impairment	-	4,578
Consolidated expenses	299,987	287,805

IOOF Interim Financial Report 2013
Notes to the financial statements

6 Operating segments (continued)

	Platform management and administration		Investment management		Financial advice and distribution		Trustee services		Corporate and other		Total	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
External management and service fee revenue	187,788	167,620	65,767	60,462	46,286	40,644	11,446	9,721	-	-	311,287	278,447
External other fee revenue	5,304	4,398	854	3,211	6,423	7,317	1,644	1,445	137	166	14,362	16,537
Inter-segment revenue (i)	-	-	-	-	33,795	35,893	130	-	69	-	33,994	35,893
Service fees and other direct costs	(55,059)	(44,174)	(25,774)	(25,699)	(49,797)	(49,197)	(29)	190	(26)	(158)	(130,685)	(119,038)
Amortisation of deferred acquisition costs	(1,077)	(1,454)	-	-	(104)	(1,376)	-	-	-	-	(1,181)	(2,830)
Inter-segment expenses (i)	(33,612)	(35,415)	(290)	(391)	(92)	10	-	(97)	-	-	(33,994)	(35,893)
Gross Margin	103,344	90,975	40,557	37,583	36,511	33,291	13,191	11,259	180	8	193,783	173,116
Stockbroking revenue	-	-	-	-	37,669	31,573	-	-	-	-	37,669	31,573
Stockbroking service fees expense (ii)	-	-	-	-	(22,487)	(18,720)	-	-	-	-	(22,487)	(18,720)
Stockbroking net contribution	-	-	-	-	15,182	12,853	-	-	-	-	15,182	12,853
Other external revenue	10	-	1,081	1,039	1,094	1,761	6	-	170	75	2,361	2,875
Finance income	-	-	208	390	1,085	908	-	-	1,313	2,046	2,606	3,344
Inter-segment revenue (i)	-	-	-	-	180	159	-	-	-	26	180	185
Share of net profits of associates	68	(21)	3,061	3,463	609	625	-	-	-	-	3,738	4,067
Operating expenditure	(44,636)	(42,400)	(18,041)	(19,536)	(37,406)	(35,692)	(8,028)	(7,769)	(19,808)	(22,063)	(127,919)	(127,460)
Share-based payments expense	(476)	(556)	(142)	(390)	(1,613)	(397)	(17)	72	(518)	(666)	(2,766)	(1,937)
Finance costs	-	-	(169)	(191)	(39)	(68)	-	-	(1,539)	(1,512)	(1,747)	(1,771)
Inter-segment expenses (i)	(80)	(30)	(75)	(56)	-	-	-	-	(25)	(99)	(180)	(185)
Impairment	-	-	-	(4,578)	-	-	-	-	-	-	-	(4,578)
Depreciation and amortisation	(7,690)	(6,701)	(1,399)	(1,395)	(4,902)	(5,113)	(67)	(63)	(891)	30	(14,949)	(13,242)
Reportable segment profit before income tax	50,540	41,267	25,081	16,329	10,701	8,327	5,085	3,499	(21,118)	(22,155)	70,289	47,267

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

(ii) Due to further reclassifications of expenses the isolation of stockbroking service fees expense shown above for the interim periods ended 31 December 2013 and 2012 is not consistent with that published for the year ended 30 June 2013 (\$24,172). The comparable stockbroking service fees expense for the year ended 30 June 2013 is \$38,264.

IOOF Interim Financial Report 2013

Notes to the financial statements

	Six months ended	
	31 Dec 13 \$'000	31 Dec 12 \$'000
7 Revenue		
<u>Management and service fees revenue</u>	311,287	278,447
<u>Stockbroking revenue</u>	37,669	31,573
<u>Other fee revenue</u>	14,362	16,537
<u>Finance income</u>		
Interest income on loans to Directors of controlled and associated entities	204	238
Interest income from non-related entities	1,493	2,323
Dividends and distributions received	260	340
Net fair value gains/(losses) on other financial assets at fair value through profit or loss	(52)	225
Profit on sale of assets	701	218
	2,606	3,344
<u>Other revenue</u>		
Service revenue charged to related parties	1,020	1,047
Other	1,341	1,828
	2,361	2,875
Total revenue	368,285	332,776
8 Expenses		
<u>Service Fees and other direct costs</u>		
Service and marketing fees expense	124,284	112,630
Stockbroking service fees expense*	22,487	18,720
Other direct costs	6,401	6,408
	153,172	137,758
<u>Operating expenditure</u>		
Salaries and related employee expenses	75,603	70,192
Employee defined contribution plan expense	5,403	5,024
Information technology costs	19,490	18,021
Professional fees	3,122	4,047
Marketing	4,345	3,985
Office support and administration	7,219	7,536
Occupancy related expenses	8,068	7,750
Travel and entertainment	3,047	3,182
Other	23	22
	126,320	119,759
<u>Other expenses</u>		
Share-based payments expense	2,766	1,937
Acquisition transition costs	-	723
Termination and retention incentive payments	1,518	3,931
Depreciation of property and equipment	2,106	2,167
Amortisation of intangible assets	12,152	11,075
Amortisation of intangible assets - IT development	691	-
Loss on disposal of non-current assets	81	85
Impairment	-	4,578
Recognition of Plan B onerous lease contracts	-	2,962
Amortisation of deferred acquisition costs	1,181	2,830
	20,495	30,288
Total expenses	299,987	287,805

* Due to further reclassifications of expenses the isolation of stockbroking service fees expense shown above for the interim periods ended 31 December 2013 and 2012 is not consistent with that published for the year ended 30 June 2013 (\$24,172). The comparable stockbroking service fees expense for the year ended 30 June 2013 is \$38,264.

IOOF Interim Financial Report 2013
Notes to the financial statements

		Six months ended	
		31 Dec 13	31 Dec 12
		\$'000	\$'000
9 Finance costs			
Interest		1,747	1,771
<hr/>			
		31 Dec 13	30 Jun 13
		\$'000	\$'000
10 Cash and cash equivalents			
Bank balances		82,460	98,252
<hr/>			
		31 Dec 13	30 Jun 13
		\$'000	\$'000
11 Receivables			
Receivables		47,254	40,979
Interest receivable - related parties		144	130
Dividends and distributions receivable		-	25
Security bond		5,369	5,367
Other debtors		492	975
Accrued income		24,784	22,177
		78,043	69,653
<hr/>			
		31 Dec 13	30 Jun 13
		\$'000	\$'000
12 Other financial assets			
<u>Fair value through profit or loss</u>			
Certificates of deposit and bank bills		123	203
Shares in listed companies		483	209
Unlisted unit trusts		5,123	257
Foreign exchange and index swap		76	-
		5,805	669
<u>Available-for-sale investments</u>		35,395	9,029
<u>Loans and other receivables</u>			
Loans to directors and executives		10,311	10,392
Seed capital receivable		7,153	7,153
		17,464	17,545
		58,664	27,243
<hr/>			
		31 Dec 13	30 Jun 13
		\$'000	\$'000
13 Other assets			
Prepayments		12,751	15,189
Deferred acquisition costs		7,050	8,112
		19,801	23,301

IOOF Interim Financial Report 2013
Notes to the financial statements

	31 Dec 13 \$'000	30 Jun 13 \$'000
14 Equity-accounted investees		
Investment in associated entities	26,946	27,770
Carrying value		
Carrying value at beginning of period	27,770	
Disposals	(888)	
Dividends from equity-accounted investees	(3,674)	
Share of profits of associates accounted for using the equity method (net of tax)	3,738	
Balance at 30 June	26,946	

	31 Dec 13 \$'000	30 Jun 13 \$'000
15 Other intangible assets		
Cost	389,718	387,211
Accumulated amortisation and impairment losses	(95,706)	(83,167)
Net carrying value of other intangible assets	294,012	304,044

	Adviser relationship \$'000	Computer software \$'000	Customer relationship \$'000	Brand names \$'000	Contract agreements \$'000	Total \$'000
Carrying value at beginning of period	7,115	16,923	253,511	21,350	5,145	304,044
Additions	694	3,118	198	-	-	4,010
Disposals	(1,177)	(22)	-	-	-	(1,199)
Amortisation expense	(397)	(1,776)	(9,784)	(400)	(486)	(12,843)
Net carrying value of other intangible assets	6,235	18,243	243,925	20,950	4,659	294,012

	31 Dec 13 \$'000	30 Jun 13 \$'000
16 Goodwill		
Cost	595,099	595,099
Accumulated impairment	(17,009)	(17,009)
Net carrying value of goodwill	578,090	578,090
Carrying value at beginning of period	578,090	564,372
Acquisition through business combination	-	22,492
Deferred tax recognised on acquisition of intangibles	-	(4,196)
Impairment	-	(4,578)
Balance at end of period	578,090	578,090

	31 Dec 13 \$'000	30 Jun 13 \$'000
17 Tax assets and liabilities		
Current tax liability	18,687	11,845
Deferred tax asset	20,169	23,548
Deferred tax liabilities	(80,951)	(81,856)
Net deferred tax liability	(60,782)	(58,308)

IOOF Interim Financial Report 2013
Notes to the financial statements

18 Payables

	31 Dec 13 \$'000	30 Jun 13 \$'000
Accounts payable	17,594	20,947
Payables to statutory benefit funds and other related parties	5,686	6,859
Income received in advance	462	757
Accrued expenses	25,698	24,431
Goods and service tax payable	5,018	4,115
	54,458	57,109

19 Borrowings

	31 Dec 13 \$'000	30 Jun 13 \$'000
Cash Advance & Working Capital Facility drawn - Commonwealth Bank of Australia	110,000	105,000
Finance lease liabilities	1,327	1,615
	111,327	106,615

Maturity analysis as at 31 Dec 13	<3 months	3 to 12 months	12 months or more	No stated maturity	Total contractual cash flows	Carrying amount
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
CBA facilities	20,204	71,684	20,495	-	112,383	110,000
Finance lease liabilities	152	449	822	-	1,423	1,327
	20,356	72,133	21,317	-	113,806	111,327

20 Other financial liabilities

	31 Dec 13 \$'000	30 Jun 13 \$'000
Contingent consideration	2,566	4,402
Share buy-back liability	25,689	25,857
	28,255	30,259

Maturity analysis as at 31 Dec 13	<3 months	3 to 12 months	12 months or more	No stated maturity	Total contractual cash flows	Carrying amount
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Contingent consideration	-	2,594	-	-	2,594	2,566
Share buy-back liabilities (i)	-	-	-	25,689	25,689	25,689
	-	2,594	-	25,689	28,283	28,255

- (i) A liability has been recognised in respect of an obligation by the IOOF Group to buy back vested shares in some Perennial IOOF Group subsidiaries under certain circumstances. The above liabilities are recorded at fair value.

IOOF Interim Financial Report 2013
Notes to the financial statements

	31 Dec 13 \$'000	30 Jun 13 \$'000
21 Provisions		
Employee entitlements	39,470	44,463
Directors' retirement	379	341
Onerous contracts	2,132	2,375
Other provisions	1,400	889
	43,381	48,068

	31 Dec 13 \$'000	30 Jun 13 \$'000
22 Other liabilities		
Deferred revenue liability	7,482	8,552
Lease incentives	2,278	2,672
	9,760	11,224

	31 Dec 13 \$'000	30 Jun 13 \$'000
23 Share capital		
Ordinary shares	868,313	869,269
Treasury shares	(1,006)	(6,948)
	867,307	862,321

	Six months ended 31 December 2013		Year ended 30 June 2013	
	No. '000	\$'000	No. '000	\$'000
Ordinary shares				
On issue at the start of the period	232,118	869,269	232,038	869,070
Proceeds from exercise of options under executive and employee share option plan	-	7,048	80	3,186
Performance rights vested during the period	-	551	-	926
Transfer from employee equity-settled benefits reserve on exercise of options	-	2,361	-	1,036
Treasury shares transferred to employees during the year	-	(10,916)	-	(4,169)
On-market purchase of shares transferred to employees during the period	-	-	-	(780)
On issue at the end of the period	232,118	868,313	232,118	869,269
Treasury shares				
On issue at the start of the period	(836)	(6,948)	-	-
Purchase of treasury shares	(569)	(4,974)	(1,405)	(11,117)
Treasury shares transferred to employees during the period	1,288	10,916	569	4,169
On issue at the end of the period	(117)	(1,006)	(836)	(6,948)

IOOF Interim Financial Report 2013

Notes to the financial statements

23 Share capital (continued)

Issuances, repayments and repurchases of equity securities

Issuance of ordinary shares

During the half-year, the Company did not issue any shares. In the prior period the company issued 53,619 ordinary shares for \$159,000 on exercise of 53,619 share options issued under its executive share option plan.

During the half-year, the Company issued the following performance rights to executives as follows:

Recipients	Rights Issued #	Fair Value \$
Senior Management	150,000	6.07
Managing Director	100,000	5.45

24 Reserves

Available-for-sale investment revaluation reserve
 Business combinations reserve
 Share buy-back revaluation reserve
 Foreign currency translation reserve
 Share-based payments reserve

	31 Dec 13 \$'000	30 Jun 13 \$'000
	6,540	1,638
	(326)	(326)
	(14,275)	(13,389)
	16	14
	5,829	5,975
	(2,216)	(6,088)

25 Accumulated losses

Accumulated losses at beginning of period
 Profit for the period attributable to owners of the Company
 Transfer of asset revaluation reserve
 Transfer of lapsed share options from reserves
 Dividends paid
Balance at end of period

	Six months ended 31 Dec 13 \$'000	Year ended 30 Jun 13 \$'000
	(52,139)	(47,138)
	48,181	79,769
	-	1,072
	-	1,178
	(52,138)	(87,020)
	(56,096)	(52,139)

26 Dividends

The following dividends were declared and paid by the Company:

Recognised amounts

Fully paid ordinary shares

Interim dividend

Six months ended 31 December 2013		Six months ended 31 December 2012	
Cents per share	Total \$'000	Cents per share	Total \$'000
22.5	52,227	19.5	45,258

In respect of the six months ended 31 December 2013, on 25 February 2014 the Directors declared the payment of an interim dividend of 22.5 cents per share franked to 100% at 30% corporate income tax rate to the holders of fully paid ordinary shares to be paid on 9 April 2014. This dividend will be paid to all shareholders recorded on the Register of Members on 18 March 2014. The dividend has not been provided for at 31 December 2013.

IOOF Interim Financial Report 2013

Notes to the financial statements

27 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 receivable from or paid/payable to IOOF Group entities.

	Statutory	
	31 Dec 13 \$'000	31 Dec 12 \$'000
(a) Assets relating to statutory funds		
Cash at bank	4,816	3,435
Receivables	14,077	16,122
Shares in listed companies	22,538	19,463
Unlisted unit trusts	805,671	758,229
Derivatives	140	89
Loans to policyholders	9,282	8,853
Margin accounts	597	946
Mortgages	1	4
Deferred tax assets	183	-
Investments backing policyholder liabilities designated at fair value through profit or loss	857,305	807,141

Investments held in the life insurance 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 parties of the IOOF Group.

(b) Liabilities relating to statutory funds

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.

	Statutory	
	31 Dec 13 \$'000	30 Jun 13 \$'000
Derivative liabilities	55	-
Payables	1,904	2,746
Seed capital	7,153	7,153
Deferred tax liabilities	12,626	1,182
Contract policy liabilities - investment contracts with DPF	375,362	390,902
Investment contract liabilities	450,102	396,243
Non-controlling interests in controlled trusts	10,103	8,915
	857,305	807,141

IOOF Interim Financial Report 2013

Notes to the financial statements

27 Statutory funds (continued)

	Statutory	
	31 Dec 13 \$'000	31 Dec 12 \$'000
(c) Contribution to profit or loss of statutory funds		
Life statutory revenue		
Interest income	256	335
Dividends and distributions received	13,138	19,435
Net fair value gains/(losses) on other financial assets designated as fair value through profit or loss	42,668	37,086
Net gains(losses) on foreign exchange	88	24
<u>Investment contracts with DPF:</u>		
Contributions received - investment contracts with DPF	5,937	9,027
DPF policyholder liability decrease	15,540	8,445
Non - DPF policyholder liability decrease/(increase)	(34,034)	(30,173)
Other fee revenue	2,060	1,991
	45,653	46,170
Life statutory expenses		
Service and marketing fees expense	6,332	6,110
Life insurance operating expenses	45	17
<u>Investment contracts with DPF:</u>		
Benefits and withdrawals paid	24,452	24,996
Termination bonuses	65	79
Distribution to policyholders	89	60
Interest	94	196
	31,077	31,458
Income tax	14,576	14,712
Net contribution to profit or loss of statutory funds	-	-

28 Contingencies and commitments

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 current proceedings, either individually or in aggregate, is likely to materially affect its operations or financial position. There have been no significant changes in contingent liabilities or contingent assets since the consolidated financial report as at and for the year ended 30 June 2013.

29 Subsequent events

Other than the declaration of the interim dividend, the Directors are not aware of any event or circumstance since the end of the half-year not otherwise dealt with in this report that has or may significantly affect the operations of the IOOF Group, the results of those operations or the state of affairs of the IOOF Group in subsequent financial years.